

INTERIM REPORT

for the half year ended June 30, 2018

**DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.**

**MAASTRICHT**

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# Report of the directors

## *Directors' report*

The Board of Management is pleased to present the semi-annual report and the semi-annual financial statements of Deutsche Telekom International Finance B.V. (the Company) as of June 30, 2018.

## *Review of financial position and result*

The business activities of the Company for the six months that ended June 30, 2018 are adequately presented in the statement of financial position and the statement of comprehensive profit and loss. The course of business of the Company went in line with expectations of the management.

## *Business activities*

On January 29, 2018 the Company issued a floating rate bond with a nominal amount of EUR 200,000,000 and a maturity in 2020. On June 1, 2018 the Company issued a bond in four tranches with nominal amounts of EUR 400,000,000 (with floating interest rate), EUR 500,000,000, EUR 1,000,000,000 and EUR 1,000,000,000 and with maturities in 2022 (2x), 2025 and 2029 respectively. On June 21, 2018 the Company issued a USD denominated bond in two tranches with nominal amounts of USD 1,200,000,000 and USD 550,000,000 and with maturities in 2028 and 2038, respectively.

After the reporting date, on July 25, 2018, the Company issued a bond with a nominal amount of EUR 250,000,000 and a maturity in 2033. For the same amounts and the same maturities, the Company granted loans to Deutsche Telekom AG.

On March 29, 2018 the Company redeemed a bond with a nominal amount of EUR 500,000,000 and a loan granted to DTAG with the same nominal amount was repaid to the Company.

The Company made a semi-annual net profit of EUR 1,280,764.93 versus a semi-annual loss of EUR 21,384,794.52 for the first half year of 2017.

## *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, the result of the Company under IFRS is volatile. However, we expect net positive cash flows for the year ending December 31, 2018 as well as in each of the following years.

### *Management representation*

Management declares that, to the best of their knowledge, the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and results of the Company. The semi-annual management report includes a fair review of the development and performance of the business and the position of the Company.

Maastricht, July 26, 2018

The Managing Directors,

Markus Schäfer

Frans Roose

Financial statements (unaudited)

## Statement of comprehensive profit and loss (unaudited)

thousands of €	Six months ended June 30,	
	2018	2017
Finance income (expense)		
Interest income	552.360	576.865
Interest expense	(557.948)	(584.149)
Other financial income (expense)	7.435	(21.080)
<b>Profit (Loss) from financial activities</b>	<b>1.847</b>	<b>(28.364)</b>
General and administrative expenses	(167)	(170)
Other operating income	14	8
Other operating expenses	-	-
<b>Loss from operations</b>	<b>(153)</b>	<b>(162)</b>
<b>Profit (Loss) before income taxes</b>	<b>1.694</b>	<b>(28.526)</b>
Income taxes	(414)	7.141
<b>Profit (Loss) after income taxes</b>	<b>1.280</b>	<b>(21.385)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
Profit (Loss) attributable to owners:	1.280	(21.385)
Total comprehensive profit (loss) attributable to the owners:	1.280	(21.385)

## Statement of financial position (unaudited)

thousands of €	30.06.2018	31.12.2017
<b>Assets</b>		
<b>Current assets</b>	<b>1.163.762</b>	<b>1.728.341</b>
Cash and cash equivalents	9.635	13.016
Financial assets	1.153.902	1.715.321
Income tax receivable	224	-
Other assets	1	4
<b>Non-current assets</b>	<b>35.284.671</b>	<b>30.475.863</b>
Property, plant and equipment	1	1
Financial assets	35.284.670	30.475.862
<b>Total Assets</b>	<b>36.448.433</b>	<b>32.204.204</b>
<b>Liabilities and shareholder's equity</b>		
<b>Current liabilities</b>	<b>1.146.310</b>	<b>1.712.289</b>
Financial liabilities	1.146.173	1.711.262
Income tax liability	41	955
Other liabilities	96	72
<b>Non-current liabilities</b>	<b>35.045.598</b>	<b>30.229.157</b>
Financial liabilities	34.964.798	30.147.424
Deferred tax liability	80.800	81.733
<b>Liabilities</b>	<b>36.191.908</b>	<b>31.941.446</b>
<b>Shareholder's equity</b>	<b>256.525</b>	<b>262.758</b>
Issued Capital	500	500
Retained earnings	254.745	301.078
Net profit (loss)	1.280	(38.820)
<b>Total Liabilities and shareholder's equity</b>	<b>36.448.433</b>	<b>32.204.204</b>

## Statement of changes in equity (unaudited)

thousands of €	Issued share capital	Retained earnings	Result for the year	Total
<b>Balance as at January 1, 2018</b>	<b>500</b>	<b>301.078</b>	<b>(38.820)</b>	<b>262.758</b>
<b>Movements</b>				
Net profit (loss)			1.280	1.280
Appropriation of result		(38.820)	38.820	-
Dividends paid		(7.513)		(7.513)
<b>Balance as at June 30, 2018</b>	<b>500</b>	<b>254.745</b>	<b>1.280</b>	<b>256.525</b>

thousands of €	Issued share capital	Retained earnings	Result for the year	Total
<b>Balance as at January 1, 2017</b>	<b>500</b>	<b>308.426</b>	<b>(2.428)</b>	<b>306.498</b>
<b>Movements</b>				
Net profit (loss)			(38.820)	(38.820)
Appropriation of result		(2.428)	2.428	-
Dividends paid		(4.920)		(4.920)
<b>Balance as at December 31, 2017</b>	<b>500</b>	<b>301.078</b>	<b>(38.820)</b>	<b>262.758</b>



## Statement of cash flows (unaudited)

thousands of €	Six months ended June 30,	
	2018	2017
Proceeds from repayments of loans	500.000	3.044.287
Cash outflows for investments in loans	(4.591.582)	(7.626.816)
Net cash inflow from investments and repayments of derivatives	-	-
Interest received	630.072	694.218
Interest paid	(616.661)	(685.479)
Net interest received (paid) from derivatives	10.211	9.921
Guarantee fees paid	(16.725)	(13.570)
Net income tax paid	(2.498)	(1.542)
Others	(268)	(403)
<b>Net cash from operating activities</b>	<b>(4.087.451)</b>	<b>(4.579.384)</b>
Repayment of financial liabilities	(500.000)	(3.044.287)
Proceeds from issue of financial liabilities	4.591.582	7.626.816
Dividend payments	(7.513)	(4.921)
<b>Net cash from financing activities</b>	<b>4.084.069</b>	<b>4.577.608</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3.382)</b>	<b>(1.776)</b>
<b>Cash and cash equivalents, at the beginning of the period</b>	<b>13.016</b>	<b>11.121</b>
<b>Cash and cash equivalents, at the end of the period</b>	<b>9.634</b>	<b>9.345</b>

# 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 the funding of Deutsche Telekom Group. The Company, with its statutory seat in Maastricht and which has its office at Stationsplein 8-K, 6221 BT Maastricht, 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.

## Basis of preparation

The single entity semi-annual accounts have been prepared in accordance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. It does not contain all the information that is required for the full year financial report and needs to be read in combination with the annual accounts 2017 of the Company, which have been prepared in accordance with IFRS. The principles applied in preparing the half yearly accounts of the Company are similar to those applied by drawing up the annual accounts 2017 of the Company.

## Changes in accounting policies

There have not been any changes in accounting policies in the first half year of 2018.

## 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) of the annual report for the year ended December 31, 2017.

## Cash and cash equivalents

For the purpose of the half yearly cash flow statement, cash and cash equivalents are comprised of cash and the net amount from the cash pooling with DTAG, which is measured at cost. This amount is included in the financial assets in the statement of financial position.

## Income taxes

Income tax expense is recognized based on management's best estimate of the effective income tax rate for the complete fiscal year. The estimated effective tax rate used for the year to June 30, 2018 is 25.0%.

## Dividends

The Shareholders' meeting on March 5, 2018 resolved to pay a dividend of EUR 7,512,989.20 in 2018 relating to the fiscal year ending December 31, 2017. The Company did pay a dividend of EUR 4,920,693.92 in 2017 relating to the fiscal year ending December 31, 2016.

## Post statement of financial position events

No other events occurred since June 30, 2018, 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 semi-annual financial statements.