Annual report

for the year ended December 31, 2010

Deutsche Telekom International Finance B.V.

Amsterdam

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Annual Report of the directors

Directors' report

The Board of Management is pleased to present the annual report and financial statements of Deutsche Telekom International Finance B.V. (the Company) for the financial year ended December 31, 2010.

Review of financial position and result

The state of affairs of the Company at the closing of the financial year is adequately presented in the statement of financial position and the statement of comprehensive income. The course of business of the Company went in line with expectations of the management.

Business activities

In 2010 the Company issued five Medium Term Notes (MTNs) under its Debt Issuance Programme (DIP). On January 25, 2010 the Company issued an MTN of nominal EUR 100.000.000, on January 28, 2010 an MTN of nominal EUR 100.000.000, on March 16, 2010 an MTN of nominal EUR 500.000.000, on April 22, 2010 an MTN of nominal EUR 500.000.000 and on October 28, 2010 an MTN of nominal EUR 300.000.000.

On July 13, 2010 the Company issued a bond of nominal EUR 1.250.000.000 under its DIP.

On November 26, 2010 the Company entered into a finance contract with the European Investment Bank (EIB) for a credit of an amount equivalent to up to EUR 150.000.000. The EIB shall disburse this credit in up to 3 tranches. On December 17, 2010, the first tranche amounting to HUF 28.418.000.000 (equal to EUR 100.000.000) was disbursed.

On January 19, 2010 the Company redeemed the Company’s Eurobond 2005 with a nominal amount of EUR 1.250.000.000. On June 15, 2010 the Company redeemed one tranche of the Company’s Global Bond 2000 with a nominal amount of USD 3.000.000.000 and on July 6, 2010 the Company redeemed another tranche of the Company’s Global Bond 2000 with a nominal amount of EUR 750.000.000.

On January 29, 2010 the Company paid the second contractual annual instalment of HUF 9.486.320.000 of its HUF 47.431.600.000 loan from the European Investment Bank (EIB).

On July 13, 2010 the Company repaid a GBP 150.000.000 bank loan to the Kreditanstalt für Wiederaufbau, Frankfurt am Main, Germany.
On December 9, 2010 the Company repaid an MTN with a nominal amount of GBP 250.000.000.

During 2010 the Company granted several new loans to DTAG for the total nominal amounts of EUR 2.750.000.000.
During 2010 some loans to DTAG were assumed by other group companies for the total nominal amounts per respective currency of EUR 5.759.741.350, USD 4.150.000.000 and GBP 80.000.000.
Also some loans to other group companies were assumed by DTAG for the total nominal amounts of GBP 1.168.829.058.

The Company achieved a net profit of EUR 25.662.117 versus a net profit of EUR 18.041.942 in 2009.

On December 1, 2010 Stephan Wiemann was relieved from his function as one of the Managing Directors and was replaced by Dr. Igor Soczynski on the same date. The proxy of Dr. Igor Soczynski was repealed by December 1, 2010 and conferred to Jakob Poggensee.

Future business developments and financing

The management does not anticipate any major changes during the current financial year and expects to continue with its financing activities. Since derivatives are carried at fair value and the non-derivative instruments at amortised costs, the result of the Company under IFRS is volatile. However, we expect net positive cash flows in each of the following years. The number of personnel is expected to be kept at the same level.

Amsterdam, February 18, 2011

The Managing Directors,

Dr. Igor Soczynski

Robin Sheridan

Financial statements

Statement of comprehensive income

thousands of €	Note	2010	2009
Finance income (costs)	1		
Interest income		1.892.652	1.983.276
Interest expense		(1.990.370)	(2.054.858)
Other financial income (expense)	2	129.565	96.450
Profit (loss) from financial activities		**31.847**	**24.868**
General and administrative expenses	3	(667)	(703)
Other operating income		36	22
Profit (loss) from operations		**(631)**	**(681)**
Profit (loss) before income taxes		**31.216**	**24.187**
Income taxes	4	(5.554)	(6.145)
Profit (loss) after income taxes		**25.662**	**18.042**
Other comprehensive income		**-**	**-**
Profit attributable to owners of the parent:		25.662	18.042
Total comprehensive income attributable to owners of the parent:		-	-

Statement of financial position

(Before proposed appropriation of result)

thousands of €	Note	Dec. 31, 2010	Dec. 31, 2009
Assets			
Current assets		**5.459.733**	**5.469.059**
Financial assets	5	5.459.562	5.467.465
Income tax receivable	4	171	1.594
Non-current assets		**27.518.958**	**28.652.638**
Property, plant and equipment		44	49
Financial assets	5	27.518.902	28.652.258
Other assets		12	331
Total Assets		**32.978.691**	**34.121.697**
Liabilities and shareholder's equity			
Current liabilities		**5.548.717**	**5.531.093**
Financial liabilities	6	5.548.484	5.531.024
Other liabilities		233	69
Non-current liabilities		**27.062.469**	**28.242.228**
Financial liabilities	6	26.942.691	28.125.891
Other provisions		15	15
Deferred tax liability	4	119.763	116.322
Liabilities		**32.611.186**	**33.773.321**
Shareholder's equity	7	**367.505**	**348.376**
Issued Capital		454	454
Other reserves		341.389	329.880
Net profit (loss)		25.662	18.042
Total Liabilities and shareholder's equity		**32.978.691**	**34.121.697**

Statement of changes in equity

thousands of €	Note	Issued share	Other reserves	Result for the year	Total
	7				
Balance as at January 1, 2010		454	329.880	18.042	348.376
Result current year				25.662	25.662
Unappropriated net profit (loss) carried forward			18.042	(18.042)	-
Dividends paid			(6.533)		(6.533)
Balance as at December 31, 2010		**454**	**341.389**	**25.662**	**367.505**

thousands of €	Note	Issued share capital	Other reserves	Result for the year	Total
	7				
Balance as at January 1, 2009		454	321.129	16.543	338.126
Result current year				18.042	18.042
Unappropriated net profit (loss) carried forward			16.543	(16.543)	-
Dividends paid			(7.792)		(7.792)
Balance as at December 31, 2009		**454**	**329.880**	**18.042**	**348.376**

Statement of cash flows

thousands of €	Note	Dec. 31, 2010	Dec. 31, 2009
	8		
Interest received		1.898.654	1.977.003
Interest paid		(1.994.619)	(1.863.284)
Net interest received (paid) from derivatives		121.898	(88.946)
Guarantee fees paid		(16.183)	(15.816)
Net income tax paid		(666)	(2.555)
Others		(728)	(1.225)
Net cash from operating activities		**8.356**	**5.177**
Cash outflows for investments in			
- Loans		(2.827.830)	(4.842.531)
Proceeds from disposal of			
- Loans		4.879.488	4.202.166
Net cash inflow from investments and disposals of derivatives		80.836	106.524
Net cash used in investing activities		**2.132.494**	**(533.841)**
Repayment of current financial liabilities		(4.925.303)	(4.256.803)
Proceeds from issue of non-current financial liabilities		2.827.829	4.822.358
Repayment of non-current financial liabilities		(35.020)	(31.714)
Dividend payments		(6.533)	(7.792)
Net cash from financing activities		**(2.139.027)**	**526.049**
Net increase (decrease) in cash and cash equivalents		**1.823**	**(2.615)**
Cash and cash equivalents, at the beginning of the year		**1.601**	**4.216**
Cash and cash equivalents, at the end of the year		**3.424**	**1.601**

Notes to the financial statements

General information

Deutsche Telekom International Finance B.V. (hereafter “the Company”) is the financing company of Deutsche Telekom AG, Bonn, Germany (hereafter “DTAG”). Its principal activity consists of the issuance of debt instruments and funding of the Deutsche Telekom Group. The Company with its statutory seat at Herengracht 124-128, 1015 BT Amsterdam, the Netherlands, is a 100% subsidiary of DTAG, which is also the ultimate parent of the Company. The Company’s financial statements are included in the consolidated financial statements of DTAG. The financial statements of the Company for the 2010 financial year were authorised for issue by the Board of Management on February 18, 2011.

Basis of preparation

The single entity financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter “IFRS”) as adopted by the EU. All IFRS issued by the International Accounting Standards Board (hereafter “IASB”), effective at the time of preparation these financial statements and applied by the Company have been adopted by the European Commission for use in the EU. The financial statements of the Company comply with IFRS as issued by the IASB and therefore the term IFRS is used in the following. The financial year corresponds to the calendar year. Both the functional and presentation currency of the Company is Euro. All values are rounded to the nearest thousand except when otherwise indicated.

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

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

Pronouncement	Date of issue by the IASB	Title
IFRS 3 / IAS 27	January 10, 2008	Business Combinations / Consolidated and Separate Financial Statements
IFRS 1	November 24, 2008	First-time Adoption of International Financial Reporting Standards
IAS 39	July 31, 2008	Financial Instruments: Recognition and Measurement
IFRIC 17	November 27, 2008	Distribution of Non-Cash Assets to Owners
IFRS 2	June 18, 2009	Share-based Payment

The pronouncements and/or amendments did not have an impact on the presentation of the Company’s results of operations, financial position or cash flows.

Standards, interpretations and amendments issued, but not yet adopted

In January 2010, IFRS 1 was extended by some minor supplements, which have been mandatory for financial years from July 1, 2010. The European Union endorsed these amendments in June 2010. None of the amendments to IFRS 1 are relevant for the Company's financial reporting.

In October 2009, the IASB issued an amendment to IAS 32 "Financial Instruments: Presentation." The European Union endorsed this amendment in December 2009. This amendment clarifies the classification of rights issues as equity or liabilities when the rights are denominated in a currency other than the issuer's functional currency. Previously, such rights issues had been accounted for as derivative liabilities. The amendment requires that if such rights are issued pro rata to an entity's shareholders for a fixed amount of currency, they are to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for financial years beginning on or after February 1, 2010. The amendment is not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

In November 2009, the IASB issued amendments to IAS 24 "Related Party Disclosures." Previously, entities that are controlled or significantly influenced by a government had been required to disclose information about all transactions with entities that are controlled or significantly influenced by the same state. The revised standard still requires disclosures that are important to users of financial statements. However, in the future, information that is costly to produce or that is of little value for users of financial statements will be exempt from this requirement. Only information on transactions that are individually or collectively significant is still to be disclosed. In addition, the definition of a related party was simplified and a number of inconsistencies were eliminated. The European Union endorsed these amendments in July 2010. The revised standard is effective retrospectively for financial years beginning on or after January 1, 2011. The amendments are not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

In November 2009, the IASB issued IFRS 9 "Financial Instruments." The European Union has not yet endorsed the amendments. The standard is the result of the first of three phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9. IFRS 9 governs the classification and measurement of financial assets. The rules for impairment of financial instruments and hedge accounting are currently being revised by the IASB and have not yet been finalized. IFRS 9 requires financial assets to be assigned to one of the following two measurement categories: "at amortized cost" or "at fair value." IFRS 9 also grants a fair value option which allows financial assets that would normally be assigned to the "at amortized cost" category to be designated as "at fair value" if the fair value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the "at fair value" category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition to designate it as "at fair value" through other comprehensive income.

Dividend income resulting from the equity instrument is recognized in profit or loss. IFRS 9 is effective for financial years beginning on or after January 1, 2013. The provisions are to be applied retrospectively. The Company is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In November 2009, the IASB issued an amendment to its requirements on accounting for pension plans. The European Union endorsed the amendment in July 2010. The amendment is to IFRIC 14 "Prepayments of a Minimum Funding Requirement," which is an interpretation of IAS 19 "Employee Benefits." The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of January 1, 2011. Retrospective adoption is required. The amendment is not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

In November 2009, the IASB issued the interpretation IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments." The European Union endorsed IFRIC 19 in July 2010. The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to settle the financial liabilities fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability fully or partially. In addition, these equity instruments are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The interpretation is effective for financial years beginning on or after July 1, 2010. The adoption of IFRIC 19 is not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

In May 2010, the IASB published pronouncements as part of its third Annual Improvements Project containing amendments to six standards and one interpretation. The European Union has not yet endorsed the amendments. The amendments do not have a material impact on the presentation of the Company's results of operations, financial position or cash flows and are effective for financial years beginning on or after January 1, 2011.

In October 2010, the IASB issued the pronouncement "Disclosures – Transfers of Financial Assets" as a supplement to IFRS 7 "Financial Instruments: Disclosures." The amendment requires quantitative and qualitative disclosures to be made for transfers of financial assets where the transferred assets are not derecognized in their entirety or the transferor retains continuing involvement. The amendment is intended to provide greater transparency around such transactions (e.g., securitizations) and help users understand the possible effects of any risks that may remain with the entity that transferred the assets. The amendment also requires supplementary information to be disclosed if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period. The amendments are applicable for financial years beginning on or after July 1, 2011. The European Union has not yet endorsed this pronouncement. The pronouncement is not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

Also in October 2010, the IASB issued requirements on accounting for financial liabilities. These are integrated into IFRS 9 "Financial Instruments" and replace the existing provisions on this subject in IAS 39 "Financial Instruments: Recognition and Measurement." In the new pronouncement, the requirements relating to recognition and derecognition as well as most of the requirements for classification and measurement are carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities are changed in the new IFRS 9 to address own credit risk and the prohibition of fair value measurement is actually eliminated for derivative liabilities that are linked to an unquoted equity instrument and must be settled by delivery of an unquoted equity instrument. The pronouncement is effective for financial years beginning on or after January 1, 2013. The European Union has not yet endorsed this pronouncement. The pronouncement is not expected to have an impact on the presentation of the Company's results of operations, financial position or cash flows.

Changes in accounting policies

There have not been any changes in accounting policies in 2010.

Accounting policies

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

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

convention in the market place concerned), the settlement date is relevant for the initial recognition and derecognition.

Financial assets are measured at fair value on initial recognition. For all financial assets not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account. The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets. If these are not immediately available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve taking into account maturity adjusted spreads are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.
The Company assesses whether the embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.
The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year end.
The Company has not made use of the option of designating financial assets upon initial recognition as financial assets at fair value through profit or loss.
The carrying amounts of the financial assets that are not measured at fair value through profit and loss are tested at each reporting date to determine whether there is objective material evidence of impairment. Any impairment caused by the fair value being lower or higher 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 derecognised when:

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

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

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

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

Property, plant and equipment is carried at cost less straight-line depreciation and impairment losses. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 and adjusted if appropriate at the end of each financial year end. An item of property, plant and equipment is derecognised 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 derecognised. Impairment of property, plant and equipment is identified by comparing the carrying amount with the recoverable amounts. At each reporting dated, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the asset must be determined. Impairment losses are reversed if the reasons of recognizing the original impairment loss no longer apply.

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

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

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.

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

Provisions are recognised 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 recognised 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**	
	2010	**2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
1 Swiss frank (CHF)	0,72413	0,66222	0,79900	0,67387
100 Czech korunas (CZK)	3,95536	3,78123	3,98728	3,77646
1 Pound sterling (GBP)	1,16553	1,12218	1,15979	1,12387
1000 Hungarian forints (HUF)	3,63022	3,56631	3,59999	3,69609
1 U.S. dollar (USD)	0,75398	0,71692	0,74698	0,69393

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

Deferred taxes are recognized for temporary differences between the carrying amounts in the statement of financial position and the tax base. Currently enacted tax laws and tax laws that have been substantively enacted as of the statement of financial position date are used as the basis for measuring deferred taxes. Deferred tax assets are only recognized to an extent that they are recoverable in the foreseeable future.

Measurement uncertainties

There have not been any material measurement uncertainties. Regarding assumptions made for the calculation of fair values we refer to the section under accounting policies (derivative financial instruments).

Notes to the statement of comprehensive income

1. Finance income (costs)

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

thousands of €	2010	2009
Interest income	1.892.652	1.983.276
Interest expense	(1.990.370)	(2.054.858)
	(97.718)	**(71.582)**
Of which: from financial instruments relating to categories in accordance with IAS 39:		
- Loans and receivables:	1.892.652	1.983.276
- Financial liabilities measured at amortized cost	(1.990.370)	(2.054.858)

Interest income of thousands of euro (hereafter "TEUR") 1.892.629 has been earned from contracts with Deutsche Telekom group companies in 2010 (2009: TEUR 1.983.239). All interest expense in 2010 and 2009 respectively has been derived from group external debt.

2. Other financial income (expense)

The item breaks down as follows:

thousands of €	2010	2009
Gain (loss) from financial instruments	(84.045)	187.354
Gain (loss) from foreign exchange differences	213.610	(90.904)
	129.565	**96.450**

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

All net gains from financial instruments in 2010 (and 2009) are earned from derivative contracts with DTAG.

3. General and administrative expenses

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

thousands of €	2010	2009
Personnel costs		
Remuneration Management Board	136	149
Other salaries	171	153
Other social security costs	17	16
Total personnel costs	**324**	**318**
Other general and administrative expenses		
Office rent	47	41
Service fees	119	119
Audit and tax consultancy fees	100	140
Telephone	34	38
Computer lease	7	7
Depreciation	6	6
Other	30	34
Total other general and administrative expenses	**343**	**385**
Total general and administrative expenses	**667**	**703**

The remuneration of the Board of Management consists of short-term employee benefits.
The remuneration of the Supervisory Board in 2010 was nil (2009: nil).
Total expenses recognized for defined contribution plans (state pension plan) in 2010 were TEUR 23 (2009: TEUR 23).
As at December 31, 2010 the Company employed 4 persons (2009: 4).

Service fees of TEUR 119 have been paid in 2010 for services of DTAG (2009: TEUR 119).
Furthermore, computer leasing fees of TEUR 7 have been paid in 2010 to DTAG (2009: TEUR 7).

4. Income tax

Income taxes in the statement of comprehensive income:

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

thousands of €	2010	2009
Current income taxes	2.113	2.217
Adjustment in respect of current income tax of prior years	-	(12)
Deferred tax expense (income)	3.441	3.940
	5.554	**6.145**

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

thousands of €	2010	2009
Profit before income taxes	**31.216**	**24.187**
Expected income tax expense*	7.794	6.157
Effect from the change in income tax as of 1.1.2011 on deferred taxes in prior years**	(2.281)	-
Effect from the change in income tax as of 1.1.2011 on deferred taxes in the current year**	(114)	-
Income tax expense (benefit) according to income statement	**5.554**	**6.145**
Effective income tax rate (%)	17,79%	25,41%

* Applicable income tax rates in the Netherlands ranged from 20% to 25,5% in 2010 (2009: 20% to 25,5%).
For the Company the average income tax rate was 17,3% in 2010 (2009: 25,5%).
** Top corporate income tax rate will change from 25,5% to 25% as of 1.1.2011. This corporate income tax rate change in the Netherlands is substantively enacted.

Income taxes in the statement of financial position:

Current income taxes in the statement of financial position refer to recoverable income taxes amounting to TEUR 171 as of December 31, 2010 (December 31, 2009: TEUR 1.594). All income taxes are payable in the Netherlands.

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

thousands of €	Dec. 31, 2010		Dec. 31, 2009	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Current assets	**151.305**	**(100.120)**	**100.222**	**(37.507)**
Financial assets	151.305	(100.120)	100.222	(37.507)
Non-current assets	**106.382**	**(253.196)**	**169.435**	**(300.817)**
Financial assets	67.125	(253.196)	128.260	(300.817)
Prepaid expenses*	39.257		41.175	
Current liabilities	**6.139**	**(104.465)**	**4.411**	**(121.717)**
Financial liabilities	6.139	(40.429)	4.411	(56.626)
Other deferred income*	-	(64.036)	-	(65.091)
Non-current liabilities	**99.784**	**(25.592)**	**90.267**	**(20.616)**
Financial liabilities	99.784	(25.592)	90.267	(20.616)
Total	**363.610**	**(483.373)**	**364.335**	**(480.657)**
Of which: non-current	206.166	(278.788)	259.702	(321.434)
Netting:	(363.610)	363.610	(364.335)	364.335
Recognition:	-	(119.763)	-	(116.322)

* refers to tax balance sheet item

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

Notes to the statement of financial position

5. Financial assets

The following table provides a breakdown of the financial assets:

thousands of €	Dec. 31, 2010		Dec. 31, 2009	
	Total	Of which: current	Total	Of which: current
Loans to group companies	31.092.487	4.586.369	31.940.595	4.468.013
Derivative financial instruments	1.072.318	59.534	1.392.789	213.113
Interest receivables	810.235	810.235	784.738	784.738
Cash Pooling	3.424	3.424	1.601	1.601
	32.978.464	**5.459.562**	**34.119.723**	**5.467.465**

Under long-term two loans are included which will be partly paid back in 2011 with USD 4.966.211 (EUR 3.709.668) and HUF 9.486.320.000 (EUR 34.150.657).

As of December 31, 2009, two loans are included in long-term loans which were partly paid back in 2010 as scheduled with USD 4.691.907 (EUR 3.255.874) and HUF 9.486.320.000 (EUR 35.062.292).

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

thousands of €	Dec. 31, 2010		Dec. 31, 2009	
	Total	Of which: current	Total	Of which: current
Germany*	16.638.564	3.500.393	18.002.782	656.597
USA	11.682.949	373.333	9.553.977	3.208.528
The Netherlands	1.300.000	500.000	1.330.063	30.063
UK	92.555	-	1.436.307	285.771
Other countries	1.378.419	212.643	1.617.466	287.054
	31.092.487	**4.586.369**	**31.940.595**	**4.468.013**

* of which loans to shareholder: TEUR 13.035.766 (2009: TEUR 17.737.208)

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

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

DTAG, having a credit-rating of Baa1 at Moody's and BBB+ at S&P and Fitch, has also issued a letter of comfort on November 30, 2004, renewed by a letter of comfort on January 20, 2010, for all repayments of loans to affiliated companies, except for the own risk the Company bears with a maximum of EUR 2 million.

The loans have stated coupon interest rates as per December 31, 2010 of 1,53% to 9,33% (2009: 1,20% to 9,33%) and mature in 1 to 23 years.

The Company uses derivatives entered into before 2009 to hedge the interest rate and currency risks resulting from its financing activities. It does not hold derivatives for speculative nor trading purposes. All derivatives have been contracted with the parent company, DTAG. The Company does not make use of hedge accounting as defined under IAS 39.

Since derivatives are carried at fair value and the non-derivative instruments at amortised costs, the result under IFRS of the Company is volatile. As can be seen from the liquidity analysis under note 6 however, the Company always has net positive cash flows in every year until the last contract expires.

All interest receivables as of December 31, 2010 (and December 31, 2009 respectively) refer to accrued interest from companies of Deutsche Telekom Group, of which TEUR 478.440 relate to DTAG (2009: TEUR 627.278).

The receivable from cash pooling as of December 31, 2010 (and December 31, 2009 respectively) refers to the balance of the inter-company clearing account with DTAG. This item is also the only component of cash and cash equivalent in the statement of cash flows. We refer to note 8.

6. Financial liabilities

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

thousands of €	Dec. 31, 2010			
	Total	**due within 1 year**	**due > 1 year < 5 years**	**due > 5 years**
Bonds and other securitized liablities				
Nonconvertible bonds	21.117.603	3.876.360	8.673.888	8.567.355
Medium term notes	9.661.471	749.607	3.991.642	4.920.222
Liabilities to banks	385.700	-	283.932	101.768
Guarantee fees	90.707	9.733	17.058	63.916
Interest liabilities	892.022	892.022	-	-
Other financial liabilities	-	-	-	-
Derivative financial instruments	343.672	20.762	64.080	258.830
	32.491.175	**5.548.484**	**13.030.600**	**13.912.091**

thousands of €	Dec. 31, 2009			
	Total	**due within 1 year**	**due > 1 year < 5 years**	**due > 5 years**
Bonds and other securitized liablities				
Nonconvertible bonds	23.436.182	4.085.382	9.160.799	10.190.001
Medium term notes	8.381.198	280.843	4.599.252	3.501.103
Liabilities to banks	494.996	168.586	140.057	186.353
Guarantee fees	73.275	8.742	17.193	47.340
Interest liabilities	893.839	893.839	-	-
Other financial liabilities	60	60	-	-
Derivative financial instruments	377.365	93.572	107.126	176.667
	33.656.915	**5.531.024**	**14.024.427**	**14.101.464**

In the long-term liabilities to banks due within five years one loan is included that will be repaid in tranches of HUF 9.486.320.000 (EUR 34.150.657) in each of the following three years. As per 31 December, 2009 four tranches of HUF 9.486.320.000 (EUR 35.062.292) each remained.

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

In 2010 and 2009 respectively, all interest liabilities refer to group external debt.

Liquidity analysis

The following tables show the contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative values as of December 31, 2010 and as of December 31, 2009 respectively. All instruments held at December 31, 2010 (December 31, 2009 respectively) and for which payments were already contractually agreed are included. New liabilities are not included in planning data for the future. 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, 2010 (December 31, 2009 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, 2010:

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

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

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

The following tables show the liquidity analysis as of December 31, 2009:

thousands of €	2010			2011		
	Interest (including guarantee fees)		Repayments	Interest (including guarantee fees)		Repayments
	Fix	Floating		Fix	Floating	
Liabilities (cash payments)						
Bonds	(1.438.006)	-	(4.081.802)	(1.147.377)	-	(3.846.967)
MTNs	(440.641)	(10.773)	(280.968)	(423.222)	(10.747)	(750.000)
Banks Loans	(22.222)	(7.495)	(203.643)	(15.369)	(5.072)	(35.062)
Guarantee Fees	(15.593)	-	-	(13.214)	-	-
Cross currency swaps	(65.845)	(104.213)	(1.738.902)	(20.484)	(90.265)	(351.618)
Interest rate swaps	(212.677)	(216.125)	-	(193.171)	(186.448)	-
Assets (cash receivables)						
Loans to aff. Comp.	1.688.784	118.056	4.498.599	1.422.636	101.380	4.600.230
Cross currency swaps	19.680	119.908	1.817.923	684	102.277	386.863
Interest rate swaps	481.307	103.751	-	391.042	90.847	-
Total	**(5.213)**	**3.109**	**11.207**	**1.525**	**1.972**	**3.446**
Total cash flow for the year			**9.103**			**6.943**

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thousands of €	2012-2014			2015-2019		
	Interest (including guarantee fees)		Repayments	Interest (including guarantee fees)		Repayments
	Fix	Floating		Fix	Floating	
Liabilities (cash payments)						
Bonds	(2.201.493)	-	(5.338.925)	(1.954.364)	-	(7.054.228)
MTNs	(1.083.787)	(4.120)	(3.873.870)	(1.028.164)	-	(1.430.968)
Banks Loans	(46.107)	(3.369)	(70.125)	(15.369)	-	(186.970)
Guarantee Fees	(27.447)	-	-	(18.902)	-	-
Cross currency swaps	(13.408)	(187.796)	(1.795.525)	-	(17.606)	(1.321.851)
Interest rate swaps	(458.025)	(432.547)	-	(560.221)	(218.676)	-
Assets (cash receivables)						
Loans to aff. Comp.	2.841.700	194.188	9.080.373	2.833.279	17.607	8.518.326
Cross currency swaps	-	246.108	2.009.667	-	22.759	1.500.000
Interest rate swaps	988.798	190.924	-	730.740	200.379	-
Total	**231**	**3.388**	**11.595**	**(13.001)**	**4.463**	**24.309**
Total cash flow for the years			**15.214**			**15.771**

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thousands of €	2020-2033		
	Interest (including guarantee fees)		Repayments
	Fix	Floating	
Liabilities (cash payments)			
Bonds	(2.918.634)	-	(3.112.897)
MTNs	(987.264)	-	(2.117.677)
Banks Loans	-	-	-
Guarantee Fees	(20.324)	-	-
Cross currency swaps	-	-	-
Interest rate swaps	(771.667)	(183.688)	-
Assets (cash receivables)			
Loans to aff. Comp.	3.615.352	-	5.310.779
Cross currency swaps	-	-	-
Interest rate swaps	1.012.888	193.061	-
Total	**(69.649)**	**9.373**	**80.205**
Total cash flow for the years			**19.929**

Additional disclosures on financial instruments

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

thousands of €	Category in accordance to IAS 39	Carrying amount Dec. 31, 2010	Amounts recognized in statement of financial position according to IAS 39		Fair Value Dec. 31, 2010
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans	LaR	31.092.487	31.092.487	-	34.230.399
Other financial assets	LaR	813.659	813.659	-	813.659
Derivative financial assets	FAHfT	1.072.318	-	1.072.318	1.072.318
Liabilities					
Nonconvertible bonds	FLAC	21.117.603	21.117.603	-	23.529.587
Medium term notes	FLAC	9.661.471	9.661.471	-	10.658.776
Liabilities to banks	FLAC	385.700	385.700	-	382.118
Other financial liabilities	FLAC	982.729	982.729	-	982.729
Derivative financial liabilities	FLHfT	343.672	-	343.672	343.672
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	31.906.146	31.906.146	-	35.044.058
Financial Assets Held for Trading	FAHfT	1.072.318	-	1.072.318	1.072.318
Financial Liabilities at Amortized Cost	FLAC	32.147.504	32.147.504	-	35.553.210
Financial Liabilities Held for Trading	FLHfT	343.672	-	343.672	343.672

thousands of €	Category in accordance to IAS 39	Carrying amount Dec. 31, 2009	Amounts recognized in statement of financial position according to IAS 39		Fair Value Dec. 31, 2009
			Amortized costs	Fair value recognized in profit or loss	
Assets					
Loans	LaR	31.940.595	31.940.595	-	35.084.099
Other financial assets	LaR	786.339	786.339	-	786.339
Derivative financial assets	FAHfT	1.392.789	-	1.392.789	1.392.789
Liabilities					
Nonconvertible bonds	FLAC	23.436.182	23.436.182	-	25.630.356
Medium term notes	FLAC	8.381.198	8.381.198	-	9.264.809
Liabilities to banks	FLAC	494.996	494.996	-	500.314
Other financial liabilities	FLAC	967.175	967.175	-	967.175
Derivative financial liabilities	FLHfT	377.365	-	377.365	377.365
Thereof aggregated according to IAS 39 categories					
Loans and Receivables	LaR	32.726.934	32.726.934	-	35.870.438
Financial Assets Held for Trading	FAHfT	1.392.789	-	1.392.789	1.392.789
Financial Liabilities at Amortized Cost	FLAC	33.279.550	33.279.550	-	36.362.653
Financial Liabilities Held for Trading	FLHfT	377.365	-	377.365	377.365

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 be determined by reference to the source of input used to derive the fair value. The classification uses the following three-level hierarchy: Level 1 uses quoted prices in active markets for identical assets or liabilities as input for the determination of the fair value, level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) and level 3 uses inputs for the asset or liability that are not based on observable market data (unobservable inputs). The derivatives of the Company are exclusively categorised under level 2 in the fair value hierarchy of IFRS 7. There have been no transfers between level 1 and level 2 in 2010 and 2009 respectively.

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		2010
Loans and receivables (LaR)	1.892.652	-	1.235.073	-	3.127.725
Financial Instruments held for trading (FAHfT and FLHfT)	-	(84.045)	-	-	(84.045)
Financial liabilities measured at amortized cost (FLAC)	(1.990.370)	-	(1.021.477)	-	(3.011.847)

thousands of €	From interest	From subsequent measurement		From derecognition	Net gain (loss)
		At fair value	Currency translation		2009
Loans and receivables (LaR)	1.983.276	-	200.505	-	2.183.781
Financial Instruments held for trading (FAHfT and FLHfT)	-	187.354	-	-	187.354
Financial liabilities measured at amortized cost (FLAC)	(2.054.858)	-	(109.627)	-	(2.164.485)

The fair value of the quoted bonds and other securitized liabilities equal the nominal amounts multiplied by the price quotations at the reporting date. The fair value of the unquoted bonds, liabilities to banks, medium term notes and other financial liabilities are calculated as present values of the payments associated with the debts, based on the applicable yield curve and DTAG's credit spread curve for specific currencies. The fair values of the Company's assets are determined similarly.

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

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

Finance cost 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 consist of interest income on loans to group companies.

7. Equity

The authorized share capital of the company as at December 31, 2010 amounts to EUR 2.268.901 and consists of 5.000 shares of common stock at a par value of EUR 453,78. The issued share capital amounts to EUR 453.780 and consists of 1.000 shares of common stock at a par of EUR 453,78. The remaining 4.000 shares are un-issued. There were no movements in the number of shares in 2010 or 2009. All shares are held by DTAG.

Other reserves comprise capital reserves and retained earnings including carry-forwards.

In 2010, the Company paid a dividend of 6.532,14 EUR per share (2009: 7.792,57 EUR).

Other disclosures

8. Notes to the statement of cash flows

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

Net cash from operating activities is mainly a result of the net margin earned by the Company.

Net cash used in investing activities mainly comprises cash outflows for loans granted to companies of the Deutsche Telekom Group and cash inflows for loans that have been repaid. Furthermore, the item includes cash in- and outflows for new or expired derivatives that were used for hedging purposes.

Net cash from financing activities mainly includes cash inflows from the issuance of bonds, medium term notes and bank loans and cash outflows from the repayment of these instruments.

The cash in- and outflows for loan repayments and for new loans granted to companies of Deutsche Telekom Group match the cash in- and outflows from issues and/or repayments of bonds, medium term loans and bank loans.

The net amount from the cash pooling with DTAG, is the only component of cash and cash equivalents, and it is measured at cost. This amount is included in financial assets on the statement of financial position. We refer to note 5. The Company has credit facilities with three banks of € 600 million each. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months. In 2010 two banks did extend the credit lines and one bank decided in 2010 not to extend their facility. However this credit facility is only due in 2012.

The Company did not draw on the credit lines in 2010 or 2009. All liabilities from earlier credit line draw downs have been paid back.

9. Segment reporting

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

Geographic information

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

thousands of €	Dec. 31, 2010	Dec. 31, 2009
Germany	1.182.053	1.106.431
USA	548.367	595.073
Other countries	162.232	281.772
	1.892.652	**1.983.276**

In 2010, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 901.312 or 47,62%), T-Mobile USA Inc., Bellevue (TEUR 548.367 or 28,97%) and Telekom Deutschland GmbH, Bonn (TEUR 271.989 or 14,37%).

In 2009, more than 10 % of the total interest income has been earned from loans with DTAG (TEUR 1.094.764 or 55,2%) and T-Mobile USA, Inc., Bellevue (TEUR 595.073 or 30,0%).

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

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

Principles of risk management

The Company's principal financial liabilities, other than derivatives, mainly comprise bank loans bonds and medium term notes. These financial liabilities are the result of the Company's main purpose, i.e. to raise funds for group companies of DTAG. The company's financial assets, other than derivatives, mainly comprise loans to group companies. Before 2009, the Company has entered into derivative transactions, primarily interest rate swaps and cross currency interest rate swaps to manage the interest rate risk and currency risk arising from the group's operations and its sources of funding. It is the Company's policy that derivatives are exclusively used as hedging instruments, i.e. neither for trading nor other speculative purposes. In 2010 and 2009, the Company has not closed any new derivative contracts because it was not necessary in order to manage an interest rate or currency risk.

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

Currency risk

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

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

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

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (loans and other financial assets and interest-bearing and non-interest bearing liabilities) are either directly denominated in the functional currency or have been transferred to the functional currency by means of derivatives closed before 2009.

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

Interest income and interest expense from financial instruments are recorded directly in the functional currency or transferred to the functional currency by means of derivatives closed before 2009. The Company does not hedge the future net margins. This has an impact on the net profit margin of the Company.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2010, other financial income would have been EUR 6,4 million lower (higher) (December 31, 2009: EUR 0,2 million lower (higher)). The hypothetical effect on profit or loss before income taxes of EUR -6,4 million mainly results from the currency sensitivities EUR/USD: EUR -6,8 million (2009: EUR -0,5 million); EUR/HUF: EUR 0,4 million (2009: EUR 0,6 million); EUR/GBP: EUR 0 million (2009: EUR -0,4 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 does nevertheless arise at the level of the Company is hedged by means of derivatives entered into before 2009 so there will effectively be no interest rate risk with respect to cash flows at the level of the Company. However, as the derivatives are valued at fair value a change in interest rates has an impact on the result of the company of the respective year.

Interest rate risks are presented by way of sensitivity analysis 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, 2010, the profit or loss before income taxes would have been EUR 131,5 million lower (higher) (December 31, 2009: EUR 156,6 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, 2010, the profit or loss before income taxes would have been EUR 9,5 million lower (December 31, 2009: EUR 9,3 million lower). If the rating of DTAG had been downgraded as of December 31, 2010, the profit or loss before income taxes would not have materially changed.

Credit risk

Loans are granted to group companies only. The maximum exposure to credit risk is generally represented by the carrying amounts of the financial assets that are carried in the statement of financial position, including derivatives with positive market values. However, DTAG has issued a letter of comfort for all repayments of loans to affiliated companies, above a maximum of EUR 2 million which the Company must bear.

Liquidity risk

Please refer to Note 6.

Capital management

The overriding aim of the company's capital management is to match the assets and liabilities in order to ensure its capability to repay the debt.

11. Related parties

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

12. Events after the statement of financial position date

On January 31, 2011 the Company repaid the third contractual annual instalment of HUF 9.486.320.000 of its HUF 47.431.600.000 loan from the European Investment Bank, Luxembourg and the second tranche of a loan from the European Investment Bank amounting to HUF 14.022.500.000 was disbursed.

Amsterdam, February 18, 2011

The Board of Management:

R. Sheridan

Dr. I. Soczynski

The Supervisory Board:

G. Mischke

D. Cazzonelli

Dr. A. Lützner

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

Other information

Profit appropriation according to the Articles of Association

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

Proposed appropriation of profit

Following the proposed profit appropriation of the Board of Management, and pursuant to article 19 of the Articles of Association, an amount of EUR 6.216.775,53 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 6.216,78.

Post statement of financial position events

No other events occurred since December 31, 2010, which would make the present financial position substantially different from that shown in the statement of financial position as that date, or which would require adjustment to or disclosure in the financial statement.

Independent auditor's report

To: Deutsche Telekom International Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Deutsche Telekom International Finance B.V., Amsterdam, which comprise the statement of financial position as at December 31, 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements
In our opinion, the financial statements give a true and fair view of the financial position of Deutsche Telekom International Finance B.V.as at December 31, 2010 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report , to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, February 18, 2011

Ernst & Young Accountants LLP

Signed by A.A. Beijer