



## 153 THE CONSOLIDATED FINANCIAL STATEMENTS

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T 056

millions of €

	Note	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
		<b>32,184</b>	<b>29,798</b>
Cash and cash equivalents	1	6,897	7,523
Trade and other receivables	2	9,238	10,454
Current recoverable income taxes	25	129	84
Other financial assets	8	5,805	2,976
Inventories	3	1,847	1,503
Other assets	9	1,346	1,380
Non-current assets and disposal groups held for sale	4	6,922	5,878
		<b>111,736</b>	<b>99,562</b>
<b>NON-CURRENT ASSETS</b>			
Intangible assets	5	57,025	51,565
Property, plant and equipment	6	44,637	39,616
Investments accounted for using the equity method	7	822	617
Other financial assets	8	3,530	2,284
Deferred tax assets	25	5,248	5,169
Other assets	9	474	311
<b>TOTAL ASSETS</b>		<b>143,920</b>	<b>129,360</b>

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millions of €

	Note	Dec. 31, 2015	Dec. 31, 2014
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>		<b>33,548</b>	<b>28,198</b>
Financial liabilities	10	14,439	10,558
Trade and other payables	11	11,090	9,681
Income tax liabilities	25	197	276
Other provisions	13	3,367	3,517
Other liabilities	14	4,451	4,160
Liabilities directly associated with non-current assets and disposal groups held for sale		4	6
<b>NON-CURRENT LIABILITIES</b>		<b>72,222</b>	<b>67,096</b>
Financial liabilities	10	47,941	44,669
Provisions for pensions and other employee benefits	12	8,028	8,465
Other provisions	13	2,978	2,373
Deferred tax liabilities	25	9,205	7,712
Other liabilities	14	4,070	3,877
<b>LIABILITIES</b>		<b>105,770</b>	<b>95,294</b>
<b>SHAREHOLDERS' EQUITY</b>	15	<b>38,150</b>	<b>34,066</b>
Issued capital		11,793	11,611
Treasury shares		(51)	(53)
<b>Capital reserves</b>		<b>11,742</b>	<b>11,558</b>
Capital reserves		52,412	51,778
Retained earnings including carryforwards		(38,969)	(39,783)
Total other comprehensive income		(178)	(1,838)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale		1,139	798
Net profit (loss)		3,254	2,924
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>29,400</b>	<b>25,437</b>
Non-controlling interests		8,750	8,629
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>143,920</b>	<b>129,360</b>

# CONSOLIDATED INCOME STATEMENT

T 057

millions of €

	Note	2015	2014	2013
<b>NET REVENUE</b>	<b>16</b>	<b>69,228</b>	<b>62,658</b>	<b>60,132</b>
Cost of sales	17	(41,975)	(38,539)	(36,255)
<b>GROSS PROFIT</b>		<b>27,253</b>	<b>24,119</b>	<b>23,877</b>
Selling expenses	18	(16,048)	(13,898)	(13,797)
General and administrative expenses	19	(5,384)	(4,721)	(4,518)
Other operating income	20	2,008	3,231	1,326
Other operating expenses	21	(801)	(1,484)	(1,958)
<b>PROFIT FROM OPERATIONS</b>		<b>7,028</b>	<b>7,247</b>	<b>4,930</b>
Finance costs	22	(2,363)	(2,340)	(2,162)
Interest income		246	325	228
Interest expense		(2,609)	(2,665)	(2,390)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	23	24	(198)	(71)
Other financial income (expense)	24	89	(359)	(569)
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>		<b>(2,250)</b>	<b>(2,897)</b>	<b>(2,802)</b>
<b>PROFIT BEFORE INCOME TAXES</b>		<b>4,778</b>	<b>4,350</b>	<b>2,128</b>
Income taxes	25	(1,276)	(1,106)	(924)
<b>PROFIT (LOSS)</b>		<b>3,502</b>	<b>3,244</b>	<b>1,204</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO</b>				
Owners of the parent (net profit (loss))		3,254	2,924	930
Non-controlling interests	26	248	320	274
<b>EARNINGS PER SHARE</b>	27			
Basic		€ 0.71	0.65	0.21
Diluted		€ 0.71	0.65	0.21

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T 058

millions of €

	2015	2014	2013
<b>PROFIT (LOSS)</b>	<b>3,502</b>	<b>3,244</b>	<b>1,204</b>
<b>Items not reclassified to the income statement retrospectively</b>			
Gain (loss) from the remeasurement of defined benefit plans	230	(1,581)	48
Share of profit (loss) of investments accounted for using the equity method	0	(29)	(17)
Income taxes relating to components of other comprehensive income	(60)	477	(16)
	<b>170</b>	<b>(1,133)</b>	<b>15</b>
<b>Items reclassified to the income statement retrospectively, if certain reasons are given</b>			
<b>Exchange differences on translating foreign operations</b>			
Recognition of other comprehensive income in income statement	4	(4)	0
Change in other comprehensive income (not recognized in income statement)	2,000	1,849	(901)
<b>Available-for-sale financial assets</b>			
Recognition of other comprehensive income in income statement	0	(1)	0
Change in other comprehensive income (not recognized in income statement)	31	41	(4)
<b>Gains (losses) from hedging instruments</b>			
Recognition of other comprehensive income in income statement	(255)	(267)	178
Change in other comprehensive income (not recognized in income statement)	653	265	(162)
<b>Share of profit (loss) of investments accounted for using the equity method</b>			
Recognition of other comprehensive income in income statement	0	0	0
Change in other comprehensive income (not recognized in income statement)	25	0	(37)
Income taxes relating to components of other comprehensive income	(127)	3	(5)
	<b>2,331</b>	<b>1,886</b>	<b>(931)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>2,501</b>	<b>753</b>	<b>(916)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,003</b>	<b>3,997</b>	<b>288</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>			
Owners of the parent	5,221	3,184	197
Non-controlling interests	782	813	91

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

T 059

millions of €

	Issued capital and reserves attributable to owners of the parent					
	Number of shares	Equity contributed			Consolidated shareholders' equity generated	
		thousands	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards
<b>BALANCE AT JANUARY 1, 2013</b>	<b>4,321,319</b>	<b>11,063</b>	<b>(6)</b>	<b>51,506</b>	<b>(29,106)</b>	<b>(5,353)</b>
Changes in the composition of the Group					12	
Transactions with owners				(1,050)	(4)	
Unappropriated profit (loss) carried forward					(5,353)	5,353
Dividends					(3,010)	
Capital increase at Deutsche Telekom AG	129,856	332		811		
Capital increase from share-based payment				113		
Share buy-back/shares held in a trust deposit			(48)	48	(2)	
Profit (loss)						930
Other comprehensive income					23	
<b>TOTAL COMPREHENSIVE INCOME</b>						
Transfer to retained earnings					3	
<b>BALANCE AT DECEMBER 31, 2013</b>	<b>4,451,175</b>	<b>11,395</b>	<b>(54)</b>	<b>51,428</b>	<b>(37,437)</b>	<b>930</b>
<b>BALANCE AT JANUARY 1, 2014</b>	<b>4,451,175</b>	<b>11,395</b>	<b>(54)</b>	<b>51,428</b>	<b>(37,437)</b>	<b>930</b>
Changes in the composition of the Group						
Transactions with owners				(527)		
Unappropriated profit (loss) carried forward					930	(930)
Dividends					(2,215)	
Capital increase at Deutsche Telekom AG	84,396	216		807		
Capital increase from share-based payment				70		
Share buy-back/shares held in a trust deposit			1		1	
Profit (loss)						2,924
Other comprehensive income					(1,085)	
<b>TOTAL COMPREHENSIVE INCOME</b>						
Transfer to retained earnings					23	
<b>BALANCE AT DECEMBER 31, 2014</b>	<b>4,535,571</b>	<b>11,611</b>	<b>(53)</b>	<b>51,778</b>	<b>(39,783)</b>	<b>2,924</b>
<b>BALANCE AT JANUARY 1, 2015</b>	<b>4,535,571</b>	<b>11,611</b>	<b>(53)</b>	<b>51,778</b>	<b>(39,783)</b>	<b>2,924</b>
Changes in the composition of the Group						
Transactions with owners				(425)		
Unappropriated profit (loss) carried forward					2,924	(2,924)
Dividends					(2,257)	
Capital increase at Deutsche Telekom AG	71,081	182		906		
Capital increase from share-based payment				127		
Share buy-back/sale of shares/shares held in a trust deposit			2	26	(11)	
Profit (loss)						3,254
Other comprehensive income					160	
<b>TOTAL COMPREHENSIVE INCOME</b>						
Transfer to retained earnings					(2)	
<b>BALANCE AT DECEMBER 31, 2015</b>	<b>4,606,652</b>	<b>11,793</b>	<b>(51)</b>	<b>52,412</b>	<b>(38,969)</b>	<b>3,254</b>

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Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
(2,448)	(36)	43	327	42	(104)	25,928	4,603	30,531
						12	287	299
553		(1)				(502)	3,527	3,025
						0		0
						(3,010)	(369)	(3,379)
						1,143		1,143
						113	45	158
						(2)		(2)
						930	274	1,204
(708)		(4)	16	(54)	(6)	(733)	(183)	(916)
						197	91	288
						0		0
(2,603)	(39)	38	343	(12)	(110)	23,879	8,184	32,063
(2,603)	(39)	38	343	(12)	(110)	23,879	8,184	32,063
						0	1	1
21						(506)	(324)	(830)
						0		0
						(2,215)	(81)	(2,296)
						1,023	2	1,025
						70	34	104
						2		2
						2,924	320	3,244
1,335		41	(3)	(30)	2	260	493	753
						3,184	813	3,997
						0		0
(1,247)	(62)	79	340	(42)	(108)	25,437	8,629	34,066
(1,247)	(62)	79	340	(42)	(108)	25,437	8,629	34,066
						0		0
194	(2)					(233)	(619)	(852)
						0		0
						(2,257)	(106)	(2,363)
						1,088		1,088
						127	64	191
						17		17
						3,254	248	3,502
1,480		31	398	25	(127)	1,967	534	2,501
						5,221	782	6,003
						0	0	0
427	(62)	110	738	(17)	(235)	29,400	8,750	38,150



# CONSOLIDATED STATEMENT OF CASH FLOWS

T 060

millions of €

	Note	2015	2014	2013
	31			
<b>PROFIT BEFORE INCOME TAXES</b>		<b>4,778</b>	<b>4,350</b>	<b>2,128</b>
Depreciation, amortization and impairment losses		11,360	10,574	10,904
(Profit) loss from financial activities		2,250	2,897	2,802
(Profit) loss on the disposal of fully consolidated subsidiaries		(583)	(1,674)	(131)
Other non-cash transactions		243	166	101
(Gain) loss from the disposal of intangible assets and property, plant and equipment		(87)	(436)	138
Change in assets carried as working capital		(1,438)	(2,275)	(1,266)
Change in provisions		112	382	(195)
Change in other liabilities carried as working capital		878	2,207	696
Income taxes received (paid)		(695)	(679)	(648)
Dividends received		578	344	273
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives		100	55	290
<b>CASH GENERATED FROM OPERATIONS</b>		<b>17,496</b>	<b>15,911</b>	<b>15,092</b>
Interest paid		(3,464)	(3,390)	(2,961)
Interest received		965	872	886
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>14,997</b>	<b>13,393</b>	<b>13,017</b>
Cash outflows for investments in				
Intangible assets		(6,446)	(4,658)	(4,498)
Property, plant and equipment		(8,167)	(7,186)	(6,570)
Non-current financial assets		(493)	(806)	(667)
Payments to acquire control of subsidiaries and associates		(28)	(606)	(48)
Proceeds from disposal of				
Intangible assets		4	16	8
Property, plant and equipment		363	265	245
Non-current financial assets		446	74	54
Proceeds from the loss of control of subsidiaries and associates		(58)	1,540	650
Net change in cash and cash equivalents due to the first-time full consolidation of MetroPCS		-	-	1,641
Net change in short-term investments and marketable securities and receivables		(638)	591	(701)
Other		2	9	(10)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(10,015)</b>	<b>(10,761)</b>	<b>(9,896)</b>
Proceeds from issue of current financial liabilities		33,490	12,785	10,874
Repayment of current financial liabilities		(36,944)	(17,089)	(18,033)
Proceeds from issue of non-current financial liabilities		5,247	4,275	9,334
Repayment of non-current financial liabilities		(207)	(1,042)	(129)
Dividends (including to non-controlling interests)		(1,256)	(1,290)	(2,243)
Repayment of lease liabilities		(224)	(164)	(172)
Deutsche Telekom AG share buy-back		(15)	-	(2)
Sale of Deutsche Telekom AG treasury shares		31	-	-
Cash inflows from transactions with non-controlling entities		43	43	1,415
Cash outflows from transactions with non-controlling entities		(1,041)	(950)	-
Other		-	(2)	(22)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(876)</b>	<b>(3,434)</b>	<b>1,022</b>
Effect of exchange rate changes on cash and cash equivalents		267	323	(167)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale		1	32	(32)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(626)</b>	<b>(447)</b>	<b>3,944</b>
<b>CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR</b>		<b>7,523</b>	<b>7,970</b>	<b>4,026</b>
<b>CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR</b>		<b>6,897</b>	<b>7,523</b>	<b>7,970</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SUMMARY OF ACCOUNTING POLICIES

### GENERAL INFORMATION

The Deutsche Telekom Group (hereinafter referred to as "Deutsche Telekom" or the "Group") is one of the world's leading service providers in the telecommunications and information technology sector. Deutsche Telekom offers its customers all kinds of products and services for *connected life and work*. The Group reports on the four operating segments Germany, United States, Europe, and Systems Solutions, as well as on the Group Headquarters & Group Services segment.

The Company was entered as Deutsche Telekom AG in the commercial register of the Bonn District Court (Amtsgericht – HRB 6794) on January 2, 1995.

The Company has its registered office in Bonn, Germany. Its address is Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

The declaration of conformity with the German Corporate Governance Code required pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) was released and made available to shareholders. The Declaration of Conformity can be found on the Deutsche Telekom website ([www.telekom.com](http://www.telekom.com)) via the following path: Investor Relations/Corporate Governance/Report, Statement & Conformity/Declaration of Conformity.

The shares of Deutsche Telekom AG are traded on the Frankfurt/Main Stock Exchange as well as on other stock exchanges.

The annual financial statements of Deutsche Telekom AG as well as the consolidated financial statements of Deutsche Telekom AG, which have an unqualified audit opinion from PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, are published in the Federal Gazette (Bundesanzeiger). The Annual Report is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's website ([www.telekom.com](http://www.telekom.com)) via the following path: Investor Relations/Annual Report 2015.

The consolidated financial statements of Deutsche Telekom for the 2015 financial year were released for publication by the Board of Management on February 9, 2016.

### BASIS OF PREPARATION

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). The term IFRS is consistently used in the following.

The financial year corresponds to the calendar year. The consolidated statement of financial position includes comparative amounts for one reporting date. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows include two comparative years.

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities, which – where required – are broken down further by their respective maturities in the notes to the consolidated financial statements. The consolidated income statement is presented using the cost-of-sales method. Under this format, net revenue is compared against the expenses incurred to generate these revenues, classified into cost of sales, selling, and general and administrative functions. The consolidated financial statements are prepared in euros.

The financial statements of Deutsche Telekom AG and its subsidiaries included in the consolidated financial statements were prepared using uniform group accounting policies.

### INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE FINANCIAL YEAR

In the 2015 financial year, Deutsche Telekom applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

T 061

Pronouncement	Title
IFRIC 21	Levies
Annual Improvements Project	Annual Improvements to IFRSs 2011–2013 Cycle

In May 2013, the IASB issued **IFRIC Interpretation 21 "Levies."** The core issue in the Interpretation is the question of when to recognize a liability to pay a levy imposed by public authorities. The IFRIC clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the obligation to pay the levy in accordance with the relevant legislation. However, an "economic compulsion" to continue to operate in a future period under the going concern assumption expressly does not constitute an obligating event. The new requirements were endorsed by the European Union in June 2014. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In December 2013, the IASB issued "**Annual Improvements to IFRSs 2011–2013 Cycle,**" which amended four standards. The improvements primarily aim to provide clarifications. The amendments were endorsed by the European Union in December 2014. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

## STANDARDS, INTERPRETATIONS, AND AMENDMENTS ISSUED, BUT NOT YET TO BE APPLIED

T 062

Pronouncement	Title	To be applied by Deutsche Telekom	Expected amendments	Expected impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows
<b>STANDARDS ENDORSED BY THE EU</b>				
Amendments to IAS 1	Disclosure Initiative	January 1, 2016	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, 2016	Pursuant to these amendments, 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, 2016		No relevance for Deutsche Telekom.
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions	January 1, 2016	The objective of the amendments is 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 material impact.
Amendments to IAS 27	Equity Method in Separate Financial Statements	January 1, 2016		No relevance for Deutsche Telekom.
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016	The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11.	Since the amendments concern only future transactions, it is not possible to forecast their impact on the presentation of Deutsche Telekom's results of operations or financial position.
Annual Improvements Project	Annual Improvements to IFRSs 2010–2012 Cycle	January 1, 2016	Clarification of many published standards.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016	Clarification of many published standards.	No material impact.
<b>STANDARDS NOT YET ENDORSED BY THE EU<sup>a</sup></b>				
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.	As the effective date has been postponed indefinitely, the amendments to IFRS 10 and IAS 28 are not relevant at present.
Amendments to IFRS 10, IFRS 12, and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016	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 material impact expected.
IFRS 14	Regulatory Deferral Accounts	January 1, 2016	This standard is applicable to first-time adopters of IFRSs only.	No relevance for Deutsche Telekom.
Amendments to IAS 7	Disclosure Initiative	January 1, 2017	This pronouncement requires that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Deutsche Telekom is currently analyzing the effects of the pronouncement, but does not expect it to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017	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.
IFRS 9	Financial Instruments	January 1, 2018	The final version of IFRS 9 as a full standard combines all previously published provisions with the new provisions on accounting for impairment losses as well as limited amendments to the classification and measurement requirements for financial assets.	Although Deutsche Telekom 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. In hedge accounting, it will be possible to include more components in the hedged risk in some cases, which will slightly increase the effectiveness of the hedge.

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Pronouncement	Title	To be applied by Deutsche Telekom	Expected amendments	Expected impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	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).	The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The details of the effects are explained below.
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 generally 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 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. The criteria for lease classification have been taken over from 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.	The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The details of the effects are explained below.

<sup>a</sup>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.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers." The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. Depending on the business model applied, the new provisions address the following issues in particular:

- In the case of multiple-element arrangements (e. g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position.
- At the same time, this leads to higher revenue from the sale of goods and merchandise and to lower revenue from the provision of services.
- Future capitalization and allocation of the expenses for sales commissions (customer acquisition costs) over the estimated customer retention period.
- Increase in total assets on first-time adoption due to the capitalization of contract assets and customer acquisition costs.

- Deferral, i. e., later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.

- For the purposes of determining whether Deutsche Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), it is possible that going forward more business models will lead to a net revenue presentation.

The effects will be analyzed as part of a Group-wide project for implementing the new standard, though a reliable estimate of the quantitative effects is not possible until the project has been completed.

In January 2016, the IASB issued IFRS 16 "Leases," which also has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. Depending on the business model applied, the new provisions address the following issues in particular:

- Whereas previously there was a requirement to disclose payment obligations for operating leases in the notes to the financial statements, from now on, the resulting rights and obligations must be recognized as rights of use and lease liabilities in the statement of financial position.

- Deutsche Telekom anticipates a significant increase in total assets on first-time adoption on account of the increase in lease liabilities as well as a similarly high increase in non-current assets due to the right-of-use assets to be capitalized. The increase in lease liabilities leads to a corresponding increase in net debt.
- Going forward, depreciation charges and interest expense will be reported in the income statement instead of lease expense. This will give rise to a significant improvement in EBITDA and to a similar increase in the net cash from operating activities reported in the statement of cash flows.
- For Deutsche Telekom as a lessor, the new definition of a lease may affect the number of items to be accounted for as leases.

The overall effects will be analyzed as part of a Group-wide project for implementing IFRS 16, though a reliable estimate of the quantitative effects is not possible until the project has been completed.

#### CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

Deutsche Telekom changed the reporting structure in its consolidated statement of cash flows in the reporting year, reducing the level of detail in the presentation of the individual cash flows and providing additional explanations in the notes to the consolidated financial statements in Note 31 "Notes to the consolidated statement of cash flows," PAGE 216 ET SEQ. This will make the presentation even clearer and more transparent for users without any loss of information.

To present the compensation of the Board of Management and the Supervisory Board in a more structured way, making it easier for readers to understand, Deutsche Telekom aggregated its disclosures on the compensation of the Board of Management and the Supervisory Board in a "Compensation report" in the combined management report, PAGE 143 ET SEQ., to which some information that is still required to be shown in the notes to the consolidated financial statements was added (Note 41 "Compensation of the Board of Management and the Supervisory Board," PAGE 240). In the previous year, the disclosures in the "Compensation report" had been components of the combined management report and the notes to the consolidated financial statements.

#### ACCOUNTING POLICIES

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

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Items in the statement of financial position	Measurement principle
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Current recoverable income taxes	Amount expected to be recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other financial assets	
Other non-derivative financial assets	
Held-to-maturity investments	Amortized cost
Available-for-sale financial assets	Fair value or at cost
Originated loans and receivables	Amortized cost
Derivative financial assets	Fair value
Inventories	Lower of net realizable value and cost
Non-current assets and disposal groups held for sale	Lower of carrying amount or fair value less costs of disposal (including allocable liabilities)
<b>NON-CURRENT ASSETS</b>	
Intangible assets	
Of which: with finite useful lives	Amortized cost or lower recoverable amount
Of which: with indefinite useful lives (including goodwill)	Cost or lower recoverable amount (impairment-only approach)
Property, plant and equipment	Amortized cost or lower recoverable amount
Investments accounted for using the equity method	Pro-rata value of the investment's equity carried forward or lower recoverable amount
Other financial assets	
Other non-derivative financial assets	
Held-to-maturity investments	Amortized cost
Available-for-sale financial assets	Fair value or at cost
Originated loans and receivables	Amortized cost
Derivative financial assets	Fair value
Deferred tax assets	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

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Items in the statement of financial position	Measurement principle
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Financial liabilities	
Non-derivative interest-bearing and non-interest-bearing liabilities	Amortized cost
Derivative financial liabilities	Fair value
Trade payables	Amortized cost
Income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other provisions	Present value of the settlement amount
<b>NON-CURRENT LIABILITIES</b>	
Financial liabilities	
Non-derivative interest-bearing and non-interest-bearing liabilities	Amortized cost
Derivative financial liabilities	Fair value
Provisions for pensions and other employee benefits	Actuarial projected unit credit method
Other provisions	Present value of the settlement amount
Deferred tax liabilities	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled

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

#### INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Intangible assets with finite useful lives, including UMTS and LTE licenses, are measured at cost and generally amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount, which is measured at the higher of fair value less costs of disposal and value in use, is lower than the carrying amount. Indefinite-lived intangible assets (mobile communications licenses granted by the Federal Communications Commission in the United States (FCC licenses)) are carried at cost. While FCC licenses are issued for a fixed time, renewals of FCC licenses have occurred routinely and at negligible costs. Moreover, Deutsche Telekom has determined that there are currently no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful lives of the FCC licenses, and therefore treats the FCC licenses as an indefinite-lived intangible asset. They are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The useful lives and the amortization methods 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.

Amortization of mobile communications licenses begins as soon as the related network is ready for use. The useful lives of mobile communications licenses are determined based on several factors, including the term of the licenses granted by the respective regulatory body in each country, the availability and expected cost of renewing the licenses, as well as the development of future technologies.

The remaining useful lives of Deutsche Telekom's most important mobile communications licenses are as follows:

T 064

Mobile communications licenses	Years
FCC licenses	Indefinite
LTE licenses	6 to 19
UMTS licenses	5 to 16
GSM licenses	1 to 18

**Development expenditures** are capitalized if they meet the criteria for recognition as assets and are amortized over their useful lives. **Research expenditures** are expensed as incurred. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services prior to the commencement of commercial production or use. Examples of activities typically included in development are the design, construction, and testing of pre-production or pre-use prototypes and models involving new technology. The development phase is deemed complete when the IT department has formally documented that the capitalized asset is ready for its intended use. Expenditure on research and development recognized as an expense by Deutsche Telekom amounted to EUR 108.1 million (2014: EUR 95.6 million).

#### GOODWILL

Goodwill is not amortized, but is tested for impairment based on the recoverable amount of the cash-generating unit to which the goodwill is allocated (impairment-only approach). The impairment test is carried out on a regular basis at the end of each financial year, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit must be reduced in the amount of the difference. Impairment losses for goodwill must not be reversed. If the impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is to be distributed on a pro-rata basis to the assets allocated to the cash-generating unit. The fair values or values in use (if measurable) of the individual assets shall be considered to be the minimum values.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less straight-line depreciation, and impairment losses, if applicable. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata temporis in the year of acquisition. The residual values, useful lives, and the depreciation methods 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. In addition to directly attributable costs, the costs of internally developed assets include proportionate indirect material and labor costs, as well as administrative expenses relating to production or the provision of services. In addition to the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, costs also include the estimated costs for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment

consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Public investment grants reduce the cost of the assets for which the grants were made.

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in TABLE 065:

T 065

	Years
Buildings	25 to 50
Telephone facilities and other telecommunications equipment	3 to 15
Switching, transmission, IP, and radio transmission equipment	2 to 12
Outside plant networks	8 to 35
Other equipment, operating and office equipment	2 to 23

Leasehold improvements are depreciated over the shorter of their useful lives or applicable lease terms.

#### **BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset. Deutsche Telekom defines qualifying assets as construction projects or other assets for which a period of at least twelve months is necessary in order to get them ready for their intended use or sale. Borrowing costs relating to assets measured at fair value and to inventories that are manufactured or produced in large quantities on a repetitive basis are not capitalized.

#### **IMPAIRMENTS OF INTANGIBLE ASSETS (INCLUDING GOODWILL) AND ITEMS OF PROPERTY, PLANT AND EQUIPMENT**

Impairments are identified by comparing the carrying amount with the recoverable amount. If individual assets do not generate future cash flows independently of other assets, recoverability is assessed on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date, Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. In addition, annual impairment tests are carried out for intangible assets with indefinite useful lives (goodwill and FCC licenses) at regular intervals. If the reasons for previously recognized impairments no longer exist, the impairment losses on the assets concerned (with the exception of goodwill) must be reversed.

The recoverable amount of a cash-generating unit is measured at the higher of fair value less costs of disposal and the value in use. The recoverable amount is generally determined by means of a discounted cash flow (DCF) calculation, unless it can be determined on the basis of a market price. These DCF calculations use projections that are based on financial budgets approved by management covering a ten-year period and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. Key assumptions on which management has based its calculation of the recoverable amount include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, growth rates, and discount rates. Cash flow calculations are supported by external sources of information. The discount rate used reflects the risks associated with the asset or cash-generating unit, including specific country or currency risks.

#### **INVENTORIES**

Inventories are carried at the lower of net realizable value or cost. Cost comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the necessary estimated selling expenses. Deutsche Telekom sells handsets in connection with service contracts, and separately. In the former case, Deutsche Telekom sometimes also sells such devices at a price below cost, as the handset subsidy is part of the Company's strategy for acquiring new customers. In these cases, the loss on the sale of handsets is recognized at the time of the sale as the difference between cost of sales and the lower revenue generated.

#### **NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE**

Non-current assets and disposal groups held for sale are classified as such if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs of disposal and classified as non-current assets and disposal groups held for sale. Such assets are no longer depreciated. Impairment of such assets is recognized if fair value less costs of disposal is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. The assets are to be measured at the lower of the carrying amount that would have applied if the asset had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

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## EMPLOYEE BENEFITS

Deutsche Telekom maintains **defined benefit pension plans** in various countries on the basis of the pensionable compensation of its employees and their length of service. Some of these pension plans are financed through external pension funds and some through incorporation in a contractual trust agreement (CTA). Provisions for pensions are actuarially measured using the projected unit credit method for defined benefit pension plans, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations is generally set on the basis of the yields on high-quality corporate bonds in the respective currency area. The return on plan assets and interest expenses resulting from the unwinding of the discount are reported in (net) finance costs. Service cost is classified as operating expenses. Past service cost not recognized due to a change in the pension plan shall immediately be recognized in the period in which the change took effect. Gains and losses arising from adjustments and changes in actuarial assumptions are recognized immediately and in full in the period in which they occur outside profit or loss with equity. Some Group entities grant defined contribution plans to their employees in accordance with statutory or contractual requirements, with the payments being made to state or private pension insurance funds. Under defined contribution plans, the employer does not assume any other obligations above and beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. The amounts payable are expensed when the obligation to pay the amounts is established, and classified as expenses.

Up until December 31, 2012, Deutsche Telekom maintained a joint pension fund, **Bundes-Pensions-Service für Post und Telekommunikation e.V., Bonn (Federal Pension Service for Post and Telecommunications – BPS-PT)**, together with Deutsche Post AG and Deutsche Postbank AG for civil-servant pension plans. BPS-PT made pension and allowance payments to retired employees and their surviving dependents who are entitled to pension payments as a result of civil-servant status. The German Act on the Reorganization of the civil-servant Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil-servant pensions (organized within the Civil Service Pension Fund) to the German Federal Posts and Telecommunications Agency effective January 1, 2013. The level of Deutsche Telekom AG's payment obligations to the Civil Service Pension Fund is defined under § 16 of the German Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz). As a rule, Deutsche Telekom AG has been legally obliged since 2000 to make an annual contribution to the special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence.

In the past, Deutsche Telekom AG and its domestic subsidiaries agreed on **partial retirement arrangements** with varying terms and conditions, predominantly based on what is known as the block model. Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding settlement amount, which is recorded on a pro-rata basis during the active or working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering partial retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme. Top-up payments are often hybrid in nature, i. e., although the agreement is often considered a form of compensation for terminating the employment relationship at an earlier date, payments to be made at a later date are subject to the performance of work in the future. Despite having the characteristics of severance payments, the top-up payments must be recognized ratably over the vesting period due to their dependency on the performance of work in the future. If the block model is used, the vesting period for top-up payments starts when the employee is granted the entitlement to participate in the partial retirement program and ends upon entry into the passive phase (leave from work).

Obligations arising from the granting of termination benefits are recognized when Deutsche Telekom does not have a realistic possibility of withdrawal from the granting of the corresponding benefits. **Severance payments for employees and obligations arising in connection with early retirement arrangements** in Germany are mainly granted in the form of offers to the employees to leave the Company voluntarily. As a rule, such obligations are not recognized before the employees have accepted an offer from the Company, unless the Company is prevented by legal or other restrictions from withdrawing its offer at an earlier date. Obligations arising from the sole decision by the Company to shed jobs are recognized when the Company has announced a detailed formal plan to terminate employment relationships. If termination benefits are granted in connection with restructuring measures within the meaning of IAS 37, a liability under IAS 19 is recognized at the same time as a restructuring provision. Where termination benefits fall due more than twelve months after the reporting date, the expected amount to be paid is discounted to the reporting date. If the timing or the amount of the payment is still uncertain at the reporting date, the obligations are reported under other provisions.

## OTHER PROVISIONS

**Other provisions** are recognized for current legal or constructive obligations to third parties that are uncertain with regard to their maturities or their amount. Provisions are recognized for these obligations provided they relate to past transactions or events, will probably require an outflow of resources to settle, and this outflow can be reliably measured. Provisions are carried at their expected settlement amount, taking into account all identifiable risks. The settlement amount



is calculated on the basis of a best estimate; suitable estimation methods and sources of information are used depending on the characteristics of the obligation. In case of a number of similar obligations, the group of obligations is treated as one single obligation. The expected value method is used as the estimation method. If there is a range of potential events with the same probability of occurrence, the average value is taken. Individual obligations (e. g., legal and litigation risks) are regularly evaluated based on the most probable outcome, provided an exceptional probability distribution does not mean that other estimates would lead to a more appropriate evaluation. The measurement of provisions is based on past experience, current costing and price information, as well as estimates and reports from experts. If experience or current costing or price information is used to determine the settlement amount, these values are extrapolated to the expected settlement date. Suitable price trend indicators (e. g., construction price indexes or inflation rates) are used for this purpose. Provisions are discounted when the effect of the time value of money is material. Provisions are discounted using pre-tax market interest rates that reflect the term of the obligation and the risk associated with it (insofar as not already taken into consideration in the calculation of the settlement amount). Reimbursement claims are not netted against provisions; they are recognized separately as soon as their realization is virtually certain.

**Provisions for decommissioning, restoration, and similar obligations** arising from the acquisition of property, plant and equipment are offset by a corresponding increase in the capitalized cost of the relevant asset. Changes at a later date in estimates of the amount or timing of payments or changes to the interest rate applied in measuring such obligations also result in retrospective increases or decreases in the carrying amount of the relevant item of property, plant and equipment. These in turn change the depreciation of the asset to be recognized in the future, which leads to the changes in estimates being recognized in profit or loss over the remaining useful life. Where the decrease in the amount of a provision exceeds the carrying amount of the related asset, the excess is recognized immediately in profit or loss.

## FINANCIAL INSTRUMENTS

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, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-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, trade payables, liabilities to banks, finance lease payables, liabilities to non-banks from promissory notes, and derivative financial liabilities. Financial instruments are recognized as soon as Deutsche Telekom 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 asset within the time-frame established generally by regulation or convention in the marketplace concerned), the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Deutsche Telekom. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis. To the extent that contracts to buy or sell non-financial assets fall within the scope of IAS 39, they are accounted for in accordance with this standard.

**Financial assets** are measured at fair value on initial recognition. For all financial assets not subsequently remeasured 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 are generally based on the market prices of the financial assets. If these are not 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 are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

**Trade and other current receivables** are measured at the carrying amount at which the item is initially recognized less any impairment losses, provided the receivables are due after one year or more using the effective interest rate method. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the derecognition of the respective receivables. For allowances, financial assets with a potential need for a write-down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment, and written down, if necessary. The expected future cash flows of the portfolios are being calculated based on contractually agreed cash flows, taking previous cases of default into consideration. The cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets contained in the relevant portfolio. **Write-offs** of trade receivables are recognized in some cases using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. As there are a variety of operating segments and regional circumstances, this decision is the responsibility of the respective portfolio managers.

**Cash and cash equivalents**, which include 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.

In the **consolidated statement of cash flows**, Deutsche Telekom reports cash flows from interest and dividends received as cash inflows or outflows in net cash from operating activities.

**Other non-current receivables** are measured at amortized cost using the effective interest method.

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**Financial assets held for trading** are measured at fair value. These mainly include derivatives that are not part of an effective hedging relationship as set out in IAS 39 and therefore shall be classified as held for trading. Any gains or losses arising from subsequent measurement are recognized in the income statement.

Certain types of investment are intended and expected to be **held to maturity** with reasonable economic certainty. These financial assets are measured at amortized cost using the effective interest method.

Non-derivative financial assets that do not fulfill the definition of another category of financial instruments are classified as **available for sale** and generally measured at fair value. The gains and losses arising from fair value measurement are recognized directly in equity, unless the impairment is permanent or significant, or the changes in the fair value of debt instruments resulting from currency fluctuations are recognized in profit or loss. The cumulative gains and losses arising from fair value measurement are only recognized in profit or loss on disposal of the related financial assets. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Deutsche Telekom has not yet 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 or loss are tested at each reporting date to determine whether there is objective, material evidence of **impairment** (e. g., a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic, or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortized cost). Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss. Where changes in the fair value of available-for-sale financial assets were recognized directly in equity (other comprehensive income) in the past, these must now be reclassified from other comprehensive income in the amount of the impairment determined to the income statement. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed in the appropriate amount. In the case of debt instruments, these reversed impairment losses are recognized in profit or loss. Impairment losses on unquoted equity instruments that are classified as available for sale and carried at cost may not be reversed. Both the fair value of held-to-maturity securities to be determined by testing for impairment and the fair value of the loans and receivables measured at amortized cost, which are required for impairment testing, correspond to the present value of the estimated future cash flows, discounted using the original effective interest rate. The fair value of unquoted equity instruments measured at cost is calculated as the present value of the expected future cash flows, discounted using the current interest rate that corresponds to the investment's special risk position.

**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.

If the agreed credit period for liabilities to suppliers is longer than the normal credit period in the relevant procurement market at this point in time, this liability is reported under other interest-bearing liabilities in financial liabilities instead of under trade payables. A financing agreement of this nature is shown as a non-cash transaction in the statement of cash flows and the relevant repayment of the financial liability reported under net cash from/used in financing activities. This applies regardless of whether the supplier sells its receivable or not. For the effects on the consolidated statement of cash flows, please refer to Note 31 "Notes to the consolidated statement of cash flows," PAGE 216 ET SEQ.

Trade payables and other non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Deutsche Telekom 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**.

**Derivatives** that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and measured at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities.

Deutsche Telekom uses **derivatives** to hedge the interest rate and currency risks resulting from its operating, financing, and investing activities. The Company does not hold or issue derivatives for speculative trading purposes. Derivatives are carried at their fair value upon initial recognition. The fair values are also relevant for subsequent measurement. The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available, the fair value is determined using standard financial valuation models.

The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates and interest rates at the reporting date. Calculations are made using middle 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.

Recording the changes in the fair values – in either the income statement or directly in equity – depends on whether or not the derivative is part of an effective hedging relationship as set out in IAS 39. If **hedge accounting** pursuant to IAS 39 is not employed, the changes in the fair values of the derivatives must be recognized in profit or loss. If, on the other hand, an effective hedging relationship as set out in IAS 39 exists, the hedge will be recognized as such.

Deutsche Telekom applies hedge accounting to hedge items in the statement of financial position and future cash flows, thus reducing income statement volatility. A distinction is made between fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation depending on the nature of the hedged item.

**Fair value hedges** are used to hedge the fair values of assets recognized in the statement of financial position, liabilities recognized in the statement of financial position, or firm commitments not yet recognized in the statement of financial position. Any change in the fair value of the derivative designated as the hedging instrument is recognized in profit or loss; the carrying amount of the hedged item is adjusted by the profit or loss to the extent of the hedged risk (basis adjustment). The adjustments to the carrying amount are not amortized until the hedging relationship has been discontinued.

**Cash flow hedges** are used to hedge against fluctuations in future cash flows from assets and liabilities recognized in the statement of financial position, from firm commitments (in the case of currency risks), or from highly probable forecast transactions. To hedge the currency risk of an unrecognized firm commitment, Deutsche Telekom makes use of the option to recognize it as a cash flow hedge rather than a fair value hedge. If a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognized in equity (hedging reserve) until the gain or loss on the hedged item is realized; the ineffective portion of the hedging instrument is recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial or non-financial asset or liability, the associated cumulative gains and losses that were recognized directly in equity are reclassified into profit or loss in the same periods during which the financial asset acquired or the financial liability assumed affects profit or loss for the period. In doing so, Deutsche Telekom has decided not to make use of the basis adjustment option for hedging forecast transactions when non-financial items in the statement of financial position arise.

If **hedges of a net investment in a foreign operation** are employed, all gains or losses on the effective portion of the hedging instrument, together with any gains or losses on the foreign-currency translation of the hedged investment, are taken directly to equity. Any gains or losses on the ineffective portion are recognized immediately in profit or loss. The cumulative remeasurement of gains and losses on the hedging instrument that had previously been recognized directly in equity and the gains and losses on the currency translation of the hedged item are recognized in profit or loss only on disposal of the investment.

IAS 39 sets out strict requirements on the use of hedge accounting. These are fulfilled at Deutsche Telekom by documenting, at the inception of a hedge, both the relationship between the financial instrument used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This involves concretely assigning the hedging instruments to the corresponding assets or liabilities or (firmly agreed/expected) future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis; ineffective hedges are discontinued immediately.

Deutsche Telekom does not use hedge accounting in accordance with IAS 39 to hedge the foreign-currency exposure of recognized monetary assets and liabilities, because the gains and losses on the hedged item from currency translation that are recognized in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments.

#### **CONTINGENCIES (CONTINGENT LIABILITIES AND ASSETS)**

Contingencies (contingent liabilities and assets) are potential liabilities or assets arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of Deutsche Telekom. Contingent liabilities are also present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured reliably. Contingent liabilities are only recognized at their fair value if they were assumed in the course of a business combination. Contingent liabilities not assumed in the course of a business combination are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

#### **LEASES**

Beneficial ownership of leased assets is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred.

If substantially all risks and rewards are attributable to the lessor (**operating lease**), the leased asset is recognized in the statement of financial position by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss by the lessor. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss. Contractually defined future changes in the lease payments during the term of the lease are recognized on a straight-line basis over the entire lease term, which is defined only once at the inception date of the contract. Where extension options exist, the exercise of those extension options that are reasonably certain is initially taken into account at the time the lease is concluded. If the original assessment of the exercise of extension options changes in the course of the lease, the estimated future obligations arising from operating leases will be changed accordingly.

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If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (**finance lease**), the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

### SHARE-BASED PAYMENT PROGRAMS

**Equity-settled share-based payment transactions** are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period and offset against capital reserves. For equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Black-Scholes model or the Monte Carlo model. For **cash-settled share-based payment transactions**, the goods and services acquired and the liability incurred have to be recognized at the fair value of the liability. The fair value of the liability has to be newly determined at each reporting date and at the settlement date, and the changes in the fair value have to be recognized in profit and loss, until the liability is settled.

### NET REVENUE

Revenues include all revenues from the ordinary business activities of Deutsche Telekom. Revenues are recorded net of value-added tax and other taxes collected from customers that are remitted to governmental authorities. They are recognized in accordance with the provision of services based on the realization principle. Customer activation fees are deferred and recognized as revenue over the estimated average period of customer retention, unless they are part of a multiple-element arrangement, in which case they are a component of the arrangement consideration to be paid by the customer.

For **multiple-element arrangements**, revenue recognition for each of the units of accounting (elements) identified must be determined separately. Arrangements involving the delivery or provision of multiple separable products or services must be separated into individual elements, each with its own separate revenue contribution. At Deutsche Telekom, this especially concerns the sale or lease of a mobile handset or other telecommunications equipment combined with the conclusion of a mobile or fixed-network contract. Total arrangement consideration relating to the bundled contract is allocated among the different elements based on their relative standalone selling prices, i. e., based on a ratio of the standalone selling price of each element to the aggregated standalone selling prices of the bundled deliverables. The relative standalone selling price of an individual element and thus the revenue recognized for this unit of accounting, however, is limited by that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements (contingent revenue cap). As a result, the revenue to be recognized for products delivered in advance (e. g., mobile handsets) that are sold at a subsidized price in combination with a long-term service contract is ultimately limited by this subsidized price. The contingent revenue cap does not apply for lease assets, such as leased devices.

**Payments to customers, including payments to dealers and agents** (discounts, commissions) are generally recognized as a decrease in revenue. If the consideration provides a benefit in its own right and can be reliably measured, the payments are recognized as expenses.

**Revenue recognition** at Deutsche Telekom is as follows:

Revenue generated by the **mobile communications business** of the operating segments Germany, United States, and Europe includes revenues from the provision of mobile services, customer activation fees, and sales or lease of mobile handsets and accessories. Mobile service revenue includes monthly service charges, charges for special features, call charges, and roaming charges billed to Deutsche Telekom customers, as well as other mobile operators. Mobile service revenue is recognized based upon minutes of use or other agreed rate plans (e. g., monthly flat rates) less credits and adjustments for discounts. The revenue and related expenses associated with the sale of mobile handsets and accessories are recognized when the products are delivered and accepted by the customer. Revenue from the non-sales-type lease of mobile handsets is recognized on a straight-line basis over the lease term.

The **fixed-network business** in the operating segments Germany and Europe provides narrow and broadband access to the fixed network as well as the Internet. Revenue generated from these types of access for the use of voice and data communications as well as television via Internet is recognized upon rendering of the service. The services rendered relate to use by customers (e. g., call minutes), availability over time (e. g., monthly service charges), or other agreed rate plans. Telecommunications equipment is also sold, leased, and serviced. Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from the lease of telecommunications equipment is recognized monthly as the entitlement to the fees accrues. Revenues from customer activation fees are deferred over the average customer retention period. Revenues also result from charges for advertising and e-commerce. Advertising revenues are recognized in the period in which the advertisements are exhibited. Transaction revenues are recognized upon notification from the customer that qualifying transactions have occurred and collection of the resulting receivable is reasonably assured.

In the **Systems Solutions** operating segment, revenue is recognized when persuasive evidence of a sales arrangement exists, products are delivered or services are rendered, the selling price or fee is fixed or determinable, and collectability of the fees is reasonably assured.

Revenues from Computing & Desktop Services are recognized in accordance with the provision of services. Revenue is recognized ratably over the contractual service period for fixed-price contracts and on an output or consumption basis for all other service contracts. Revenue from service contracts billed on the basis of time and material used is recognized at the contractual hourly rates as labor hours are delivered and direct expenses are incurred.

Revenue from hardware sales or sales-type leases is recognized when the product is shipped to the customer, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Telecommunications services include network services and hosting & ASP services. Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of approximately three years. Customer activation fees and related costs are deferred and amortized over the estimated average period of customer retention. Revenues for voice and data services are recognized under such contracts when used by the customer. When an arrangement contains a lease, the lease is accounted for separately in accordance with IFRIC 4 and IAS 17. Revenues from hosting & ASP services are recognized as the services are provided.

Revenue from construction contracts and construction-type service contracts (or elements of service contracts), e. g., IT developments, is recognized using the percentage of completion method. The measure of progress or stage of completion of a contract is generally determined as the percentage of cost incurred up until the reporting date relative to the total estimated cost at the reporting date (cost-to-cost method). In particular for complex outsourcing contracts with corporate customers, a reliable estimate of the total cost and therefore of the stage of completion is not possible in many cases, so revenue is only recognized in the amount of the contract costs already expensed. This means that a proportionate profit is not realized until the contract has been completed (zero-profit method).

Revenue from non-sales-type rentals and leases is recognized on a straight-line basis over the lease term.

## INCOME TAXES

Income taxes include current income taxes as well as deferred taxes. Current and deferred tax shall be recognized as income or expense except to the extent that the tax arises from a transaction which is recognized outside profit and loss, either in other comprehensive income or directly in equity. Tax liabilities/tax receivables mainly comprise liabilities/receivables relating to domestic and foreign income taxes. They include liabilities/receivables for the current period as well as for prior periods. The liabilities/receivables are measured based on the applicable tax law in the countries in which the Group is subject to taxation through its operations.

Deferred taxes are recognized for temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base, as well as for tax loss carryforwards and tax credits. By way of derogation from this principle, a deferred tax liability is not recognized for temporary differences if the deferred tax liability arises from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss. A deferred tax liability is not recognized either for temporary differences arising from the initial recognition of goodwill. A deferred tax asset is recognized only when it is probable that a taxable profit will be available against which the deductible temporary differences, loss carryforwards, and tax credits can be utilized. A deferred tax liability is generally recognized for temporary differences associated with investments in subsidiaries and associates unless Deutsche Telekom is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and other tax laws that have been enacted or substantively enacted by the end of the reporting period. As a rule, deferred tax assets and deferred tax liabilities are offset in the statement of financial position if Deutsche Telekom has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

## JUDGMENTS AND ESTIMATES

The presentation of the results of operations or financial position in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions, and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties may have on the consolidated financial statements.

Measurement of **property, plant and equipment, and intangible assets** involves the use of estimates for determining the fair value at the acquisition date, provided they were acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgment.

The determination of **impairments of property, plant and equipment, and intangible assets** involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation

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of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. Specifically, the estimation of cash flows underlying the fair values from the mobile business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment. When determining the fair values, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations.

The determination of the **recoverable amount of a cash-generating unit** involves the use of estimates by management. Methods used to calculate the recoverable amount include discounted cash flow-based methods and methods that use market prices as a basis. The measurements on the basis of discounted cash flows are founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state is only reached based on the planning horizon selected, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates. The key assumptions on which management has based its calculation of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the risks associated with the cash-generating unit. Any future changes in the aforementioned assumptions could have a significant impact on the fair values of the cash-generating units.

Management maintains an **allowance for doubtful accounts** to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer creditworthiness, and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

**Income taxes** must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment is required for the calculation of current and deferred taxes. Current and deferred tax assets and liabilities are carried when it is probable that the asset will be realized or the liability settled. For deferred tax assets to

be carried, amounts of income taxes must also be recoverable in future periods. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss carryforward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past results of operations, operational plans, loss carryforward periods, and tax planning strategies. The period used for the assessment of the recoverability depends on the circumstances at the respective Group company and typically is in a range of 5 to 10 years. If actual results differ from these estimates or if these estimates must be adjusted in future periods, results of operations, the financial position, and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced in profit or loss or directly in equity, or the impairment loss of impaired deferred tax assets must be reversed and recognized in profit or loss, or directly in equity, depending on how the deferred tax assets were originally recognized.

**Pension obligations for benefits to non-civil servants** are generally satisfied by defined benefit plans. Pension benefit costs for non-civil servants are determined in accordance with actuarial valuations, which rely on assumptions regarding the discount rate, the expected salary increase rate, the expected pension trend, and life expectancy. In the event that changes in the assumptions regarding these parameters are required, the future amounts of the pension benefit costs may be affected materially.

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the **Civil Service Health Insurance Fund** (Postbeamtenkrankenkasse) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund may not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing age distribution of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom's share in the fund's future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

Deutsche Telekom exercises considerable judgment in measuring and recognizing **provisions and contingent liabilities** related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration, or government regulation. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recognized for losses from executory contracts, provided a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future results of operations.

#### REVENUE RECOGNITION

**Customer activation fees that are not part of a multiple-element arrangement** are deferred and recognized as revenue over the estimated average period of customer retention. The estimation of the expected average duration of the relationship is based on historical customer turnover. If management's estimates are revised, material differences may result in the amount and timing of revenue for any period.

The fair values of individual products or services that are part of **multi-element arrangements** are complex to determine, because some of the elements are price-sensitive and, thus, volatile in a competitive marketplace. Revisions to the estimates of these relative fair values may significantly affect the allocation of total arrangement consideration among the different units of accounting, affecting future results of operations.

#### CONSOLIDATION METHODS

##### SUBSIDIARIES

Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom. Control only exists if an investor has the power over the investee, is exposed to variable returns, and is able to use power to affect its amount of variable returns. The existence and effect of substantive potential voting rights that are currently exercisable or convertible, including potential voting rights held by other Group companies, are considered when assessing whether an entity is controlled.

All subsidiaries are included in the consolidated financial statements, unless an operating segment or the Group considers them to be insignificant based on the following criterion: The sum of all unconsolidated subsidiaries must not account for more than 1 percent of the Group's total assets, revenue, profit/loss for the year, contingent assets/liabilities, and other financial obligations. If the 1-percent limit is exceeded, Deutsche Telekom determines which companies are to be included in the consolidated financial statements, taking the long-term development of the investment and consolidation effects into account. Aside from the quantitative criteria, qualitative criteria will also be used to assess the materiality of an entity for the consolidated group. Excluding a subsidiary must not significantly change the segment result or the Group's profit/loss for the year, nor may other significant trends be ignored.

Income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. Income and expenses of a subsidiary remain included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. If necessary, the subsidiaries' accounting principles are aligned with the uniform accounting principles applied by the Deutsche Telekom Group. Intercompany income and expenses, receivables and liabilities, and profits or losses are eliminated.

Upon loss of control, a gain or loss from the disposal of the subsidiary is recognized in the consolidated income statement in the amount of the difference between the (i) proceeds from the disposal of the subsidiary, the fair value of the remaining shares, the carrying amount of the non-controlling interests, and the cumulative amounts of other comprehensive income attributable to the subsidiary, and (ii) the carrying amount of the subsidiary's net assets to be disposed of.

#### JOINT OPERATIONS, JOINT VENTURES, AND ASSOCIATES

Joint arrangements, in which two or more parties have joint control over an activity, must be classified as either joint operations or joint ventures.

A **joint operation** is characterized by the fact that the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in the joint operation as well as its share of the joint assets, liabilities, revenues and expenses.

In a **joint venture**, on the other hand, the parties that have joint control of the arrangements (partners) have rights to the net assets of the entity. **Associates** are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the **equity method**.

Investments in joint ventures and associates that are included in the consolidated financial statements using the equity method are recognized at cost at the time of acquisition. The carrying amount of the investment may include goodwill as the positive difference between the cost of the investment and Deutsche Telekom's proportionate share in the fair values of the entity's identifiable net assets. If necessary, the accounting principles of joint ventures and associates are aligned with the uniform accounting principles applied by the Deutsche Telekom Group. The carrying amount of the investment accounted for using the equity method is tested for impairment provided there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss must be recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs of disposal and value in use.

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Upon loss of significant influence, a gain or loss from the disposal of the joint venture/associate is recognized in the amount of the difference between the (i) proceeds from the disposal of the shares, the fair value of the remaining shares, and the cumulative amounts of other comprehensive income attributable to the joint venture or associate, and (ii) the carrying amount of the investment to be disposed of.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries, but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

### BUSINESS COMBINATIONS

A business combination exists when Deutsche Telekom obtains control of another entity. All business combinations must be accounted for using the acquisition method. The cost of an acquired subsidiary is measured at the fair value of the consideration transferred, i. e., the sum of the assets transferred, liabilities assumed, and equity instruments issued. Transaction costs are generally recognized as expense. The acquisition cost is allocated to the acquired assets, liabilities, and contingent liabilities. The identifiable assets acquired and the liabilities and contingent liabilities assumed are recognized in full at their fair values at the acquisition date, regardless of the level of the investment held by Deutsche Telekom.

Goodwill arising in a business combination is measured as the excess of the aggregate of the cost of acquisition, the amount of any non-controlling interest in the acquiree, and, in a business combination achieved in stages, the fair value of the equity interest held by Deutsche Telekom in the acquiree prior to the acquisition date over the fair value of the net assets acquired. Any difference arising on the revaluation of equity interests previously held by Deutsche Telekom is recognized in profit or loss.

For all business combinations there is an option in relation to the measurement of the non-controlling interests. These can be recognized either directly at their fair value (i. e., the non-controlling interest in the enterprise value of the acquiree) or at the non-controlling interest in the fair value of the net assets acquired. As a result, in the first case, the non-controlling interests also have a share in the goodwill arising from the business combination, while in the second case the non-controlling interest is limited to the revalued assets and liabilities and the goodwill is therefore recognized only as the amount attributable to Deutsche Telekom.

Transactions relating to the further acquisition or sale of equity interests with other shareholders that do not affect Deutsche Telekom's controlling interest do not lead to any change in goodwill. The difference between the fair value of the consideration transferred or received (i. e., the purchase price of the interests) and the carrying amount of the equity attributable to the non-controlling interests must be offset directly against consolidated shareholders' equity in capital reserves or increases the capital reserves.

### CHANGES IN THE COMPOSITION OF THE GROUP, TRANSACTIONS WITH OWNERS, AND OTHER TRANSACTIONS

In the 2015 financial year, Deutsche Telekom conducted the following transactions, which had an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's consolidated financial statements.

#### Scout24 AG initial public offering (IPO)

In connection with the IPO of Scout24 AG on October 1, 2015, Deutsche Telekom sold a total of 13.3 million shares in the company at EUR 30.00 per share, for which it received around EUR 0.4 billion in cash. Income from the sale of this share, which had been included in the consolidated financial statements using the equity method, amounted to around EUR 0.3 billion and is disclosed in other operating income. Deutsche Telekom continues to hold around 13.4 percent of the shares in Scout24 AG and has two seats on the company's supervisory board. In addition, Deutsche Telekom provides one of the four members on both the general committee and the audit committee of Scout24 AG's supervisory board. Due to its membership in the supervisory board and its two central committees, Deutsche Telekom has a significant influence on the financial and operating policies of Scout24 AG. Consequently, Deutsche Telekom continues to include the investment in its consolidated financial statements as an associate using the equity method. Scout24 AG continues to be part of the Group Headquarters & Group Services segment.

#### Sale of t-online.de and InteractiveMedia

Effective November 2, 2015, Deutsche Telekom sold its 100-percent investment in Digital Media Products GmbH, which comprises the T-Online.de & Audience Products business area, including its subsidiary, the digital marketing company InteractiveMedia CCSP GmbH, to Ströer SE. The sale took the form of a capital increase in return for a non-cash contribution. In return, Deutsche Telekom received newly issued shares in Ströer SE worth some EUR 0.3 billion, corresponding to a stake of around 11.6 percent of the increased share capital after all closing conditions had entered into force. Deutsche Telekom has one seat on Ströer SE's supervisory board. At the reporting date, there was a total of three seats on Ströer SE's supervisory board. Since it holds more than 20 percent of the voting rights on Ströer SE's supervisory board, Deutsche Telekom has a significant influence on the company's financial and operating policies. Consequently, Deutsche Telekom includes the investment in its consolidated financial statements as an associate using the equity method. Total income from the divestitures amounted to EUR 0.3 billion; this was reported in other operating income. Ströer SE is part of the Group Headquarters & Group Services segment.



### Presentation of the quantitative effects on the composition of the Group

Deutsche Telekom acquired and disposed of entities in the current and prior financial years. This imposes certain limits on the comparability of the consolidated financial statements and the disclosures under segment reporting.

The presented effects in the Europe operating segment resulted in part from the consummation on May 30, 2014 of Deutsche Telekom's acquisition of 100 percent of the shares in Consortium 1 S.à.r.l., Luxembourg, and hence in the GTS Central Europe group. In addition, on January 2, 2014, Deutsche Telekom sold Euronet Communications B.V., The Hague, Netherlands, which up to that date had been part of the Europe operating segment.

The presented effects in the Group Headquarters & Group Services segment result from the sale of shares in the Scout24 group in the first quarter of 2014 and from the sale of t-online.de and InteractiveMedia in the fourth quarter of 2015. The sale of t-online.de and InteractiveMedia resulted in the disposal of assets and liabilities, each in the amount of EUR 0.1 billion.

The following TABLE 066 shows the effects of the aforementioned changes in the composition of the Group on the consolidated income statement and segment reporting.

T 066

millions of €

	Total 2015	2014							Organic change 2015	
		Total	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation		Pro forma <sup>a</sup>
Net revenue	69,228	62,658			127		(46)		62,739	6,489
Cost of sales	(41,975)	(38,539)			(63)		6		(38,596)	(3,379)
<b>GROSS PROFIT (LOSS)</b>	<b>27,253</b>	<b>24,119</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>0</b>	<b>(40)</b>	<b>0</b>	<b>24,143</b>	<b>3,110</b>
Selling expenses	(16,048)	(13,898)			(2)		19		(13,881)	(2,167)
General and administrative expenses	(5,384)	(4,721)			(23)		8		(4,736)	(648)
Other operating income	2,008	3,231			1		(1,708)		1,524	484
Other operating expenses	(801)	(1,484)			(40)		1		(1,523)	722
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>7,028</b>	<b>7,247</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,720)</b>	<b>0</b>	<b>5,527</b>	<b>1,501</b>
Finance costs	(2,363)	(2,340)			(9)		(1)		(2,350)	(13)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	24	(198)			0		0		(198)	222
Other financial income (expense)	89	(359)			0		0		(359)	448
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>	<b>(2,250)</b>	<b>(2,897)</b>	<b>0</b>	<b>0</b>	<b>(9)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(2,907)</b>	<b>657</b>
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>4,778</b>	<b>4,350</b>	<b>0</b>	<b>0</b>	<b>(9)</b>	<b>0</b>	<b>(1,721)</b>	<b>0</b>	<b>2,620</b>	<b>2,158</b>
Income taxes	(1,276)	(1,106)			(1)		(40)		(1,147)	(129)
<b>PROFIT (LOSS)</b>	<b>3,502</b>	<b>3,244</b>	<b>0</b>	<b>0</b>	<b>(10)</b>	<b>0</b>	<b>(1,761)</b>	<b>0</b>	<b>1,473</b>	<b>2,029</b>

<sup>a</sup>Based on the composition of the Group in the current reporting period.

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### Changes in the composition of the Group

The composition of the Deutsche Telekom Group changed as follows in the 2015 financial year:

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	Domestic	International	Total
<b>CONSOLIDATED SUBSIDIARIES</b>			
January 1, 2015	56	197	253
Additions	11	3	14
Disposals (including mergers)	3	10	13
<b>DECEMBER 31, 2015</b>	<b>64</b>	<b>190</b>	<b>254</b>
<b>ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD</b>			
January 1, 2015	5	8	13
Additions	1	-	1
Disposals	-	-	-
<b>DECEMBER 31, 2015</b>	<b>6</b>	<b>8</b>	<b>14</b>
<b>JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD</b>			
January 1, 2015	3	3	6
Additions	-	2	2
Disposals	-	-	-
<b>DECEMBER 31, 2015</b>	<b>3</b>	<b>5</b>	<b>8</b>
<b>TOTAL</b>			
January 1, 2015	64	208	272
Additions	12	5	17
Disposals (including mergers)	3	10	13
<b>DECEMBER 31, 2015</b>	<b>73</b>	<b>203</b>	<b>276</b>

### Other transactions that had no effect on the composition of the Group

#### Acquisition of the remaining shares in Slovak Telekom

On June 18, 2015, Deutsche Telekom acquired the 49-percent stake in Slovak Telekom that it did not previously hold for a purchase price of EUR 0.9 billion. The acquisition of these remaining shares makes it possible to simplify the financial and governance structure at Slovak Telekom. In addition, the transaction results in reduced dividend payments to non-controlling interests. For the effects on shareholders' equity, please refer to Note 15 "Shareholders' equity," PAGE 208.

#### Framework agreement on the sale and use of cell sites in the United States

On November 10, 2015, T-Mobile US signed a framework agreement with Phoenix Tower International (PTI), Boca Raton, Florida, United States, on the sale and use of cell sites. Under this agreement, 611 cell sites were transferred into operating companies and the companies sold. In return, T-Mobile US received a payment of approximately EUR 0.1 billion (USD 0.14 billion). T-Mobile US rents the required capacity from PTI under operating leases. PTI may lease out any capacity not required by T-Mobile US to third parties. The transaction was closed in the fourth quarter of 2015. It does not have a material impact on Deutsche Telekom's statement of financial position, income statement, and statement of cash flows in the consolidated financial statements as of December 31, 2015.

## PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries are presented in TABLE 068:

T 068

Name and registered office		Deutsche Telekom share %	Net revenue <sup>c</sup> millions of €	Profit (loss) from operations <sup>c</sup> millions of €	Shareholders' equity <sup>c</sup> millions of €	Average number of employees	Segment allocation
Telekom Deutschland GmbH, Bonn, Germany	<b>Dec. 31, 2015/2015</b>	100.00	21,891	4,633	4,345	12,568	Germany
	Dec. 31, 2014/2014	100.00	21,760	4,597	4,223	12,423	
T-Mobile US, Inc., Bellevue, Washington, United States <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	65.41	28,925	2,454	16,447	41,669	United States
	Dec. 31, 2014/2014	66.29	22,408	1,405	14,060	37,858	
T-Systems International GmbH, Frankfurt/Main, Germany	<b>Dec. 31, 2015/2015</b>	100.00	6,367	(663)	1,133	20,091	Systems Solutions
	Dec. 31, 2014/2014	100.00	6,472	(517)	997	21,590	
Hellenic Telecommunications Organization S. A. (OTE), Athens, Greece <sup>a</sup>	<b>Dec. 31, 2015/2015</b>	40.00	3,903	226	3,497	21,216	Europe
	Dec. 31, 2014/2014	40.00	3,918	365	3,591	21,903	
Magyar Telekom Public Limited Company, Budapest, Hungary <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	59.23	2,110	195	2,234	10,611	Europe
	Dec. 31, 2014/2014	59.23	2,013	262	2,137	11,061	
T-Mobile Netherlands Holding B.V., The Hague, Netherlands <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	100.00	1,394	278	2,705	1,430	Europe
	Dec. 31, 2014/2014	100.00	1,551	360	2,508	1,439	
T-Mobile Polska S. A., Warsaw, Poland <sup>b</sup>	<b>Dec. 31, 2015/2015</b>	100.00	1,544	350	2,681	4,527	Europe
	Dec. 31, 2014/2014	100.00	1,492	328	2,395	4,641	
T-Mobile Czech Republic a.s., Prague, Czech Republic <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	100.00	958	207	1,746	3,442	Europe
	Dec. 31, 2014/2014	100.00	874	228	1,588	3,419	
Hrvatski Telekom d. d., Zagreb, Croatia <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	51.00	909	148	2,037	4,793	Europe
	Dec. 31, 2014/2014	51.00	905	148	1,964	5,359	
T-Mobile Austria Holding GmbH, Vienna, Austria <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	100.00	829	96	1,062	1,064	Europe
	Dec. 31, 2014/2014	100.00	815	59	973	1,113	
Slovak Telekom a. s., Bratislava, Slovakia <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	100.00	783	71	1,427	3,551	Europe
	Dec. 31, 2014/2014	51.00	768	98	1,956	3,752	

<sup>a</sup> Consolidated subgroup.

<sup>b</sup> Indirect shareholding of Deutsche Telekom AG.

<sup>c</sup> IFRS figures of the respective subgroup.

In accordance with § 313 HGB, the full statement of investment holdings, which forms part of the notes to the consolidated financial statements, is published in the Federal Gazette (Bundesanzeiger) together with the consolidated financial statements. It is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's website ([www.telekom.com/investor-relations](http://www.telekom.com/investor-relations)). Furthermore, the statement of investment holdings includes a full list of all subsidiaries that exercise simplification options in accordance with § 264 (3) HGB and § 264b HGB.

TABLE 069 shows the principal subsidiaries with non-controlling interests:

T 069

Name and registered office		Percentage of shareholding for non-controlling interests %	Percentage of voting rights for non-controlling interests %	Cumulative non-controlling interests <sup>c</sup> millions of €	Dividends paid out to non-controlling interests millions of €
T-Mobile US, Inc., Bellevue, Washington, United States <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	34.59	34.59	5,435	-
	Dec. 31, 2014/2014	33.71	33.71	4,516	-
Hellenic Telecommunications Organization S. A. (OTE), Athens, Greece <sup>a</sup>	<b>Dec. 31, 2015/2015</b>	60.00	50.00	1,893	24
	Dec. 31, 2014/2014	60.00	50.00	1,966	-
Magyar Telekom Public Limited Company, Budapest, Hungary <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	40.77	40.77	636	22
	Dec. 31, 2014/2014	40.77	40.77	618	22
Hrvatski Telekom d. d., Zagreb, Croatia <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	49.00	49.00	784	37
	Dec. 31, 2014/2014	49.00	49.00	745	48
Slovak Telekom a. s., Bratislava, Slovakia <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	0.00	0.00	-	17
	Dec. 31, 2014/2014	49.00	49.00	782	9

<sup>a</sup> Consolidated subgroup.

<sup>b</sup> Indirect shareholding of Deutsche Telekom AG.

<sup>c</sup> IFRS figures at the level of the consolidated financial statements of Deutsche Telekom.

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Deutsche Telekom held 40 percent plus one vote of the shares in the OTE group as of the reporting date. In accordance with shareholder agreements between Deutsche Telekom and the Hellenic Republic, Deutsche Telekom has taken control of 50 percent plus two voting shares and therefore the OTE group's financial and operating policy. Consequently, the OTE group companies are fully consolidated subsidiaries.

Summarized financial information for subsidiaries with significant non-controlling interests:

T 070

millions of €

Name and registered office		Current assets <sup>c</sup>	Non-current assets <sup>c</sup>	Current liabilities <sup>c</sup>	Non-current liabilities <sup>c</sup>	Profit (loss) <sup>c</sup>	Total comprehensive income <sup>c</sup>
T-Mobile US, Inc., Bellevue, Washington, United States <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	15,018	47,516	9,225	36,863	354	1,149
	Dec. 31, 2014/2014	12,387	37,398	7,499	28,226	344	1,994
Hellenic Telecommunications Organization S. A. (OTE), Athens, Greece <sup>a</sup>	<b>Dec. 31, 2015/2015</b>	2,414	6,118	2,484	2,552	(79)	(74)
	Dec. 31, 2014/2014	2,493	6,104	2,436	3,063	85	85
Magyar Telekom Public Limited Company, Budapest, Hungary <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	716	3,612	1,118	1,005	51	48
	Dec. 31, 2014/2014	662	3,460	1,046	1,089	100	39
Hrvatski Telekom d. d., Zagreb, Croatia <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	748	1,625	252	84	139	144
	Dec. 31, 2014/2014	723	1,140	251	107	133	126
Slovak Telekom a. s., Bratislava, Slovakia <sup>a, b</sup>	<b>Dec. 31, 2015/2015</b>	-	-	-	-	-	-
	Dec. 31, 2014/2014	789	1,254	249	154	73	64

<sup>a</sup>Consolidated subgroup.<sup>b</sup>Indirect shareholding of Deutsche Telekom AG.<sup>c</sup>IFRS figures of the respective subgroup.

T 071

millions of €

Name and registered office		Net cash from operating activities <sup>c</sup>	Net cash (used in) from investing activities <sup>c</sup>	Net cash (used in) from financing activities <sup>c</sup>
T-Mobile US, Inc., Bellevue, Washington, United States <sup>a, b</sup>	<b>2015</b>	5,583	(6,318)	2,935
	2014	3,246	(3,582)	1,952
Hellenic Telecommunications Organization S. A. (OTE), Athens, Greece <sup>a</sup>	<b>2015</b>	1,056	(419)	(674)
	2014	1,135	(442)	(438)
Magyar Telekom Public Limited Company, Budapest, Hungary <sup>a, b</sup>	<b>2015</b>	497	(303)	(235)
	2014	482	(219)	(50)
Hrvatski Telekom d. d., Zagreb, Croatia <sup>a, b</sup>	<b>2015</b>	330	(82)	(112)
	2014	320	(163)	(122)
Slovak Telekom a. s., Bratislava, Slovakia <sup>a, b</sup>	<b>2015</b>	273	365	(582)
	2014	275	(319)	(25)

<sup>a</sup>Consolidated subgroup.<sup>b</sup>Indirect shareholding of Deutsche Telekom AG.<sup>c</sup>IFRS figures of the respective subgroup.

## STRUCTURED ENTITIES

Deutsche Telekom processes factoring transactions by means of structured entities (see Note 37 "Financial instruments and risk management," PAGE 226 ET SEQ.).

Since 2014, Deutsche Telekom has consolidated four structured leasing SPES for real estate as well as operating and office equipment at two sites for the operation of data centers in Germany. The two data centers were built under the

management of an external leasing company and are operated by T-Systems International GmbH. Apart from the contractual obligations to make lease payments to the leasing SPES, Deutsche Telekom has no obligation to give them further financial support.

T-Mobile USA Tower LLC and T-Mobile West Tower LLC, which are included in the consolidated statement of financial position as investments accounted for using the equity method, are also structured entities (see Note 7 "Investments accounted for using the equity method," PAGE 189 ET SEQ.).

## JOINT OPERATIONS

On the basis of a contractual arrangement concluded by T-Mobile Polska s. A., Poland, Deutsche Telekom combined the activities for the planning, building, and operation of the Polish mobile communications network with a partner in 2011 to generate savings. Deutsche Telekom recognizes its share (50 percent) of the corresponding assets in line with the economic substance in the consolidated statement of financial position.

## CURRENCY TRANSLATION

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At the reporting date, 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 profit or loss.

The assets and liabilities of Group entities whose functional currency is not the euro are translated into euros from the local currency using the middle rates at the reporting date. The middle rates are the monthly average of the bid and ask rates. The income statements and corresponding profit or loss of foreign-currency denominated Group entities are translated at monthly average exchange rates for the period. The differences that arise from the use of both rates are recognized directly in equity.

The exchange rates of certain significant currencies changed as follows:

T 072

€

	Annual average rate			Rate at the reporting date	
	2015	2014	2013	Dec. 31, 2015	Dec. 31, 2014
100 Czech korunas (CZK)	3.66596	3.63124	3.85018	3.70066	3.60844
1 Pound sterling (GBP)	1.37760	1.24035	1.17714	1.36181	1.28428
100 Croatian kuna (HRK)	13.13380	13.09950	13.19720	13.08730	13.06000
1,000 Hungarian forints (HUF)	3.22570	3.23940	3.36771	3.17145	3.17153
100 Macedonian denars (MKD)	1.62569	1.62380	1.61831	1.62408	1.62669
100 Polish zlotys (PLN)	23.89210	23.89430	23.82270	23.44620	23.35810
1 U.S. dollar (USD)	0.90117	0.75241	0.75289	0.91819	0.82300

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 1,740 million (December 31, 2014: EUR 486 million) on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

In the reporting period, cash and cash equivalents decreased by EUR 0.6 billion to EUR 6.9 billion. For further details, please refer to the consolidated statement of cash flows in Note 31, PAGE 216 ET SEQ.

As of December 31, 2015, Deutsche Telekom reported cash and cash equivalents of EUR 36 million held by subsidiaries in the F.Y.R.O. Macedonia (December 31, 2014: EUR 32 million). These subsidiaries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

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## 2 TRADE AND OTHER RECEIVABLES

T 073

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Trade receivables	8,756	10,262
Other receivables	482	192
	<b>9,238</b>	<b>10,454</b>

Of the total of trade and other receivables, EUR 8,085 million (December 31, 2014: EUR 8,897 million) is due within one year.

The decrease in receivables is largely attributable to factoring agreements concluded in the reporting period concerning monthly revolving sales of trade receivables due (please refer to Note 37 "Financial instruments and risk management," PAGE 226 ET SEQ.). The JUMP! On Demand business model introduced at T-Mobile US in June 2015 also had a reducing effect. Under this model, trade receivables no longer include the receivable from the sale of the device when a contract is concluded with a customer, but rather only the monthly lease installment for the device.

TABLE 074 shows the maturity structure of the trade receivables that are not impaired at the reporting date:

T 074

millions of €

Trade receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
As of Dec. 31, 2015	<b>3,163</b>	<b>628</b>	<b>86</b>	<b>60</b>	<b>71</b>	<b>43</b>	<b>27</b>
As of Dec. 31, 2014	3,226	421	116	64	73	63	46

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The allowances on trade receivables developed as follows:

T 075

millions of €

	2015	2014
<b>ALLOWANCES AS OF JANUARY 1</b>	<b>1,368</b>	<b>1,344</b>
Currency translation adjustments	1	15
Additions (allowances recognized as expense)	805	641
Use	(553)	(410)
Reversal	(119)	(222)
<b>ALLOWANCES AS OF DECEMBER 31</b>	<b>1,502</b>	<b>1,368</b>

TABLE 076 presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

T 076

millions of €

	2015	2014	2013
Expenses for full write-off of receivables	375	352	129
Income from recoveries on receivables written off	329	254	46

All income and expenses relating to allowances and write-offs of trade receivables are reported under selling expenses.

### 3 INVENTORIES

T 077

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Raw materials and supplies	62	65
Work in process	23	24
Finished goods and merchandise	1,762	1,414
	<b>1,847</b>	<b>1,503</b>

The carrying amount of inventories increased by EUR 0.3 billion compared to December 31, 2014 to EUR 1.8 billion. This was due in particular to increased stock levels of terminal equipment (in particular expensive smartphones) at T-Mobile US and exchange rate effects from the translation of U.S. dollars into euros.

Write-downs of EUR 121 million (2014: EUR 57 million, 2013: EUR 46 million) on the net realizable value were recognized in 2015 and are shown in profit or loss.

The carrying amount of the inventories recognized as expense in the reporting period amounted to EUR 12,367 million (2014: EUR 8,237 million, 2013: EUR 6,470 million).

The finished goods and merchandise primarily comprise retail products (e. g., terminal equipment and accessories) not manufactured by ourselves, and services rendered but not yet invoiced, primarily to business customers.

T 078

millions of €

	Dec. 31, 2015					Dec. 31, 2014			
	EE	T-Mobile US	Deutsche Telekom AG real estate	Other	Total	EE	Deutsche Telekom AG real estate	Other	Total
<b>NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE</b>									
Other current assets	-	-	-	4	4	-	-	5	5
Intangible assets	-	629	-	4	633	-	-	39	39
Property, plant and equipment	-	-	180	32	212	-	95	12	107
Investments accounted for using the equity method	6,073	-	-	-	6,073	5,727	-	-	5,727
<b>TOTAL</b>	<b>6,073</b>	<b>629</b>	<b>180</b>	<b>40</b>	<b>6,922</b>	<b>5,727</b>	<b>95</b>	<b>56</b>	<b>5,878</b>

### 4 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

As of December 31, 2015, current assets recognized in the consolidated statement of financial position included EUR 6.9 billion in non-current assets and disposal groups held for sale. The increase of EUR 1.0 billion compared with December 31, 2014 results primarily from the following effects:

In the third quarter of 2015, T-Mobile US agreed a transaction for the exchange of mobile licenses with AT&T to improve T-Mobile US's mobile network coverage. As a result of the reclassification of the licenses to non-current assets held for sale, the carrying amount increased by EUR 0.6 billion. In addition, currency effects of EUR 0.3 billion from the translation of pounds sterling into euros related to the reclassification in December 2014 of the stake in the EE joint venture also had an increasing effect on the carrying amount. As of December 31, 2015, the EE joint venture was included in non-current assets and disposal groups held for sale at a total of EUR 6.1 billion. The transaction was approved by the United Kingdom's Competition and Markets Authority (CMA) in January 2016, unconditionally and without remedies. The transaction was then closed on January 29, 2016. The EE joint venture continued to be reported under non-current assets and disposal groups held for sale until the transaction was completed and was a component of the Group Headquarters & Group Services segment. In the prior-year period, non-current assets and disposal groups held for sale had included in particular the reclassified stake in the EE joint venture.

Reversals of impairments of the carrying amounts of the non-current assets and disposal groups held for sale were not material.

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In accordance with IFRS 5, the following assets and disposal groups were no longer recognized at their carrying amounts, but at their fair value less costs of disposal as of December 31, 2015.

T 079

millions of €

	Dec. 31, 2015				Dec. 31, 2014			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
<b>NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE</b>								
Deutsche Telekom AG real estate	-	-	105	105	-	-	75	75

Deutsche Telekom AG's real estate held for sale relates to sites no longer considered to be necessary for operations. The fair values are determined by means of external expert opinions. The fair value is measured on a regular basis using the earnings value method, taking into account local market estimates and specific characteristics of the property, including input parameters that cannot be observed in the market. The expected costs of disposal (currently usually around 10 percent of the fair value) are subtracted. Real estate held for sale is recognized in the statement of financial position at the lower of carrying amount and fair value less costs of disposal. The real estate was written down by EUR 0.1 billion to the fair value less costs of disposal. The expense was recognized under other operating expenses.



## 5 INTANGIBLE ASSETS

T 080

millions of €

	Internally generated intangible assets	Acquired intangible assets		
		Total	Acquired concessions, industrial and similar rights and assets	LTE licenses
<b>COST</b>				
<b>AT DECEMBER 31, 2013</b>	<b>4,118</b>	<b>50,471</b>	<b>1,006</b>	<b>2,450</b>
Currency translation	272	3,714	22	(19)
Changes in the composition of the Group	3	248	12	0
Additions	93	4,577	117	320
Disposals	551	1,249	43	1
Change from non-current assets and disposal groups held for sale	(1)	(856)	0	0
Reclassifications	851	1,919	24	918
<b>AT DECEMBER 31, 2014</b>	<b>4,785</b>	<b>58,824</b>	<b>1,138</b>	<b>3,668</b>
Currency translation	290	3,716	31	2
Changes in the composition of the Group	0	6	3	0
Additions	101	4,997	27	1,266
Disposals	504	1,710	42	0
Change from non-current assets and disposal groups held for sale	(12)	(1,012)	0	0
Reclassifications	756	1,318	20	165
<b>AT DECEMBER 31, 2015</b>	<b>5,416</b>	<b>66,139</b>	<b>1,177</b>	<b>5,101</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES</b>				
<b>AT DECEMBER 31, 2013</b>	<b>2,820</b>	<b>22,433</b>	<b>567</b>	<b>314</b>
Currency translation	206	965	1	(1)
Changes in the composition of the Group	0	(14)	0	0
Additions (amortization)	842	2,956	87	216
Additions (impairment)	3	11	0	0
Disposals	551	1,215	42	1
Change from non-current assets and disposal groups held for sale	(1)	(47)	0	0
Reclassifications	(226)	231	6	14
Reversal of impairment losses	0	(4)	0	0
<b>AT DECEMBER 31, 2014</b>	<b>3,093</b>	<b>25,316</b>	<b>619</b>	<b>542</b>
Currency translation	221	1,057	7	0
Changes in the composition of the Group	0	(7)	0	0
Additions (amortization)	938	3,110	113	251
Additions (impairment)	1	17	7	0
Disposals	494	1,698	39	0
Change from non-current assets and disposal groups held for sale	(4)	(211)	0	0
Reclassifications	(28)	29	10	(1)
Reversal of impairment losses	0	0	0	0
<b>AT DECEMBER 31, 2015</b>	<b>3,727</b>	<b>27,613</b>	<b>717</b>	<b>792</b>
<b>NET CARRYING AMOUNTS</b>				
At December 31, 2014	1,692	33,508	519	3,126
<b>AT DECEMBER 31, 2015</b>	<b>1,689</b>	<b>38,526</b>	<b>460</b>	<b>4,309</b>

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	Acquired intangible assets				Goodwill	Advance payments and intangible assets under development	Total
	UMTS licenses	GSM licenses	FCC licenses (T-Mobile US)	Other acquired intangible assets			
	9,988	1,450	21,284	14,293	27,614	2,069	84,272
	(10)	(14)	3,272	463	1,196	22	5,204
	0	0	0	236	0	3	254
	0	0	3,551	589	176	2,319	7,165
	0	52	0	1,153	0	20	1,820
	0	0	(854)	(2)	0	0	(857)
	(49)	(93)	0	1,119	0	(2,705)	65
	9,929	1,291	27,253	15,545	28,986	1,688	94,283
	4	4	3,115	560	1,340	40	5,386
	0	0	0	3	1	0	7
	0	556	2,642	506	0	2,406	7,504
	0	301	0	1,367	35	33	2,282
	0	0	(997)	(15)	(2)	(7)	(1,033)
	0	(2)	0	1,135	0	(2,057)	17
	9,933	1,548	32,013	16,367	30,290	2,037	103,882
	5,758	909	5,210	9,675	13,052	0	38,305
	(5)	(5)	696	279	1,206	0	2,377
	0	0	0	(14)	0	0	(14)
	597	76	0	1,980	0	0	3,798
	0	0	10	1	51	0	65
	0	52	0	1,120	0	0	1,766
	0	0	(44)	(3)	0	0	(48)
	(8)	(4)	0	223	0	0	5
	0	0	(4)	0	0	0	(4)
	6,342	924	5,868	11,021	14,309	0	42,718
	2	3	674	371	1,196	0	2,474
	0	0	0	(7)	0	0	(7)
	581	66	0	2,099	0	0	4,048
	0	0	0	10	43	0	61
	0	301	0	1,358	31	0	2,223
	0	0	(199)	(12)	0	0	(215)
	0	0	0	20	0	0	1
	0	0	0	0	0	0	0
	6,925	692	6,343	12,144	15,517	0	46,857
	3,587	367	21,385	4,524	14,677	1,688	51,565
	3,008	856	25,670	4,223	14,773	2,037	57,025

The increase in the net carrying amount of the LTE licenses by EUR 1.2 billion to EUR 4.3 billion is mainly attributable to licenses acquired in the frequency auction in Germany that ended in June 2015. T-Mobile US acquired and exchanged mobile licenses in the 2015 financial year. These transactions primarily comprise licenses acquired in the FCC auction that ended in January 2015.

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 1.1 billion (December 31, 2014: EUR 1.0 billion) as of the reporting date. The increase is mainly attributable to an obligation for T-Mobile US to buy mobile licenses.

In the 2015 financial year, the main changes in the carrying amounts of goodwill at cash-generating units were as follows:

**United States.** The increase of EUR 0.1 billion in goodwill compared with December 31, 2014 was the result of exchange rate effects.

**Europe.** The changes in goodwill mainly result from exchange rate effects.

**Disclosures on annual impairment tests.** Deutsche Telekom performed its annual impairment tests for the goodwill assigned to the cash-generating units as of December 31, 2015. A need for impairment of EUR 43 million on a pro rata basis was identified at the Hungary cash-generating unit as of December 31, 2015 on the basis of information available at the reporting date and expectations with respect to the future development of the market and competitive environment. The impairment of goodwill at the Hungary cash-generating unit was attributable in particular to intensified competition and a difficult overall market situation. The impairment test as of December 31, 2014 indicated a need for impairment at the cash-generating unit Digital Business Unit in the Group Headquarters & Group Services segment (EUR 29 million) and at the cash-generating unit Romania – Mobile communications (EUR 22 million on a pro rata basis) in the Europe operating segment.

The recoverable amounts to be identified for the impairment test were largely determined on the basis of the fair values less costs of disposal. With the exception of the United States cash-generating unit, these figures were calculated using the net present value method. The main parameters are shown in TABLE 081.

The recoverable amount (prior to the deduction of net debt) for Hungary was EUR 3,004 million. The value was calculated according to IFRS 13 using Level 3 input parameters (i. e., unobservable input parameters). The recoverable amounts (prior to the deduction of net debt) for Romania – Mobile communications and the Digital Business Unit as of December 31, 2014 were EUR 782 million and EUR 164 million respectively. Both values were calculated according to IFRS 13 using Level 3 input parameters (i. e., unobservable input parameters).

The recoverable amount at the Netherlands, Croatia, Montenegro, and F.Y.R.O. Macedonia cash-generating units was determined on the basis of the value in use, since, in these cases, it is higher than the fair value. In the case of the Netherlands, Montenegro, and F.Y.R.O. Macedonia units the value in use was used for the first time because this was higher for the first time or for reasons of simplicity, so as to not adjust the fair value by assumptions that are unobservable to the public. The market price of an active and liquid market (share price) of T-Mobile US was used to determine the fair value less costs of disposal in the case of the United States cash-generating unit. The measurements of all other cash-generating units are founded on projections for a ten-year projection period that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state can only be established based on this planning horizon, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire and extend the rights of spectrum use. Cash flows beyond the internal mid-term planning are extrapolated using appropriate growth rates defined separately for each cash-generating unit. These growth rates are based on real growth and inflation expected in the long term for the countries in which the respective unit operates. The key assumptions on which management has based its determination of the recoverable amount include the following assumptions that were primarily derived from internal sources and are based on past experience and extended to include internal expectations, and that are underscored by external market data and estimates: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates are determined on the basis of external figures derived from the market, taking account of the market and country risks associated with the cash-generating unit. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units. Any changes in the assumptions may have a negative impact, as a result of future macroeconomic trends, continued intense competition, further possible legislation changes (e. g., as part of national austerity programs), and regulatory intervention.

The following TABLES 081 and 082 provide an overview of the main factors affecting the measurement, the classification of the input parameters (levels) used to determine the recoverable amounts in accordance with IFRS 13, as well as the sensitivity calculations for the need for impairment resulting from a change in the main parameters discount rate, net cash flow, and growth rate. They show the most significant cash-generating units to which goodwill has been allocated.

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		Goodwill carrying amount millions of €	Impairment <sup>a</sup> millions of €	Detailed planning period years	Discount rates <sup>b</sup> %	Sustainable growth rate p. a. Ø in %	Level allocation of input parameters <sup>c</sup>
<b>GERMANY</b>	2015	3,978		10	5.34	0.0	Level 3
	2014	3,978		10	6.14	0.0	Level 3
<b>UNITED STATES</b>	2015	1,147		n.a.	n.a.	n.a.	Level 1
	2014	1,028		n.a.	n.a.	n.a.	Level 1
<b>EUROPE</b>							
Poland	2015	1,584		10	6.96	2.0	Level 3
	2014	1,578		10	7.54	2.0	Level 3
Netherlands	2015	1,312		10	5.51	0.25	Value in use
	2014	1,312		10	6.47	2.0	Level 3
Hungary	2015	949	43	10	7.88	2.0	Level 3
	2014	994		10	6.81	2.0	Level 3
Czech Republic	2015	739		10	5.58	2.0	Level 3
	2014	707		10	7.52	2.0	Level 3
Croatia	2015	494		10	7.13	2.0	Value in use
	2014	493		10	6.97	2.0	Value in use
Slovakia	2015	428		10	5.34	2.0	Level 3
	2014	428		10	6.88	2.0	Level 3
Greece – Mobile communications	2015	422		10	7.81	2.0	Level 3
	2014	422		10	9.50	2.0	Level 3
Austria	2015	324		10	5.66	2.0	Level 3
	2014	324		10	6.50	2.0	Level 3
Romania – Mobile communications	2015	121		10	8.47	2.0	Level 3
	2014	122	22	10	9.52	2.0	Level 3
International Carrier Sales & Solutions	2015	101		10	5.15	2.0	Level 3
	2014	102		10	5.68	2.0	Level 3
Other	2015	99		10	8.44–10.47	2.0	Levels 3 and value in use
	2014	98		10	8.85–9.71	2.0	Level 3
<b>SYSTEMS SOLUTIONS</b>	2015	3,075		10	6.49	1.5	Level 3
	2014	3,091		10	7.80	1.5	Level 3
	2015	<b>14,773</b>	<b>43</b>				
	2014	<b>14,677</b>	<b>51</b>				

<sup>a</sup> The total impairments in 2014 of EUR 51 million also included the need of impairment identified at the cash-generating unit Digital Business Unit.

<sup>b</sup> Discount rate consistently after taxes. The discount rate before taxes for the calculation of the value in use amounts to 7.35 percent for the Netherlands, 8.91 percent for Croatia, and 9.30 to 9.38 percent for Others.

<sup>c</sup> Level of input parameters in the case of fair value less costs of disposal.

T 082

### Sensitivity analysis of the impairment losses

millions of €<sup>a</sup>

	Increase (decrease) in impairment losses in 2015					
	Decrease of discount rate by 50 basis points	Decrease of net cash flows by 5.0%	Decrease of sustainable growth rate by 50 basis points	Increase of discount rate by 50 basis points	Increase of net cash flows by 5.0%	Increase of sustainable growth rate by 50 basis points
<b>EUROPE</b>						
Netherlands		136 (11/100%/ 99.61%)	61 (11/0.25%/ 0.18%)	197 (11/5.51%/ 5.54%)		
Hungary	-43 (-73/7.88%/ 7.73%)	89 (-73/100%/ 102.44%)	69 (-73/2.00%/ 2.30%)	122 (-73/7.88%/ 7.73%)	-43 (-73/100%/ 102.44%)	-43 (-73/2.00%/ 2.30%)
Greece – Mobile communications				8 (169/7.81%/ 8.25%)		
Other <sup>b</sup>				1 (9/8.46%/ 8.84%)		
	<b>(43)</b>	<b>225</b>	<b>130</b>	<b>328</b>	<b>(43)</b>	<b>(43)</b>

<sup>a</sup> Where a change in the parameters results in an impairment loss, the following information is indicated in parenthesis: the current amount by which the unit's recoverable amount exceeds its carrying amount, the current value of the parameter, and the value of the parameter, which makes the recoverable amount of the cash-generating unit equal to the unit's carrying amount.

<sup>b</sup> The impairment indicated in the sensitivity analysis relates to the Montenegro cash-generating unit.

The sensitivity analysis of impairment charges lists all those cash-generating units where the sensitivity analysis resulted in an impairment loss or a change in the impairment loss. The sensitivity analysis was performed separately for each parameter, i. e., a change in the impairment charge on a cash-generating unit was only determined by reducing or increasing the parameter under consideration.

## 6 PROPERTY, PLANT AND EQUIPMENT

T 083

millions of €

	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
<b>COST</b>					
<b>AT DECEMBER 31, 2013</b>	<b>18,430</b>	<b>104,193</b>	<b>7,859</b>	<b>2,423</b>	<b>132,905</b>
Currency translation	176	1,997	167	123	2,463
Changes in the composition of the Group	84	324	95	19	522
Additions	153	2,895	475	4,393	7,916
Disposals	148	3,544	590	72	4,354
Change from non-current assets and disposal groups held for sale	(326)	(32)	(4)	(2)	(364)
Reclassifications	275	3,210	330	(3,880)	(65)
<b>AT DECEMBER 31, 2014</b>	<b>18,644</b>	<b>109,043</b>	<b>8,332</b>	<b>3,004</b>	<b>139,023</b>
Currency translation	220	2,247	176	151	2,794
Changes in the composition of the Group	(1)	(29)	(5)	(1)	(36)
Additions	164	5,945	503	5,251	11,863
Disposals	296	5,099	854	89	6,338
Change from non-current assets and disposal groups held for sale	(571)	(113)	(3)	(8)	(695)
Reclassifications	356	4,019	448	(4,840)	(17)
<b>AT DECEMBER 31, 2015</b>	<b>18,516</b>	<b>116,013</b>	<b>8,597</b>	<b>3,468</b>	<b>146,594</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>					
<b>AT DECEMBER 31, 2013</b>	<b>10,180</b>	<b>79,561</b>	<b>5,710</b>	<b>27</b>	<b>95,478</b>
Currency translation	135	1,220	124	1	1,480
Changes in the composition of the Group	0	102	(1)	0	101
Additions (depreciation)	683	5,265	685	0	6,633
Additions (impairment)	59	13	1	2	75
Disposals	90	3,435	518	1	4,044
Change from non-current assets and disposal groups held for sale	(254)	(33)	(3)	(2)	(292)
Reclassifications	(1)	(17)	13	0	(5)
Reversal of impairment losses	(18)	(1)	0	0	(19)
<b>AT DECEMBER 31, 2014</b>	<b>10,694</b>	<b>82,675</b>	<b>6,011</b>	<b>27</b>	<b>99,407</b>
Currency translation	152	1,341	126	0	1,619
Changes in the composition of the Group	(1)	(30)	(4)	0	(35)
Additions (depreciation)	723	5,713	714	0	7,150
Additions (impairment)	70	23	2	3	98
Disposals	201	4,825	797	1	5,824
Change from non-current assets and disposal groups held for sale	(385)	(60)	(2)	(3)	(450)
Reclassifications	37	(52)	13	1	(1)
Reversal of impairment losses	(7)	0	0	0	(7)
<b>AT DECEMBER 31, 2015</b>	<b>11,082</b>	<b>84,785</b>	<b>6,063</b>	<b>27</b>	<b>101,957</b>
<b>NET CARRYING AMOUNTS</b>					
At December 31, 2014	7,950	26,368	2,321	2,977	39,616
<b>AT DECEMBER 31, 2015</b>	<b>7,434</b>	<b>31,228</b>	<b>2,534</b>	<b>3,441</b>	<b>44,637</b>

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For further details on depreciation, amortization and impairment losses, please refer to Note 30 "Depreciation, amortization and impairment losses," PAGE 216.

The additions include EUR 2.3 billion in capitalized higher-priced mobile devices. These relate to the business model JUMP! On Demand introduced at T-Mobile US in June 2015 under which customers no longer purchase the device but lease it.

Restoration obligations of EUR 0.3 billion were recognized as of December 31, 2015 (December 31, 2014: EUR 0.2 billion). Of this figure, EUR 0.2 billion is attributable to the remeasurement of existing restoration obligations of T-Mobile US. New knowledge relating to the decommissioning of MetroPCS's CDMA mobile network prompted T-Mobile US to review the assumptions for the existing restoration obligations.

Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 1.9 billion (December 31, 2014: EUR 2.1 billion) as of the reporting date.

## 7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Significant investments in entities accounted for using the equity method are as follows:

T 084

Name and registered office	Deutsche Telekom share		Percentage of voting rights		Assigned to segment	Fair value of the investment, if a listed market price is available	
	Dec. 31, 2015 %	Dec. 31, 2014 %	Dec. 31, 2015 %	Dec. 31, 2014 %		Dec. 31, 2015 millions of €	Dec. 31, 2014 millions of €
Hrvatske telekomunikacije d.d. Mostar, Mostar, Bosnia-Herzegovina <sup>a</sup>	39.10	39.10	39.10	39.10	Europe	44	38
Scout24 AG, Munich, Germany	13.37	28.24	13.37	28.24	Group Headquarters & Group Services	474	-
Ströer SE, Cologne, Germany	11.60	-	11.60	-	Group Headquarters & Group Services	361	-
T-Mobile USA Tower LLC, Wilmington, United States <sup>b</sup>	100.00	100.00	100.00	100.00	United States	-	-
T-Mobile West Tower LLC, Wilmington, United States <sup>b</sup>	100.00	100.00	100.00	100.00	United States	-	-
Toll Collect GmbH, Berlin, Germany	45.00	45.00	45.00	45.00	Systems Solutions	-	-

<sup>a</sup> Indirect shareholding via Hrvatski Telekom d.d., Croatia (Deutsche Telekom AG's share: 51.00 percent).

<sup>b</sup> Indirect shareholding via T-Mobile US, Inc., United States (Deutsche Telekom AG's share: 65.41 percent).

All entities are accounted for in the consolidated financial statements using the equity method.

### Description of the nature of the activities of the joint arrangement or associate

Hrvatske telekomunikacije d. d. provides mobile and fixed-network communications services in Bosnia-Herzegovina.

Scout24 AG operates leading digital advertising platforms in Germany and other selected European countries. The core business under the Scout24 umbrella brand consists of the digital marketplaces ImmobilienScout24 and AutoScout24.

Ströer SE is a leading digital multi-channel media house that offers advertisers customized, fully integrated premium communications solutions.

T-Mobile USA Tower LLC and T-Mobile West Tower LLC are structured entities founded by T-Mobile US in each of which it holds a 100-percent stake for the purpose of contributing cell sites in accordance with a framework agreement signed in 2012 between T-Mobile US and Crown Castle International Corp., Houston, United States, concerning the leasing and use of the cell sites. The sole right to continue to use and lease out these sites was transferred to Crown Castle. T-Mobile us will continue to operate its mobile equipment on these cell towers and, to this end, lease back the required capacity from Crown Castle. Previously unused infrastructure is thus available for Crown Castle to lease to third parties. In return, the owners of the land on which the cell towers are built will no longer receive lease payments from T-Mobile US for those cell towers which were contributed to the two associates and those that were disposed of. Both entities were deconsolidated as of the date of the closing of the transaction in 2012, because Crown Castle independently operates the cell sites, generates revenues from the lease out of the sites for an average of 28 years and determines the finance and business activities of both entities that are relevant for consolidation purposes. It is expected that the leasing tower space allows Crown Castle to generate sufficient ongoing profits and cash flows to be able to meet its contractual obligations. Thus Deutsche Telekom

has only a significant influence and includes these companies in the consolidated financial statements as associates. Under certain conditions, T-Mobile US will continue to be held liable for any default in the lease payment by Crown Castle to the owners of the underlying land of the cell sites. The agreement includes a considerably low maximum guarantee amount for Deutsche Telekom, since in the unlikely event that this case occurs, T-Mobile US could take over the further use of the relevant cell sites or alternatively terminate the contracts with the owners of the cell site land at short notice. At closing T-Mobile US established an immaterial cash reserve in the entities sufficient to fund the payment of ongoing administrative expenses not payable by Crown Castle. Aside from the guarantee and the payment of administrative expenses there is no other funding obligation by T-Mobile US.

Toll Collect GmbH operates the highway toll system in Germany.

The following TABLES 085 and 086 provide summarized financial information on the main companies included in the consolidated financial statements and accounted for using the equity method. The data is not based on the portions attributable to the Deutsche Telekom Group, but represents the shareholdings on a 100-percent basis.

#### Summarized financial information on significant joint ventures accounted for using the equity method

T 085

millions of €

	HT Mostar d.d.		Toll Collect GmbH	
	Dec. 31, 2015/2015	Dec. 31, 2014/2014	Dec. 31, 2015/2015	Dec. 31, 2014/2014
Current assets	40	41	528	557
Of which: cash and cash equivalents	3	1	63	76
Non-current assets	172	171	180	136
Current liabilities	34	34	745	805
Of which: financial liabilities	0	2	0	20
Non-current liabilities	5	6	91	2
Of which: financial liabilities	1	1	90	0
Net revenue	45	119	472	433
Interest income	0	0	5	5
Interest expense	0	0	(3)	(5)
Income taxes	0	0	(37)	(33)
Profit (loss)	1	5	(15)	(139)
Other comprehensive income	0	0	0	0
Total comprehensive income	1	5	(15)	(139)
Depreciation and amortization	(12)	(250)	(2)	(2)
Dividends paid to Deutsche Telekom	0	2	0	0

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### Summarized financial information on significant associates accounted for using the equity method

T 086

millions of €

	Scout24 AG <sup>a, b</sup>		Ströer SE <sup>c</sup>		T-Mobile USA Tower LLC		T-Mobile West Tower LLC	
	Dec. 31, 2015/2015	Dec. 31, 2014/2014	Dec. 31, 2015/2015	Dec. 31, 2014/2014	Dec. 31, 2015/2015	Dec. 31, 2014/2014	Dec. 31, 2015/2015	Dec. 31, 2014/2014
Current assets	123	63	178	-	0	0	0	0
Non-current assets	2,061	2,127	799	-	66	60	101	91
Current liabilities	108	94	276	-	0	0	0	0
Non-current liabilities	1,380	1,037	415	-	0	0	0	0
Net revenue	288	306	509	-	0	0	0	0
Profit (loss)	49	(39)	25	-	0	0	0	0
Other comprehensive income	1	2	(19)	-	0	0	0	0
Total comprehensive income	50	(37)	7	-	0	0	0	0
Dividends paid to Deutsche Telekom	124	0	-	-	0	38	0	79

<sup>a</sup> As financial data of Scout24 AG as of December 31, 2015 was not publicly available at the date of publication of Deutsche Telekom's Annual Report, the interim financial statements of Scout24 AG as of September 30, 2015 was used as a basis for the summarized financial information and for the reconciliation statement to the carrying amount reported in Deutsche Telekom's consolidated statement of financial position.

<sup>b</sup> In the 2015 financial year, the majority shareholders of Asa NewCo resolved to place the company on the capital market by means of an independent IPO. To this end, Asa NewCo was converted into a stock corporation (under German law). Since the entry in the commercial register on October 10, 2015, the company is now called Scout24 AG.

<sup>c</sup> As financial data of Ströer SE as of December 31, 2015 was not publicly available at the date of publication of Deutsche Telekom's Annual Report, the quarterly financial report of Ströer SE as of September 30, 2015 was used as a basis for the summarized financial information.

### Reconciliation to the carrying amount included in the consolidated statement of financial position

T 087

millions of €

	HT Mostar d.d.		Toll Collect GmbH	
	2015	2014	2015	2014
<b>NET ASSETS AS OF JANUARY 1</b>	<b>172</b>	<b>172</b>	<b>(114)</b>	<b>25</b>
Profit (loss)	1	5	(14)	(139)
Other comprehensive income	0	0	0	0
Dividends paid	0	(5)	0	0
Exchange rate effects	0	0	0	0
<b>NET ASSETS AS OF DECEMBER 31</b>	<b>173</b>	<b>172</b>	<b>(128)</b>	<b>(114)</b>
<b>SHARE OF NET ASSETS ATTRIBUTABLE TO DEUTSCHE TELEKOM AS OF DECEMBER 31</b>	<b>68</b>	<b>66</b>	<b>(64)</b>	<b>(57)</b>
Adjustment of carrying amount	0	0	64	57
Other reconciliation effects	(15)	(15)	0	0
<b>CARRYING AMOUNT AS OF DECEMBER 31</b>	<b>53</b>	<b>51</b>	<b>0</b>	<b>0</b>



T 088

millions of €

	Scout24 AG		Ströer SE		T-Mobile USA Tower LLC		T-Mobile West Tower LLC	
	2015 <sup>a</sup>	2014	2015 <sup>b</sup>	2014	2015	2014	2015	2014
<b>NET ASSETS AS OF JANUARY 1</b>	<b>1,059</b>	<b>1,096</b>	<b>300</b>	-	<b>60</b>	<b>75</b>	<b>91</b>	<b>86</b>
Profit (loss)	49	(39)	25	-	0	0	0	0
Other comprehensive income	1	2	(19)	-	0	0	0	0
Dividends paid	(421)	0	(20)	-	0	(38)	0	(79)
Capital increase	8	0	-	-	0	13	0	73
Exchange rate effects	0	0	-	-	6	10	10	11
<b>NET ASSETS AS OF DECEMBER 31<sup>c</sup></b>	<b>696</b>	<b>1,059</b>	<b>286</b>	-	<b>66</b>	<b>60</b>	<b>101</b>	<b>91</b>
<b>SHARE OF NET ASSETS ATTRIBUTABLE TO DEUTSCHE TELEKOM AS OF DECEMBER 31<sup>c</sup></b>	<b>93</b>	<b>309</b>	<b>33</b>	-	<b>66</b>	<b>60</b>	<b>101</b>	<b>91</b>
Adjustment of carrying amount	0	0	0	-	0	0	0	0
Other reconciliation effects	31	0	298	-	0	0	0	0
<b>CARRYING AMOUNT AS OF DECEMBER 31</b>	<b>124</b>	<b>309</b>	<b>331</b>	-	<b>66</b>	<b>60</b>	<b>101</b>	<b>91</b>

<sup>a</sup> As financial data of Scout24 AG as of December 31, 2015 was not publicly available at the date of publication of Deutsche Telekom's Annual Report, the interim financial statements of Scout24 AG as of September 30, 2015 was used as a basis for the summarized financial information and for the reconciliation statement to the carrying amount reported in Deutsche Telekom's consolidated statement of financial position. The resulting effects for the extrapolation of the carrying amount as of December 31, 2015 were estimated and are included under other reconciliation effects.

<sup>b</sup> As financial data of Ströer SE as of December 31, 2015 was not publicly available at the date of publication of Deutsche Telekom's Annual Report, the quarterly financial report of Ströer SE as of September 30, 2015 was used as a basis for the summarized financial information and for the reconciliation statement to the carrying amount reported in Deutsche Telekom's consolidated statement of financial position. The resulting effects for the extrapolation of the carrying amount as of December 31, 2015 were estimated on the basis of the data available at the acquisition date on November 2, 2015 and are included under other reconciliation effects. Since the results of the purchase price allocation are not yet available, the goodwill included in the other reconciliation effects is provisional.

<sup>c</sup> The figures for net assets and the share of the net assets of Scout24 AG and Ströer SE relate to September 30, 2015.

Deutsche Telekom did not recognize losses in connection with investments accounted for using the equity method of EUR 64 million (2014: EUR 57 million) because it has no obligation to offset these losses.

Dividends paid by T-Mobile USA Tower LLC of EUR 38 million and by T-Mobile West Tower LLC of EUR 79 million to T-Mobile US in 2014 were based on contractual agreements from 2012. These dividend payments were directly related to the contribution of further T-Mobile US cell towers to both companies. The contribution was recorded as a capital increase.

#### Summarized aggregate financial information on non-significant investments accounted for using the equity method

The figures relate to the interests attributable to Deutsche Telekom.

T 089

millions of €

	Joint ventures		Associates	
	Dec. 31, 2015/ 2015	Dec. 31, 2014/ 2014	Dec. 31, 2015/ 2015	Dec. 31, 2014/ 2014
Total carrying amounts	5	14	142	92
Total interests				
Profit (loss)	(1)	(1)	(3)	(30)
Other comprehensive income	0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(1)</b>	<b>(1)</b>	<b>(3)</b>	<b>(30)</b>

#### 8 OTHER FINANCIAL ASSETS

T 090

millions of €

	Dec. 31, 2015		Dec. 31, 2014	
	Total	Of which: current	Total	Of which: current
Originated loans and receivables	3,283	2,694	3,224	2,632
Available-for-sale financial assets	3,354	2,801	683	224
Derivative financial assets	2,686	306	1,343	117
Held-to-maturity investments	12	4	10	3
	<b>9,335</b>	<b>5,805</b>	<b>5,260</b>	<b>2,976</b>

With respect to the originated loans and receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Receivables of EUR 98 million (December 31, 2014: EUR 527 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions.

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T 091

millions of €

Originated loans and receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					More than 360 days
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	
<b>As of Dec. 31, 2015</b>							
Due within one year	2,005	38	12	0	4	0	1
Due after more than one year	325	-	-	-	-	-	-
<b>As of Dec. 31, 2014</b>							
Due within one year	1,836	53	29	33	37	1	1
Due after more than one year	590	-	-	-	-	-	1

The available-for-sale financial assets include, among other assets, unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 156 million as of December 31, 2015 (December 31, 2014: EUR 122 million). No plans existed as of the reporting date to sell these instruments.

## 9 OTHER ASSETS

Other assets mainly include deferred expenses of EUR 1.0 billion (December 31, 2014: EUR 1.1 billion).

## 10 FINANCIAL LIABILITIES

T 092

millions of €

	Dec. 31, 2015				Dec. 31, 2014			
	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years	Total	Due within 1 year	Due >1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	47,766	7,583	14,410	25,773	44,219	5,425	13,890	24,904
Liabilities to banks	4,190	1,864	945	1,381	3,676	1,369	1,934	373
Of which: promissory notes	383	193	-	190	520	140	193	187
Of which: loans from the European Investment Bank	2,688	829	809	1,050	2,110	493	1,617	-
Of which: other loans	1,119	842	136	141	1,046	736	124	186
	51,956	9,447	15,355	27,154	47,895	6,794	15,824	25,277
Finance lease liabilities	1,927	311	878	738	1,461	180	570	711
Liabilities to non-banks from promissory notes	934	413	239	282	946	40	647	259
Liabilities with the right of creditors to priority repayment in the event of default	1,822	18	73	1,731	-	-	-	-
Other interest-bearing liabilities	3,009	2,399	465	145	1,775	1,196	392	187
Other non-interest-bearing liabilities	1,798	1,667	129	2	2,055	1,942	110	3
Derivative financial liabilities	934	184	413	337	1,095	406	442	247
	10,424	4,992	2,197	3,235	7,332	3,764	2,161	1,407
<b>FINANCIAL LIABILITIES</b>	<b>62,380</b>	<b>14,439</b>	<b>17,552</b>	<b>30,389</b>	<b>55,227</b>	<b>10,558</b>	<b>17,985</b>	<b>26,684</b>

Financial liabilities increased year-on-year by EUR 7.2 billion to a total of EUR 62.4 billion.

Deutsche Telekom has established ongoing liquidity management. To ensure the Group's and Deutsche Telekom AG's solvency and financial flexibility at all times, Deutsche Telekom maintains a liquidity reserve in the form of credit lines and cash. This liquidity reserve is to cover the capital market maturities of the next 24 months at any time.

In addition to the reported liabilities to banks, Deutsche Telekom had standardized bilateral credit agreements with 23 banks for a total of EUR 13.5 billion at December 31, 2015. As of December 31, 2015, EUR 0.2 billion of these credit lines had been utilized. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom's rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of twelve months, be extended by a further twelve months to renew the maturity of 36 months. From today's perspective, access to the international debt capital markets is not jeopardized. In November 2015, T-Mobile US issued bonds with a total volume of USD 2.0 billion. In addition, T-Mobile US took out a USD 2.0 billion syndicated loan (Term Loan B). These two transactions serve the purpose of prefinancing the spectrum auction

expected to begin in spring 2016. In December 2015, OTE issued a bond with a total volume of EUR 0.4 billion, and partial repayment of two bonds was made in the amount of EUR 0.3 billion prematurely.

The liabilities with the right of creditors to priority repayment in the event of default relate to liabilities issued by T-Mobile US with a nominal volume of USD 2.0 billion, a term running to 2022, and bearing variable-rate interest based on USD Libor. In the event of default by or insolvency of T-Mobile US, the creditors of these liabilities have first priority lien on certain assets of T-Mobile US. As of December 31, 2015, the entire carrying amount of these assets amounted to USD 67.0 billion (translated into euros: EUR 61.5 billion), including financial assets amounting to USD 12.9 billion (translated into euros: EUR 11.8 billion). As long as T-Mobile US neither defaults nor becomes insolvent, it shall not be subject to any restraints on disposal with regard to the assets underlying the lien. Due to the priority collateralization, these liabilities constitute a separate class of financial instruments.

TABLES 093 and 094 show Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

T 093

millions of €

	Carrying amounts Dec. 31, 2015	Cash flows in 2016			Cash flows in 2017		
		Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>							
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(52,890)	(2,509)	(13)	(9,238)	(2,244)	(9)	(3,541)
Finance lease liabilities	(1,927)	(113)		(308)	(100)		(305)
Liabilities with the right of creditors to priority repayment in the event of default	(1,822)		(64)	(18)		(63)	(18)
Other interest-bearing liabilities	(3,009)	(17)		(2,399)	(17)		(321)
Other non-interest-bearing liabilities	(1,798)			(1,667)			(101)
<b>DERIVATIVE FINANCIAL LIABILITIES AND ASSETS</b>							
Derivative financial liabilities:							
Currency derivatives without a hedging relationship	(147)			(158)			
Currency derivatives in connection with cash flow hedges	(33)			(34)			
Currency derivatives in connection with net investment hedges	0						
Other derivatives without a hedging relationship <sup>a</sup>	(58)			(9)			(7)
Interest rate derivatives without a hedging relationship	(314)	(105)	(3)		(105)	(4)	(35)
Interest rate derivatives in connection with fair value hedges	(10)	5			5		(17)
Interest rate derivatives in connection with cash flow hedges	(74)	(37)			(37)		
Derivative financial assets:							
Currency derivatives without a hedging relationship	29			28			
Currency derivatives in connection with cash flow hedges	7			8			
Other derivatives without a hedging relationship	1						
Interest rate derivatives without a hedging relationship	1,106	21	54	185	18	41	177
Interest rate derivatives in connection with fair value hedges	290	237	(132)		221	(118)	
Interest rate derivatives in connection with cash flow hedges	863	79		78	80		
<b>FINANCIAL GUARANTEES AND LOAN COMMITMENTS<sup>b</sup></b>	(2)			(459)			(136)

<sup>a</sup> There will be no payment for a carrying amount of EUR 39 million, since this relates to a purchase option granted to a third party for shares in a subsidiary of Deutsche Telekom. Please also refer to Note 37 "Financial instruments and risk management," PAGE 226 ET SEQ.

<sup>b</sup> For more detailed information, please refer to Note 37 "Financial instruments and risk management," PAGE 226 ET SEQ. In each case, the maximum payment at the earliest possible date of utilization is shown.

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Cash flows in 2018–2020			Cash flows in 2021–2025			Cash flows in 2026 and thereafter		
Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
(5,594)	(13)	(11,432)	(5,240)	(3)	(17,281)	(3,342)		(9,397)
(220)		(575)	(220)		(418)	(94)		(319)
	(186)	(55)		(113)	(1,745)			
(51)		(146)	(54)		(76)	(18)		(69)
		(28)			(2)			
		(6)						
(26)	(17)	3	30	(32)	(48)	58	(40)	69
9	77	297	12	81	48		127	426
463	(203)		546	(191)		1,023	(443)	
235		66	336		183	223		460

T 094

millions of €

	Carrying amounts Dec. 31, 2014	Cash flows in				
		2015	2016	2017-2019	2020-2024	2025 and thereafter
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>						
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(48,841)	(8,418)	(6,971)	(15,114)	(22,495)	(12,492)
Finance lease liabilities	(1,461)	(285)	(272)	(602)	(638)	(389)
Other interest-bearing liabilities	(1,775)	(1,283)	(267)	(190)	(179)	(102)
Other non-interest-bearing liabilities	(2,055)	(1,942)	(107)	(3)	(2)	(1)
<b>DERIVATIVE FINANCIAL LIABILITIES AND ASSETS</b>						
Derivative financial liabilities:						
Currency derivatives without a hedging relationship	(229)	(233)				
Currency derivatives in connection with cash flow hedges	(9)	(10)				
Currency derivatives in connection with net investment hedges	-					
Other derivatives without a hedging relationship	(15)	(6)	(4)	(6)		
Interest rate derivatives without a hedging relationship	(420)	(207)	(50)	(82)	0	(1)
Interest rate derivatives in connection with fair value hedges	(8)	4	4	(11)		
Interest rate derivatives in connection with cash flow hedges	(414)	(33)	(52)	(23)	148	247
Derivative financial assets:						
Currency derivatives without a hedging relationship	67	63				
Currency derivatives in connection with cash flow hedges	4	4				
Interest rate derivatives without a hedging relationship	584	70	83	262	25	272
Interest rate derivatives in connection with fair value hedges	222	102	100	248	349	654
Interest rate derivatives in connection with cash flow hedges	282	22	64	119	209	119
<b>FINANCIAL GUARANTEES AND LOAN COMMITMENTS<sup>a</sup></b>	(1)	(339)				

<sup>a</sup>For more detailed information, please refer to Note 37 "Financial instruments and risk management," PAGE 226 ET SEQ. In each case, the maximum payment at the earliest possible date of utilization is shown.

All instruments held at December 31, 2015 and for which payments were already contractually agreed were included. Planning data for future, new liabilities were not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2015. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act – Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities that were already outstanding as at January 1, 1995. At December 31, 2015, this figure was a nominal EUR 2.1 billion (December 31, 2014: EUR 2.0 billion). The Mandatory Convertible Preferred Stock issued by T-Mobile us in December 2014 (nominal volume of USD 1.0 billion, interest rate of 5.5 percent, term until 2017) is not included in the table above since T-Mobile us has the contractually agreed right to pay all interest in the form of shares. The repayment in the form of shares is mandatory.

## 11 TRADE AND OTHER PAYABLES

T 095

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Trade payables	11,037	9,631
Other liabilities	53	50
	<b>11,090</b>	<b>9,681</b>

Of the total of trade and other payables, EUR 11,089 million (December 31, 2014: EUR 9,679 million) is due within one year. The increase in trade payables is due in particular to exchange rate effects and the higher procurement volume in connection with the new business model JUMP! On Demand introduced in the United States operating segment.

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## 12 PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

### DEFINED BENEFIT PLANS

The Group's pension obligations are based on direct and indirect pension commitments mainly in Germany, Greece, and Switzerland. In addition, there are further obligations under Article 131 of the Basic Law (Grundgesetz – GG) in Germany.

Deutsche Telekom's pension obligations are as follows:

T 096

millions of €

	Dec. 31, 2015	Dec. 31, 2014
<b>DEFINED BENEFIT LIABILITY</b>	<b>8,028</b>	<b>8,465</b>
Defined benefit asset	(14)	(18)
<b>NET DEFINED BENEFIT LIABILITY (ASSET)</b>	<b>8,014</b>	<b>8,447</b>
Of which: provisions for direct commitments	7,568	8,023
Of which: provisions for indirect commitments	445	423
Of which: provisions for obligations in accordance with Article 131 GG	1	1

Defined benefit liabilities are disclosed under non-current liabilities in the consolidated statement of financial position. The defined benefit asset is recognized under other non-current assets in the consolidated statement of financial position.

### Calculation of net defined benefit liabilities/assets:

T 097

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Present value of the obligations fully or partially funded by plan assets	7,749	7,854
Plan assets at fair value	(2,744)	(2,498)
<b>DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS</b>	<b>5,005</b>	<b>5,356</b>
Present value of the unfunded obligations	3,004	3,086
<b>DEFINED BENEFIT LIABILITY (ASSET) ACCORDING TO IAS 19.63</b>	<b>8,009</b>	<b>8,442</b>
Effect of asset ceiling (according to IAS 19.64)	5	5
<b>NET DEFINED BENEFIT LIABILITY (ASSET)</b>	<b>8,014</b>	<b>8,447</b>

T 098

millions of €

	2015	2014
<b>NET DEFINED BENEFIT LIABILITY (ASSET) AS OF JANUARY 1</b>	<b>8,447</b>	<b>6,992</b>
Service cost	285	220
Net interest expense (income) on the net defined benefit liability (asset)	157	225
Remeasurement effects	(230)	1,581
Pension benefits paid directly by the employer	(355)	(298)
Employer contributions to plan assets	(276)	(266)
Changes attributable to business combinations/transfers of operation/acquisitions and disposals	(19)	(8)
Administration costs actually incurred (paid from plan assets)	0	0
Exchange rate fluctuations for plans in foreign currency	5	1
<b>NET DEFINED BENEFIT LIABILITY (ASSET) AS OF DECEMBER 31</b>	<b>8,014</b>	<b>8,447</b>

Key assumptions for the measurement of the defined benefit obligations are the discount rate, the salary increase rate, the pension increase rate, and longevity.

TABLE 099 shows the assumptions on which the measurement of defined benefit obligations as of December 31 of the respective year are based. The assumptions made as of December 31 of the respective prior year are used to measure the expected pension expense (defined benefit cost) of a given financial year.

From 2014, the following figures for the plans in Switzerland relate to T-Systems Schweiz AG and T-Systems Data Migration Consulting AG (previously only T-Systems Schweiz AG).

### Assumptions for the measurement of defined benefit obligations as of December 31:

T 099

%

		2015	2014	2013
Discount rate	Germany	2.11	1.89	3.29
	Switzerland	0.83	1.14	2.34
	Greece (OTE S. A.)	2.13 <sup>a</sup> /1.39 <sup>b</sup>	1.83 <sup>a</sup> /1.09 <sup>b</sup>	3.25 <sup>a</sup> /2.53 <sup>b</sup>
Salary increase rate	Germany	2.50	2.50	2.75
	Switzerland	1.25	1.25	1.50
	Greece (OTE S. A.)	1.00 <sup>c</sup>	1.00 <sup>d</sup>	1.00 <sup>e</sup>
Pension increase rate	Germany (general)	1.50	1.50	1.50
	Germany (according to articles of association)	1.00	1.00	1.00
	Switzerland	0.10	0.30	0.30
	Greece (OTE S. A.)	n. a.	n. a.	n. a.

<sup>a</sup> The discount rate relates to the plans for staff retirement indemnities and for phone credits (see the plan description, PAGES 200 and 201).

<sup>b</sup> The discount rate relates to the plan for youth accounts (see the plan description, PAGES 200 and 201).

<sup>c</sup> The following assumptions were made in 2015 concerning the development of salaries in subsequent years: 2016: 0.00 percent, 2017: 0.00 percent, 2018: 5.50 percent. An increase of 1.00 percent is assumed for the years from 2019 onward.

<sup>d</sup> The following assumptions were made in 2014 concerning the development of salaries in subsequent years: 2015: -1.00 percent, 2016: 0.00 percent, 2017: 0.00 percent, 2018: 11.00 percent. An increase of 1.00 percent was assumed for the years from 2019 onward.

<sup>e</sup> The following assumptions were made in 2013 concerning the development of salaries in subsequent years: 2014: 0.97 percent, 2015: 9.69 percent, 2016: 0.00 percent. An increase of 1.00 percent was assumed for the years from 2017 onward.

T 100

Years

		Dec. 31, 2015	Dec. 31, 2014
Duration	Germany	13.9	14.5
	Switzerland	17.1 <sup>a</sup>	18.6
	Greece (OTE S. A.)	14.1 <sup>b</sup> /6.4 <sup>c</sup>	13.8 <sup>b</sup> /6.3 <sup>c</sup>

<sup>a</sup> Although the discount rate has declined since 2014, the duration of the Swiss obligations has decreased by approximately 1.5 years; this is attributable, among other things, to the assumption on capital drawdowns updated in 2015. The assumption for the measurement of the pension obligations thus follows the observed increase in the drawdown of capital instead of a pension (see the plan description, PAGES 200 and 201).

<sup>b</sup> The duration relates to the plans for staff retirement indemnities and for phone credits (see the plan description, PAGES 200 and 201).

<sup>c</sup> The duration relates to the plan for youth accounts (see the plan description, PAGES 200 and 201).

The following biometric assumptions were essential for the measurement of pension obligations: Germany: Heubeck 2005G, Switzerland: BVG 2010 Generational, Greece (OTE S. A.): EVK2000.

The aforementioned discount rates were used as of December 31, 2015 when calculating the present value of defined benefit obligations, taking into account future salary increases. These discount rates were set in line with the average weighted duration of the respective obligation.

In the eurozone, the discount rate is determined based on the yields of high-quality European corporate bonds with AA rating, mapped in a yield curve showing the corresponding spot rates. To also approximately align the determination of the discount rate in Switzerland to this system, the existing method was adjusted with effect from August 31, 2015. Instead of the swap yields used in the past (for bonds with AAA rating), Swiss government bonds (treasury bonds) now form the basis for deriving a yield curve. Since the yield curve derived from the treasury bonds comprises a credit risk that is too low for accounting purposes, a further adjustment is made in the form of a risk premium (credit spread) based on high-quality Swiss corporate bonds. This risk premium, which in the past had been fixed for all durations, was calculated separately for three time intervals and used as the basis for the final determination of the yield curve.

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### Development of defined benefit obligations in the reporting year:

T 101

millions of €

	2015	2014
<b>DEFINED BENEFIT OBLIGATIONS AS OF JANUARY 1</b>	<b>10,940</b>	<b>8,965</b>
Current service cost	287	228
Interest cost	207	290
Remeasurement effects	(312)	1,783
Of which: experience-based adjustments	3	(6)
Of which: adjusted financial assumptions	(310)	1,789
Of which: adjusted demographic assumptions	(5)	-
Total benefits actually paid	(386)	(328)
Contributions by plan participants	5	5
Changes attributable to business combinations/ transfers of operation/acquisitions and disposals	(19)	(8)
Past service cost (due to plan amendments)	(3)	(3)
Past service cost (due to curtailments)	(3)	(8)
Settlements	4	3
Taxes to be paid as part of pensions	-	-
Exchange rate fluctuations for plans in foreign currency	33	13
<b>DEFINED BENEFIT OBLIGATIONS AS OF DECEMBER 31</b>	<b>10,753</b>	<b>10,940</b>
Of which: active plan participant	4,969	5,070
Of which: plan participants with vested pension rights who left the Group	1,939	1,980
Of which: benefit recipients	3,845	3,890

Taking the plan assets into consideration, the pension obligations were accounted for in full.

### Distribution of obligations relating to Deutsche Telekom's most significant plans as of December 31, 2015 and December 31, 2014:

T 102

millions of €

	Dec. 31, 2015				Dec. 31, 2014			
	Germany	Switzerland	Greece (OTE S. A.)	Other plans	Germany	Switzerland	Greece (OTE S. A.)	Other plans
Defined benefit obligations	9,901	256	254	342	10,082	227	292	339
Plan assets at fair value	(2,287)	(194)	-	(263)	(2,078)	(171)	-	(249)
Effect of asset ceiling	-	-	-	5	-	-	-	5
<b>NET DEFINED BENEFIT LIABILITY (ASSET)</b>	<b>7,614</b>	<b>62</b>	<b>254</b>	<b>84</b>	<b>8,004</b>	<b>56</b>	<b>292</b>	<b>95</b>

The following analyses in terms of age structure and sensitivity analysis, as well as descriptions of plans and the risks associated with them relate to the relevant pension obligations (Germany, Switzerland, and Greece (OTE S. A.)).

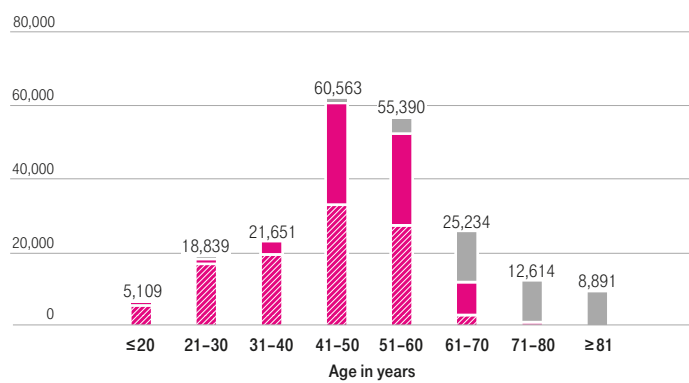


### Age structure:

Deutsche Telekom's most significant plans are subject to the following status-related age structure.

G 47

#### Age structure of plan participants in the most significant pension plans at Deutsche Telekom<sup>a</sup>



- Benefit recipients
- Plan participants with vested pension rights who left the Group
- ▨ Active plan participants

<sup>a</sup> Figures relating to Greece (OTE S. A.) include the staff retirement indemnities plan only.

### Sensitivity analysis for the defined benefit obligations:

The following sensitivity analysis describes the effects of possible adjustments in the material actuarial assumptions for measurement on the defined benefit obligations determined as of December 31, 2015. A change in the measurement assumptions to the extent described below, with otherwise unchanged assumptions, would have impacted the defined benefit obligations as of December 31, 2015 as follows:

T 103

millions of €

	Increase (decrease) of the defined benefit obligations as of Dec. 31, 2015		
	Germany	Switzerland	Greece (OTE S. A.)
Increase of discount rate by 100 basis points	(1,163)	(30)	(27)
Decrease of discount rate by 100 basis points	1,427	36 <sup>a</sup>	32
Increase of salary increase rate by 50 basis points	7	4	16
Decrease of salary increase rate by 50 basis points	(6)	(4)	(14)
Increase of pension increase rate by 25 basis points	6	6	0
Decrease of pension increase rate by 25 basis points	(5)	(2) <sup>b</sup>	0
Life expectancy increase by 1 year	246	7	0
Life expectancy decrease by 1 year	(251)	(7)	(1)

<sup>a</sup> Determined on the basis of a negative discount rate for the pension plans in Switzerland.

<sup>b</sup> Downward limitation of the pension increase rate to zero for the pension plans in Switzerland.

T 104

millions of €

	Increase (decrease) of the defined benefit obligations as of Dec. 31, 2014		
	Germany	Switzerland	Greece (OTE S. A.)
Increase of discount rate by 100 basis points	(1,239)	(29)	(30)
Decrease of discount rate by 100 basis points	1,530	37	36
Increase of salary increase rate by 50 basis points	7	4	18
Decrease of salary increase rate by 50 basis points	(6)	(4)	(15)
Increase of pension increase rate by 25 basis points	7	6	0
Decrease of pension increase rate by 25 basis points	(6)	(6)	0
Life expectancy increase by 1 year	262	6	1
Life expectancy decrease by 1 year	(271)	(7)	(1)

Separate sensitivity analyses were carried out for the discount rate, the salary increase rate, and the pension increase rate. For this purpose, further actuarial evaluations were made for both the increase and the decrease of the assumptions. The variations used in the assumptions were selected in such a way that the probability that the respective assumption will not move beyond the analysis range within one year is 60 to 90 percent. It can be assumed that the life expectancy of the plan members will not change significantly within a year. Nevertheless, the effect of a change in life expectancy on the obligations was additionally determined from a risk perspective. Evaluations were carried out based on the assumption that the life expectancy of the plan member aged 65 would increase or decrease by one year (age shift method). The age shift was applied to the remaining plan members accordingly. Variations in the assumed retirement age or turnover rates would only have an immaterial effect, especially in Germany.

### Global pension policy and description of the plans:

Deutsche Telekom manages its pension commitments based on the Group-wide Global Pension Policy. It ensures on a worldwide basis that Group minimum standards regarding the granting and management of company pension benefits are complied with, plans are harmonized, and other risks to the core business are avoided or reduced. In addition, the policy provides guidelines for the implementation and management of pension commitments and defines requirements for the launch, adjustment, and closure of corresponding plans. The regulations and provisions laid down in this Group policy take into account the national differences in state pension and other commitments under labor, tax, and social law and the common business practices in the area of pension commitments.

Defined benefit plans based on final salaries in the Group have largely been replaced by plans with contribution-based promises to minimize the risks involved. In addition, a corporate CTA (Deutsche Telekom Trust e. V.) was established in Germany in 2011 to allow for additional funding of pension obligations. A CTA is a legally structured trust agreement to cover unfunded pension commitments with plan assets, and to provide greater protection against insolvency for these obligations.

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The worldwide obligations and the existing plan assets at fair value are regularly tested for risk-reducing measures, for example by executing asset liability studies and regular benefit audits.

In **Germany** there are commitments for pension and disability benefits for a majority of employees as well as pension benefits for their surviving dependents. As part of a reorganization of the company pension plan, a capital account plan was introduced across Germany in 1997 for active employees. Furthermore, in subsequent years, commitments acquired through company acquisitions were also transferred to the capital account plan scheme. The capital account plan is an employer-financed, contribution-based benefit promise. The salary-linked contributions granted annually are charged interest in advance for each year of provision up to age 60, calculated using age-based factors, converting the contribution into a guaranteed insured amount. The advance interest rate currently stands at 3.75 percent p. a. (target interest rate for the capital account plan).

Deutsche Telekom reduced the granted interest on the future contributions in its capital account plan from 5 percent p. a. to the current level of 3.75 percent p. a. by changing the plan in the 2013 financial year. This change was not related to the application of IAS 19 (amended) in the 2013 financial year. The option of changing the target interest rate makes it possible to achieve a yield on the contributions to the capital account that is in line with the capital market. As market interest rates had fallen sharply, the return was no longer in line with the market.

The period for providing contributions is initially limited to ten future contribution years. The contribution period will be extended automatically every year by a further year, unless terminated. The insured amounts accumulated over the period of active service are paid out if an insured event arises, primarily in the form of a lump sum. Hence there is only a limited longevity risk for these commitments. Based on the payment guidelines and the structure of the capital account plan, the employer can plan for this, and there is only a small risk inherent in the plan with regard to the volatility of remuneration dynamics.

In addition, in Germany there are various closed legacy commitments, which generally provide for old-age and disability benefits as well as benefits for surviving dependents in the form of life-long pensions. The commitments predominantly comprise the overall pension of the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost – VAP) that takes into account the statutory pension. Most of the plan members of these commitments are former employees with vested rights and retirees for whom the amount of benefits has already been determined. So the VAP overall pension scheme continues to apply to former employees who were already retired or who had left with vested claims in 1997.

To the extent that defined benefit plans in Germany grant annuities, the future adjustment for these pensions, except for insignificant exceptions, is bindingly defined in the existing benefit regulations. A change in the assumptions for the general pension trend in Germany therefore only has an immaterial impact on the defined benefit obligations.

As a change in life expectancy mainly impacts on the obligations from legacy pension commitments and, since 1997, commitments have been granted in the form of capital, the significance of the risk resulting from the change in life expectancy is expected to decline for the Group over subsequent years.

To cover pension obligations over the long term, Deutsche Telekom has transferred funds to a corporate CTA and a company special pension fund (Unterstützungskasse).

As part of the company pension scheme in **Switzerland** for T-Systems Schweiz AG, there is a contribution-based benefit plan financed by employer and employee contributions, which is managed by the legally independent T-Systems pension fund. Following a restructuring of the Swiss companies and harmonization of the pension fund commitments as of January 1, 2014, T-Systems Data Migration Consulting AG has also since been included in the pension fund of T-Systems Schweiz AG. As is often the case in Switzerland, both companies grant higher benefits than legally required. The Swiss Federal Law on Occupational Retirement, Surviving Dependents' and Disability Pension (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG) sets out minimum requirements for the pay to be insured, the age-based contributions, and a minimum annuity factor for the obligatory portion of the accrued retirement assets to be annuitized. In addition, the Swiss Federal Council defines a minimum interest rate for the obligatory retirement assets (2015: 1.75 percent, 2016: 1.25 percent).

The foundation board (Stiftungsrat) presides over the Swiss pension fund. It ensures the day-to-day running of the pension fund and decides on fundamental aspects, such as the amount and the structure of the pension benefits and the investment strategy for the fund. The foundation board is equally comprised of employer and employee representatives. According to information provided by the pension fund, the average annual yield of the fund in the past amounted to approximately 1.75 percent.

Due to the minimum yield for the obligatory retirement assets, a risk exists for the plans in Switzerland that additional resources would have to be allocated to the pension fund if it were to be underfinanced. The pension fund offers the plan members the option to choose a life-long pension instead of a one-time payment. This option gives rise to longevity and investment risks, since at the time of retirement, assumptions must be made regarding life expectancy and return on assets.

In **Greece** (OTE S. A.), mandatory staff retirement indemnities are due in cases of premature termination by the employer and, to a lesser extent, upon retirement by the employee. These are paid out as a lump sum and can amount to several times the employee's last monthly pay (including cap), depending on the employee's length of service. Due to a change in the law in 2012, the lump sum is capped at a maximum of twelve monthly salaries. The company also makes a voluntary top-up payment. Payments in the scope made in the 2013 financial year as part of restructuring programs were not made in 2015.

OTE S. A. is also obliged to make a one-time payment for the employees' children when they reach the age of 25 (youth accounts). The benefit plan, which had previously been based on the level of the employee's final monthly salary, was changed in November 2011 to a plan with a contribution-based promise financed by contributions by the employee and corresponding limited matching contributions by the employer.

The benefits granted by the staff retirement indemnities and youth accounts plans are paid out as a lump sum. For this reason, there is no longevity risk. In addition, employees and retirees are also entitled to phone credits. OTE S. A.'s payment obligation therefore depends on the price of the telephone unit and the level of credit utilization by those entitled to them. The volume of the obligation (credit) is capped. Measured against the total amount of pension benefits paid by OTE S. A., the scope of these obligations is relatively small.

### Development of plan assets at fair value in the respective reporting year:

T 105

millions of €

	2015	2014
<b>PLAN ASSETS AT FAIR VALUE AS OF JANUARY 1</b>	<b>2,498</b>	<b>1,973</b>
Changes attributable to business combinations/ transfers of operation/acquisitions and disposals	0	0
Interest income on plan assets (calculated using the discount rate)	50	65
Amount by which the actual return exceeds (falls short of) the interest income on plan assets (remeasurement)	(82)	207
Contributions by employer	276	266
Contributions by plan participants	5	5
Benefits actually paid from plan assets	(31)	(30)
Settlements	-	-
Administration costs	0	0
Tax payments	-	-
Exchange rate fluctuations for plans in foreign currency	28	12
<b>PLAN ASSETS AT FAIR VALUE AS OF DECEMBER 31</b>	<b>2,744</b>	<b>2,498</b>

Contributions by employer as of December 31, 2015 include a payment of EUR 250 million (December 31, 2014: EUR 250 million) to a corporate CTA in Germany. The contributions by employer are usually allocated at year-end. Due to the general capital market situation, the positive development of actual income observed in the prior year did not continue in 2015.

### Breakdown of plan assets at fair value by investment category:

T 106

millions of €

	Dec. 31, 2015	Of which: price in an active market	Of which: price without an active market
Equity securities	609	609	0
Debt securities	1,825	1,825	0
Real estate	54	54	0
Derivatives	0	0	0
Investment funds	0	0	0
Asset-backed securities	0	0	0
Structured debt instruments	0	0	0
Cash and cash equivalents	200	200	0
Other	56	14	42
<b>PLAN ASSETS AT FAIR VALUE</b>	<b>2,744</b>	<b>2,702</b>	<b>42</b>

T 107

millions of €

	Dec. 31, 2014	Of which: price in an active market	Of which: price without an active market
Equity securities	521	521	0
Debt securities	1,688	1,688	0
Real estate	45	45	0
Derivatives	9	9	0
Investment funds	0	0	0
Asset-backed securities	0	0	0
Structured debt instruments	0	0	0
Cash and cash equivalents	181	181	0
Other	54	12	42
<b>PLAN ASSETS AT FAIR VALUE</b>	<b>2,498</b>	<b>2,456</b>	<b>42</b>

The investment policy and risk management is set in line with the risk and development characteristics of the pension obligations. On the basis of a systematic, integrated asset/liability management (ALM) analysis, potential results from different investment portfolios, which can cover a large number of asset classes, are compared with the stochastically simulated development of the pension obligations, thereby explicitly considering the relative development of plan assets against the pension obligations. The investment philosophy is mainly characterized by the objective of satisfying future obligations from granted pension commitments on time by systematically setting up and professionally managing a suitable portfolio for the plan assets. The investment strategy is derived from this with direct reference to the characteristics of the underlying pension obligations. This liability-driven investment (LDI) strategy aims to establish a widely diversified investment portfolio that generates a risk profile appropriate to the overall objective, by means of corresponding risk factors and diversification. The management of investments is subject to continuous monitoring to ensure active risk management. Cost-efficient investment management is effected by means of professional portfolio management involving external service providers.

At the reporting date, the plan assets at fair value include shares issued by Deutsche Telekom AG amounting to EUR 1,116 thousand (December 31, 2014: shares totaling EUR 736 thousand). No other own financial instruments were included in the years shown.

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**Development of the effect of the asset ceiling:**

T 108

millions of €

	2015	2014
<b>EFFECT OF ASSET CEILING AS OF JANUARY 1</b>	<b>5</b>	<b>0</b>
Interest expense on asset ceiling (recognized in the income statement)	0	0
Changes in asset ceiling ((gains) losses recognized in equity)	0	5
Currency gain (loss)	0	0
<b>EFFECT OF ASSET CEILING AS OF DECEMBER 31</b>	<b>5</b>	<b>5</b>

**The defined benefit cost for each period is composed of the following items and reported in the indicated accounts of the income statement:**

T 109

millions of €

	Disclosure in income statement	2015	2014	2013
Current service cost	Functional costs <sup>a</sup>	287	228	219
Past service cost (due to plan amendments)	Functional costs <sup>a</sup>	(3)	(3)	(64)
Past service cost (due to curtailments)	Functional costs <sup>a</sup>	(3)	(8)	(8)
Settlements	Functional costs <sup>a</sup>	4	3	13
<b>SERVICE COST</b>		<b>285</b>	<b>220</b>	<b>160</b>
Interest cost	Other financial income (expense)	207	290	282
Interest income on plan assets (calculated using the discount rate)	Other financial income (expense)	(50)	(65)	(54)
Interest expense on the effect of the asset ceiling	Other financial income (expense)	0	0	0
<b>NET INTEREST EXPENSE (INCOME) ON NET DEFINED BENEFIT LIABILITY (ASSET)</b>		<b>157</b>	<b>225</b>	<b>228</b>
<b>DEFINED BENEFIT COST</b>		<b>442</b>	<b>445</b>	<b>388</b>
Administration costs actually incurred (paid from plan assets)	General and administrative expenses	0	0	0
<b>TOTAL AMOUNTS RECOGNIZED IN PROFIT OR LOSS</b>		<b>442</b>	<b>445</b>	<b>388</b>

<sup>a</sup>Including other operating expenses.**The consolidated statement of comprehensive income contains the following amounts:**

T 110

millions of €

	2015	2014	2013
<b>REMEASUREMENT ((GAIN) LOSS RECOGNIZED IN OTHER COMPREHENSIVE INCOME IN THE FINANCIAL YEAR)</b>	<b>(230)</b>	<b>1,581</b>	<b>(48)</b>
Of which: remeasurement due to a change in defined benefit obligations	(312)	1,783	(33)
Of which: remeasurement due to a change in plan assets	82	(207)	(13)
Of which: remeasurement due to changes in the effect of asset ceiling (according to IAS 19,64)	0	5	(2)

**Total benefit payments expected:**

T 111

millions of €

	2016	2017	2018	2019	2020
Benefits paid from pension provisions	318	374	354	399	433
Benefits paid from plan assets	31	31	33	35	37
<b>TOTAL BENEFITS EXPECTED</b>	<b>349</b>	<b>405</b>	<b>387</b>	<b>434</b>	<b>470</b>

Benefits paid directly by the employer for which the assets of the CTA can generally be utilized are usually reimbursed to the employer from the CTA assets soon after payment. Such reimbursements are currently not yet made as this would have a detrimental effect on the build-up of assets within the CTA in its first years.

In Germany, an amount of EUR 250 million will be allocated to the CTA in 2016 to increase the plan assets. EUR 265 million is expected to be allocated to plan assets for 2016 at Group level.

**Amounts for the current year and four preceding years of defined benefit obligations, plan assets, defined benefit obligations in excess of plan assets, and experience-based adjustments:**

T 112

millions of €

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Defined benefit obligations	10,753	10,940	8,965	8,973	6,966
Plan assets at fair value	(2,744)	(2,498)	(1,973)	(1,680)	(860)
<b>DEFINED BENEFIT OBLIGATIONS IN EXCESS OF PLAN ASSETS</b>	<b>8,009</b>	<b>8,442</b>	<b>6,992</b>	<b>7,293</b>	<b>6,106</b>

T 113

%

Adjustments	2015	2014	2013	2012	2011
Experience-based increase (decrease) of defined benefit obligations	0.0	(0.1)	0.3	(0.2)	(0.3)
Experience-based increase (decrease) of plan assets	(3.0)	8.3	0.7	2.6	(1.2)

#### DEFINED CONTRIBUTION PLANS

The employer's contribution paid to the statutory pension scheme (Deutsche Rentenversicherung) in Germany in the 2015 financial year totaled EUR 0.3 billion (2014: EUR 0.4 billion, 2013: EUR 0.4 billion). Group-wide, EUR 94 million (2014: EUR 88 million, 2013: EUR 103 million) from current contributions for additional defined contribution plans was recognized in the consolidated income statement in 2015.

#### CIVIL-SERVANT RETIREMENT ARRANGEMENTS AT DEUTSCHE TELEKOM

An expense of EUR 538 million was recognized in the 2015 financial year (2014: EUR 552 million, 2013: EUR 567 million) for the annual contribution to the Civil Service Pension Fund generally amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The present value of future payment obligations was EUR 4.2 billion at the reporting date (December 31, 2014: EUR 5.1 billion, December 31, 2013: EUR 5.0 billion) and is shown under other financial obligations (please refer to Note 35 "Other financial obligations," PAGE 224).

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### 13 OTHER PROVISIONS

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millions of €

	Provisions for termination benefits	Other provisions for personnel costs	Provisions for restoration obligations	Provisions for litigation risks	Provisions for sales and procurement support	Miscellaneous other provisions	Total
<b>AT DECEMBER 31, 2013</b>	<b>282</b>	<b>1,981</b>	<b>1,247</b>	<b>289</b>	<b>367</b>	<b>1,025</b>	<b>5,191</b>
Of which: current	279	1,434	46	281	367	713	3,120
Changes in the composition of the Group	0	4	0	0	0	4	8
Currency translation adjustments	0	43	37	3	14	26	123
Addition	60	1,881	140	239	430	695	3,445
Use	(152)	(1,677)	(49)	(91)	(347)	(247)	(2,563)
Reversal	(7)	(106)	(57)	(27)	(42)	(115)	(354)
Interest effect	0	49	60	0	0	11	120
Other changes	0	(63)	0	2	0	(19)	(80)
<b>AT DECEMBER 31, 2014</b>	<b>183</b>	<b>2,112</b>	<b>1,378</b>	<b>415</b>	<b>422</b>	<b>1,380</b>	<b>5,890</b>
Of which: current	181	1,467	175	408	422	864	3,517
Changes in the composition of the Group	0	1	0	0	0	0	1
Currency translation adjustments	0	43	35	2	15	47	142
Addition	70	1,884	365	93	384	902	3,698
Use	(62)	(1,728)	(186)	(122)	(344)	(639)	(3,081)
Reversal	(6)	(89)	(55)	(67)	(17)	(104)	(338)
Interest effect	0	97	8	0	0	0	105
Other changes	1	(57)	1	(7)	0	(10)	(72)
<b>AT DECEMBER 31, 2015</b>	<b>186</b>	<b>2,263</b>	<b>1,546</b>	<b>314</b>	<b>460</b>	<b>1,576</b>	<b>6,345</b>
Of which: current	183	1,452	66	307	460	899	3,367

In the measurement of the other provisions, Deutsche Telekom is exposed to interest rate fluctuations, which is why the effect of a possible change in the interest rate on the principal non-current provisions was simulated. The other, non-staff-related provisions are discounted using maturity-related discount rates specific for the respective currency area. To this end, Deutsche Telekom determines discount rates with maturities of up to 30 years. In 2015, the discount rates ranged from 0.01 to 4.00 percent (2014: from 0.50 to 2.50 percent) in the euro currency area, and from 1.86 to 5.92 percent (2014: from 2.00 to 3.50 percent) in the U.S. dollar currency area. If the discount rate were increased by 50 basis points with no other change in the assumptions, the present value of the principal other non-current provisions would decrease by EUR 96.9 million (December 31, 2014: EUR 90.1 million). If the discount rate were decreased by 50 basis points with no other change in the assumptions, the present value of the principal other non-current provisions would increase by EUR 103.1 million (December 31, 2014: EUR 100.2 million).

Provisions for termination benefits and other personnel provisions include provisions for staff restructuring. These provisions developed as follows in the financial year:

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millions of €

	Jan. 1, 2015	Addition	Use	Reversal	Other changes	Dec. 31, 2015
Severance and voluntary redundancy models	183	70	(62)	(6)	1	186
Partial retirement	176	359	(249)	-	(1)	285
	<b>359</b>	<b>429</b>	<b>(311)</b>	<b>(6)</b>	<b>0</b>	<b>471</b>
Of which: current	272					286

Other provisions for personnel costs include a variety of individual issues such as provisions for deferred compensation and allowances, as well as for anniversary gifts. The expenses are allocated to functional costs or to other operating expenses based on actual cost generation.

Provisions for restoration obligations include the estimated costs for dismantling and removing an asset, and restoring the site on which it is located. The estimated costs are included in the costs of the relevant asset. EUR 0.2 billion of the additions is attributable to the remeasurement of existing restoration obligations of T-Mobile US. New knowledge relating to the decommissioning of MetroPCS's CDMA mobile network prompted T-Mobile US to review the assumptions for the existing restoration obligations.

The provisions for litigation risks primarily relate to possible settlements attributable to pending lawsuits.

Provisions for sales and procurement support are recognized for dealer commissions, subsidies for advertising expenses, and reimbursements.

Miscellaneous other provisions include a large number of individual items accounting for marginal amounts such as provisions related to executory contracts, the disposal of businesses and site closures, in particular in prior financial years, as well as warranty and environmental damage provisions.

## 14 OTHER LIABILITIES

T 116

millions of €

	Dec. 31, 2015	Of which: current	Dec. 31, 2014	Of which: current
Early retirement	1,451	512	1,669	566
Deferred revenue	2,493	1,868	1,512	1,286
Liabilities from straight-line leases	2,132	–	1,801	–
Liabilities from other taxes	1,055	1,055	1,173	1,167
Other deferred revenue	554	329	969	490
Liabilities from severance payments	193	190	144	135
Miscellaneous other liabilities	643	497	769	516
	<b>8,521</b>	<b>4,451</b>	<b>8,037</b>	<b>4,160</b>

The legal basis for early retirement is the Act for the Improvement of the Staff Structure at the Residual Special Asset of the Federal Railways (Bundeseseisenbahnvermögen) and the Successor Companies of the Former Deutsche Bundespost. For civil servants employed at Deutsche Telekom, the law provides the opportunity under certain conditions to retire early from the age of 55. When the German Act on the Reorganization of the Civil Service Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse) came into effect, the provisions for early retirement for civil servants were extended until December 31, 2016. The Board of Management resolved to make use of these provisions for the years 2014 and 2015.

## 15 SHAREHOLDERS' EQUITY

### ISSUED CAPITAL

As of December 31, 2015, the share capital of Deutsche Telekom totaled EUR 11,793 million. The share capital is divided into 4,606,651,870 no par value registered shares.

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	2015		2014	
	thousands	%	thousands	%
Federal Republic of Germany – Berlin, Germany	660,480	14.3	646,575	14.3
KfW Bankengruppe – Frankfurt/Main, Germany	803,937	17.5	791,176	17.4
Free float	3,142,235	68.2	3,097,820	68.3
Of which: BlackRock, New York, NY, United States <sup>a</sup>	234,799		226,636	
	<b>4,606,652</b>	<b>100.0</b>	<b>4,535,571</b>	<b>100.0</b>

<sup>a</sup>The investment in Deutsche Telekom totaled 5.097 percent as of December 8, 2015. According to the last notification from BlackRock dated December 11, 2015, the reporting threshold of 5 percent of the voting rights was thus exceeded.

**Treasury shares.** The shareholders' meeting resolved on May 24, 2012 to authorize the Board of Management to purchase shares in the Company by May 23, 2017, with the amount of share capital accounted for by these shares totaling up to EUR 1,106,257,715.20, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company that the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of the Company's share capital. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG must be complied with. Shares shall not be purchased for the purpose of trading in treasury shares. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is

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reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The shares are purchased through the stock exchange in adherence to the principle of equal treatment (§ 53a AktG). Shares can instead also be purchased by means of a public purchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

The shares may be used for one or several of the purposes permitted by the authorization granted by the shareholders' meeting on May 24, 2012 under item 7 on the agenda. The shares may also be used for purposes involving an exclusion of subscription rights. They may also be sold on the stock market or by way of an offer to all shareholders, or withdrawn. The shares may also be used to fulfill the rights of Board of Management members to receive shares in Deutsche Telekom AG, which the Supervisory Board has granted to these members as part of the arrangements governing the compensation of the Board of Management, on the basis of a decision by the Supervisory Board to this effect.

Under the resolution of the shareholders' meeting on May 24, 2012, the Board of Management is also authorized to acquire the shares through the use of equity derivatives.

On the basis of the above authorization by the shareholders' meeting on May 24, 2012 and a corresponding authorization by the shareholders' meeting on May 12, 2011, 110 thousand shares were acquired in June 2011, 206 thousand shares in September 2011, and 268 thousand shares in January 2013. The total volumes amounted to EUR 2,762 thousand in the 2011 financial year, and EUR 2,394 thousand in the 2013 financial year (excluding transaction costs). This increased the number of treasury shares by 316 thousand and 268 thousand, respectively.

In the 2015 financial year, Deutsche Telekom made use of the authorization by the shareholders' meeting on May 24, 2012. The Board of Management decided on September 29, 2015 to acquire a total of 950 thousand shares. On September 30, 2015 and October 1, 2015, shares were acquired in accordance with the authorization for a total acquisition price of EUR 14,787 thousand (excluding transaction costs) with an average purchase price of EUR 15.57 per share. The treasury shares resulting from the share buy-back accounted for EUR 2,432 thousand of share capital as at December 31, 2015. Retained earnings thus decreased by EUR 12,355 thousand.

As part of the Share Matching Plan, a total of 2 thousand shares were transferred free of charge to the custody accounts of eligible participants in the 2012 and 2013 financial years. A further 90 thousand treasury shares were transferred free of charge in the 2014 financial year.

Furthermore, a total of 140 thousand shares were reallocated in January, May and June 2015 and transferred free of charge to the custody accounts of eligible participants of the Share Matching Plan. The disposal of treasury shares resulting from the transfers accounted for EUR 358 thousand of share capital as at December 31, 2015. Retained earnings thus increased by EUR 877 thousand.

In November 2015, Deutsche Telekom sold 1,882 thousand treasury shares from its portfolio. The selling price was EUR 31,274 thousand (excluding transaction costs). The portion of the proceeds that exceeded the notional value of the shares, amounting to EUR 26,457 thousand, was allocated to the capital reserves. The resulting gain on disposal was reported under cash and cash equivalents. The disposal of treasury shares resulting from the sale accounted for EUR 4,817 thousand of share capital as at December 31, 2015.

As part of the acquisition of VoiceStream Wireless Corp., Bellevue, and Powertel, Inc., Bellevue, in 2001 Deutsche Telekom issued new shares from authorized capital to a trustee, for the benefit of holders of warrants, options, and conversion rights, among others. These options or conversion rights fully expired in the 2013 financial year. As a result, the trustee no longer has any obligation to fulfill any claims in accordance with the purpose of the deposit. The 18,517 thousand deposited shares are accounted for in the same way as treasury shares in accordance with both § 272 (1a) HGB and IFRS. The trust relationship was terminated at the start of 2016 and the deposited shares were transferred to a custody account of Deutsche Telekom AG.

**Voting rights. Each share entitles the holder to one vote.** These voting rights are restricted, however, in relation to treasury shares and shares allocable to Deutsche Telekom in the same way as treasury shares (at December 31, 2015: around 20 million in total). The "trust" shares, as they are known, (at December 31, 2015: around 19 million) relate to the acquisition of VoiceStream and Powertel (now T-Mobile US) in 2001 and are allocable to Deutsche Telekom at December 31, 2015 in the same way as treasury shares. As regards the shares issued to trusts, the trustee waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts' existence. The trusts were dissolved at the beginning of 2016 and the trust assets transferred to a custody account of Deutsche Telekom AG.

**Authorized capital and contingent capital.** Authorized capital and contingent capital comprised the following components as of December 31, 2015:

T 118

	Amount millions of €	No par value shares thousands	Purpose
2013 Authorized capital <sup>a</sup>	1,778	694,523	Capital increase against cash contribution/contribution in kind (until May 15, 2018)
2014 Contingent capital	1,100	429,688	Servicing convertible bonds and/or bonds with warrants issued on or before May 14, 2019

<sup>a</sup>The Supervisory Board's approval is required.

**Capital increase in connection with the dividend in kind.** The resolution on the dividend payout of EUR 0.50 per share for the 2014 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. Dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion for shares from authorized capital (2013 authorized capital) were contributed in June 2015 and thus did not have an impact on cash flows. Deutsche Telekom AG carried out an increase in issued capital of EUR 0.2 billion against contribution of dividend entitlements for this purpose in June 2015. This increased capital reserves by EUR 0.9 billion. The number of shares increased by 71.1 million. The transaction costs were not material.



## TRANSACTIONS WITH OWNERS

The amounts shown under transactions with owners primarily result from the acquisition of the remaining shares in Slovak Telekom in 2015. TABLE 119 shows the most significant effects included in Deutsche Telekom's consolidated statement of changes in equity (see PAGES 158 and 159) as of December 31, 2015 and December 31, 2014, respectively.

T 119

millions of €

	2015			2014		
	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
<b>Changes in the composition of the Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
Other effects	0	0	0	0	1	1
<b>Transactions with owners</b>	<b>(233)</b>	<b>(619)</b>	<b>(852)</b>	<b>(506)</b>	<b>(324)</b>	<b>(830)</b>
Acquisition of the remaining shares in Slovak Telekom	(128)	(772)	(900)	-	-	-
Acquisition of the remaining shares in T-Mobile Czech Republic	-	-	-	(455)	(373)	(828)
Other effects	(105)	153	48	(51)	49	(2)

For further information, please refer to the section "Changes in the composition of the Group, transactions with owners, and other transactions," PAGE 175 ET SEQ.

## NON-CONTROLLING INTERESTS:

### TOTAL OTHER COMPREHENSIVE INCOME

Total other comprehensive income of non-controlling interests primarily comprises remeasurement effects as part of the acquisition of the OTE group (business combination achieved in stages) totaling EUR 0.7 billion (December 31, 2014: EUR 0.8 billion) and currency translation effects of EUR 0.1 billion (December 31, 2014: EUR 0.2 billion).

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

For detailed information on special factors, please refer to the combined management report in the section "Development of business in the Group," PAGE 73 ET SEQ.

### 16 NET REVENUE

Net revenue breaks down into the following revenue categories:

T 120

millions of €

	2015	2014 <sup>a</sup>	2013 <sup>a</sup>
Revenue from the rendering of services	59,033	53,523	53,212
Revenue from the sale of goods and merchandise	9,460	8,726	6,630
Revenue from the use of entity assets by others	735	409	290
	<b>69,228</b>	<b>62,658</b>	<b>60,132</b>

<sup>a</sup> A detailed allocation system that allows the items to be classified more precisely led to a change in the allocation of total revenues to the individual revenue elements as compared with previous years. Prior-year figures have been adjusted accordingly.

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the combined management report, PAGE 73 ET SEQ.

### 17 COST OF SALES

Cost of sales incurred in connection with fixed-network and mobile communications relate to all costs arising from the operation and maintenance of the telecommunications network. They include depreciation and amortization of network-related assets, personnel costs for employees assigned to the operation and maintenance of the network, other repair costs, rent and incidental costs for network sites, as well as interconnection and roaming costs. Costs for the purchase of terminal equipment are also shown under this item.

Cost of sales attributable to the Systems Solutions operating segment primarily relate to software development and maintenance, the operation of computing centers and workstations, as well as the construction and operation of customer networks. They include in particular depreciation of technical equipment, personnel costs for information technology, telecommunications development and support services, and costs for upstream services as well as material.

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## T 121

millions of €

	2015	2014	2013
Cost of sales from fixed-network and mobile communications	35,903	32,904	30,287
Cost of sales from the Systems Solutions operating segment	5,283	5,045	5,251
Other cost of sales	789	590	717
	<b>41,975</b>	<b>38,539</b>	<b>36,255</b>

Cost of sales increased by EUR 3.4 billion year-on-year, primarily as a result of exchange rate effects totaling EUR 2.6 billion from the translation of U.S. dollars to euros. Higher expenditure with regard to equipment sales at T-Mobile US and in the Germany operating segment also increased the cost of sales.

## 18 SELLING EXPENSES

Selling expenses comprise all costs of activities that do not directly increase the value of the Group's products and services, but serve to secure sales. In addition to sales-related material and personnel costs, and depreciation and amortization, these include any sales-specific costs such as allowances for write-downs of customer receivables, receivables written off, freight out, and transport insurance.

## T 122

millions of €

	2015	2014	2013
Costs of operational sales	10,268	9,527	9,309
Marketing costs	2,579	2,465	2,386
Costs of order management	884	234	268
Costs of accounts receivable management	945	737	794
Other selling expenses	1,372	935	1,040
	<b>16,048</b>	<b>13,898</b>	<b>13,797</b>

Selling expenses were EUR 2.2 billion higher than in the prior year. This was mainly attributable to costs incurred at T-Mobile US as a result of increased business with new customers. Exchange rate effects totaling EUR 1.2 billion from the translation of U.S. dollars to euros also increased this item.

## 19 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise all expenses attributable to the core administrative functions that cannot be allocated directly to the production or selling process. As such, general and administrative expenses include all expenses incurred in conjunction with the activities of administrative functions at units such as Finance, Human Resources, Group Strategy and Organization, Internal Audit as well as Data Privacy, Legal Affairs and Compliance. These generally comprise costs for goods and services purchased, personnel costs, depreciation and amortization, as well as other costs that can be specifically allocated to the functional areas, such as expenses for shareholders' meetings.

## T 123

millions of €

	2015	2014	2013
General and administrative expenses incurred by the operating segments	3,961	3,319	3,103
General and administrative expenses incurred by the Group Headquarters & Group Services segment	1,423	1,402	1,415
	<b>5,384</b>	<b>4,721</b>	<b>4,518</b>

General and administrative expenses were EUR 0.7 billion higher than in the prior year. Higher expenditure in connection with staff increases in the United States operating segment impacted on general and administrative expenses in 2015. Exchange rate effects totaling EUR 0.2 billion from the translation of U.S. dollars to euros also increased this item.

## 20 OTHER OPERATING INCOME

## T 124

millions of €

	2015	2014	2013
Income from reimbursements	272	451	452
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	14	24	20
Income from the disposal of non-current assets	290	567	113
Income from insurance compensation	66	79	79
Income from divestitures and from the sale of stakes accounted for using the equity method	585	1,716	184
Miscellaneous other operating income	781	394	478
	<b>2,008</b>	<b>3,231</b>	<b>1,326</b>

Other operating income decreased by EUR 1.2 billion year-on-year. The EUR 0.3 billion decrease in income from the disposal of non-current assets mainly resulted from a spectrum transaction between T-Mobile US and Verizon Communications consummated in the previous year which had generated income of around EUR 0.4 billion in 2014. Another transaction completed with Verizon Communications on the exchange of mobile spectrum licenses resulted in income of EUR 0.1 billion in 2015. Income from divestitures and from the sale of stakes accounted for using the equity method decreased year-on-year by EUR 1.1 billion. The income from divestitures in the previous year had resulted from the completed sale of 70 percent of the shares in the Scout24 group totaling EUR 1.7 billion. The portion of income attributable to the recognition of the shares remaining at Deutsche Telekom in the previous year at their fair value at the date when control of the Scout24 group was lost amounted to EUR 0.5 billion. In connection with the IPO of Scout24 AG on October 1, 2015, Deutsche Telekom sold a total of 13.3 million shares in the company. Income from the sale of this stake, which was included in the consolidated financial statements using the equity method, amounted to around EUR 0.3 billion. The sale of the online platform t-online.de and the digital content marketing company InteractiveMedia in November 2015 generated income of EUR 0.3 billion from divestitures. Miscellaneous other operating income includes income of EUR 175 million resulting from an agreement to settle an ongoing complaints procedure under anti-trust law. A large number of smaller items are also included in miscellaneous other operating income.

## 21 OTHER OPERATING EXPENSES

T 125

millions of €

	2015	2014	2013
Impairment losses from the year-end impairment test	43	51	600
Other impairment losses	119	92	238
	<b>162</b>	<b>143</b>	<b>838</b>
Losses on the disposal of non-current assets	179	138	251
Losses from divestitures	1	41	53
Miscellaneous other operating expenses	459	1,162	816
	<b>639</b>	<b>1,341</b>	<b>1,120</b>
	<b>801</b>	<b>1,484</b>	<b>1,958</b>

Other operating expenses decreased year-on-year by EUR 0.7 billion. Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

Other operating expenses in 2015 included expense of EUR 0.3 billion (2014: EUR 0.2 billion, 2013: EUR 0.5 billion) from impairment losses recognized on intangible assets (excluding goodwill) and property, plant and equipment, as well as from the disposal of non-current assets. These expenses would predominantly have been allocable to the cost of sales.

## 22 FINANCE COSTS

T 126

millions of €

	2015	2014	2013
Interest income	246	325	228
Interest expense	(2,609)	(2,665)	(2,390)
	<b>(2,363)</b>	<b>(2,340)</b>	<b>(2,162)</b>
Of which: from financial instruments relating to categories in accordance with IAS 39			
Loans and receivables (LaR)	34	16	20
Held-to-maturity investments (HiM)	-	-	-
Available-for-sale financial assets (AFS)	7	6	9
Financial liabilities measured at amortized cost (FLAC) <sup>a</sup>	(2,288)	(2,290)	(2,160)

<sup>a</sup> Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives recognized in the reporting period that were used as hedging instruments against interest rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting period for hedge accounting in accordance with IAS 39 (2015: interest income of EUR 182 million and interest expense of EUR 89 million, 2014: interest income of EUR 263 million and interest expense of EUR 107 million, 2013: interest income of EUR 119 million and interest expense of EUR 31 million).

EUR 217 million (2014: EUR 95 million, 2013: EUR 51 million) was capitalized as part of acquisition costs in the financial year. The amount was calculated on the basis of an interest rate in the average range between 4.7 percent at the start of the year and 3.5 percent at the end of the year (2014: between 4.6 and 4.7 percent) applied across the Group.

Interest payments (including capitalized interest) of EUR 3.7 billion (2014: EUR 3.5 billion, 2013: EUR 3.0 billion) were made in the financial year.

Accrued interest payments from derivatives (interest rate swaps) that were designated as hedging instruments in a fair value hedge in accordance with IAS 39 are netted per swap contract and recognized as interest income or interest expense depending on the net amount. Finance costs are assigned to the categories on the basis of the hedged item; only financial liabilities were hedged in the reporting period.

## 23 SHARE OF PROFIT/LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

T 127

millions of €

	2015	2014	2013
Share of profit (loss) of joint ventures	(1)	(152)	(38)
Share of profit (loss) of associates	25	(46)	(33)
	<b>24</b>	<b>(198)</b>	<b>(71)</b>

The share of profit/loss of associates and joint ventures accounted for using the equity method improved by EUR 0.2 billion compared with the prior year due in particular to the share of loss of the EE joint venture of EUR -137 million recognized in the prior year (2013: EUR -44 million). It was included in the share of profit/loss of joint ventures.

## 24 OTHER FINANCIAL INCOME/EXPENSE

T 128

millions of €

	2015	2014	2013
Income from investments	436	1	1
Gains (losses) from financial instruments	(75)	(14)	(278)
Interest component from measurement of provisions and liabilities	(272)	(346)	(292)
	<b>89</b>	<b>(359)</b>	<b>(569)</b>

All income/expense components including interest income and expense from financial instruments classified as held for trading in accordance with IAS 39 are reported under other financial income/expense.

Income from investments includes the dividend payments of EUR 0.4 billion received from the EE joint venture. The dividend payments recognized in profit or loss related to the reclassification of the stake held in the joint venture to non-current assets and disposal groups held for sale.

Gains/losses from financial instruments comprise currency translation effects including gains/losses from derivatives used as hedges in hedge accounting in foreign currency of EUR -295 million (2014: EUR -387 million, 2013: EUR 174 million) and gains/losses from other derivatives as well as measurements of equity investments of EUR 220 million (2014: EUR 373 million, 2013: EUR -452 million).

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## 25 INCOME TAXES

### INCOME TAXES IN THE CONSOLIDATED INCOME STATEMENT

In the 2015 financial year, a tax expense of EUR 1.3 billion was recorded. The comparatively low tax ratio is primarily a consequence of tax refunds for prior years in Germany, Europe, and the United States. The tax ratio is also reduced by the gain from the sale of shares in two German shareholdings which was not taxable. The proceeds from the sale are subject to low taxation. The tax expense in the prior year had totaled EUR 1.1 billion. This lower tax expense primarily resulted from lower profit/loss before income tax.

The following table provides a breakdown of income taxes in Germany and internationally:

T 129

millions of €

	2015	2014	2013
<b>CURRENT TAXES</b>	<b>249</b>	<b>599</b>	<b>487</b>
Germany	(16)	234	56
International	265	365	431
<b>DEFERRED TAXES</b>	<b>1,027</b>	<b>507</b>	<b>437</b>
Germany	831	587	(41)
International	196	(80)	478
	<b>1,276</b>	<b>1,106</b>	<b>924</b>

Deutsche Telekom's combined income tax rate for 2015 amounts to 31.1 percent. It consists of corporate income tax at a rate of 15 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade tax at an average multiplier of 436 percent (2014: 425 percent, 2013: 425 percent). The combined income tax rate for 2014 and 2013 amounted to 30.7 percent.

**Reconciliation of the effective tax rate.** Income taxes of EUR –1,276 million (as expense) in the reporting year, 2014: EUR –1,106 million (as expense), 2013: EUR –924 million (as expense) are derived as follows from the expected income tax expense/benefit that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit/loss before income taxes:

T 130

millions of €

	2015	2014	2013
<b>PROFIT BEFORE INCOME TAXES</b>	<b>4,778</b>	<b>4,350</b>	<b>2,128</b>
Expected income tax expense (benefit) (income tax rate applicable to Deutsche Telekom AG: 2015: 31.1 %, 2014: 30.7 %, 2013: 30.7 %)	1,486	1,335	653
<b>ADJUSTMENTS TO EXPECTED TAX EXPENSE (BENEFIT)</b>			
Effect of changes in statutory tax rates	(3)	1	48
Tax effects from prior years	(112)	(78)	(61)
Tax effects from other income taxes	70	68	51
Non-taxable income	(154)	(456)	(36)
Tax effects from equity investments	(191)	(43)	20
Non-deductible expenses	98	85	120
Permanent differences	(27)	88	(89)
Goodwill impairment losses	(12)	3	166
Tax effects from loss carryforwards	34	57	136
Tax effects from additions to and reductions of local taxes	65	81	66
Adjustment of taxes to different foreign tax rates	24	(37)	(152)
Other tax effects	(2)	2	2
<b>INCOME TAX EXPENSE (BENEFIT) ACCORDING TO THE CONSOLIDATED INCOME STATEMENT</b>	<b>1,276</b>	<b>1,106</b>	<b>924</b>
Effective income tax rate %	27	25	43

### Current income taxes in the consolidated income statement

TABLE 131 provides a breakdown of current income taxes:

T 131

millions of €

	2015	2014	2013
<b>CURRENT INCOME TAXES</b>	<b>249</b>	<b>599</b>	<b>487</b>
Of which: Current tax expense	347	598	559
Prior-period tax expense	(98)	1	(72)

### Deferred taxes in the consolidated income statement

Deferred taxes developed as follows:

T 132

millions of €

	2015	2014	2013
<b>DEFERRED TAX EXPENSE (BENEFIT)</b>	<b>1,027</b>	<b>507</b>	<b>437</b>
Of which: From temporary differences	154	(252)	391
From loss carryforwards	917	780	34
From tax credits	(44)	(21)	12

## INCOME TAXES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Current income taxes in the consolidated statement of financial position:

T 133

millions of €	Dec. 31, 2015	Dec. 31, 2014
Recoverable taxes	129	84
Tax liabilities	(197)	(276)
Current taxes recognized in other comprehensive income:		
Hedging instruments	(190)	54

### Deferred taxes in the consolidated statement of financial position:

T 134

millions of €	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets	5,248	5,169
Deferred tax liabilities	(9,205)	(7,712)
	<b>(3,957)</b>	<b>(2,543)</b>
Of which: recognized in other comprehensive income:		
Gain (loss) from the remeasurement of defined benefit plans	1,095	1,150
Revaluation surplus	-	1
Hedging instruments	(43)	(161)
<b>RECOGNIZED IN OTHER COMPREHENSIVE INCOME BEFORE NON-CONTROLLING INTERESTS</b>	<b>1,052</b>	<b>990</b>
Non-controlling interests	(11)	(6)
	<b>1,041</b>	<b>984</b>

### Development of deferred taxes:

T 135

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Deferred taxes recognized in the statement of financial position	(3,957)	(2,543)
Difference to prior year	(1,414)	(587)
Of which: Recognized in income statement	(1,027)	(507)
Recognized in other comprehensive income	62	480
Recognized in capital reserves	86	6
Acquisitions (disposals) (including assets and disposal groups held for sale)	(6)	(40)
Currency translation adjustments	(529)	(526)

### Development of deferred taxes on loss carryforwards:

T 136

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Deferred taxes on loss carryforwards before allowances	2,933	3,288
Difference to prior year	(355)	(498)
Of which: Recognition (derecognition)	(612)	(786)
Acquisitions (disposals) (including assets and disposal groups held for sale)	1	17
Currency translation adjustments	256	271

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### Deferred taxes relate to the following key items in the statement of financial position, loss carryforwards, and tax credits:

T 137

millions of €

	Dec. 31, 2015		Dec. 31, 2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<b>CURRENT ASSETS</b>	<b>1,255</b>	<b>(369)</b>	<b>1,529</b>	<b>(270)</b>
Trade and other receivables	550	(129)	551	-
Inventories	185	(14)	130	-
Other assets	520	(226)	848	(270)
<b>NON-CURRENT ASSETS</b>	<b>3,459</b>	<b>(13,458)</b>	<b>2,828</b>	<b>(12,347)</b>
Intangible assets	632	(8,054)	807	(7,213)
Property, plant and equipment	1,053	(3,452)	787	(3,620)
Other financial assets	1,774	(1,952)	1,234	(1,514)
<b>CURRENT LIABILITIES</b>	<b>1,247</b>	<b>(677)</b>	<b>711</b>	<b>(847)</b>
Financial liabilities	372	(366)	306	(670)
Trade and other payables	58	(90)	48	(4)
Other provisions	278	(55)	120	(35)
Other liabilities	539	(166)	237	(138)
<b>NON-CURRENT LIABILITIES</b>	<b>5,870</b>	<b>(3,112)</b>	<b>5,159</b>	<b>(1,303)</b>
Financial liabilities	2,346	(1,714)	2,816	(126)
Provisions for pensions and other employee benefits	1,499	(1,154)	1,531	(1,044)
Other provisions	825	(186)	606	(118)
Other liabilities	1,200	(58)	206	(15)
<b>TAX CREDITS</b>	<b>367</b>	<b>-</b>	<b>296</b>	<b>-</b>
<b>LOSS CARRYFORWARDS</b>	<b>2,933</b>	<b>-</b>	<b>3,288</b>	<b>-</b>
<b>INTEREST CARRYFORWARDS</b>	<b>244</b>	<b>-</b>	<b>55</b>	<b>-</b>
<b>TOTAL</b>	<b>15,375</b>	<b>(17,616)</b>	<b>13,866</b>	<b>(14,767)</b>
Of which: non-current	11,708	(16,866)	11,599	(14,027)
Allowance	(1,716)	-	(1,642)	-
Netting	(8,411)	8,411	(7,055)	7,055
<b>RECOGNITION</b>	<b>5,248</b>	<b>(9,205)</b>	<b>5,169</b>	<b>(7,712)</b>

The allowances relate primarily to loss carryforwards.

### The loss carryforwards amount to:

T 138

millions of €

	Dec. 31, 2015	Dec. 31, 2014
<b>LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES</b>	<b>6,839</b>	<b>8,208</b>
Expiry within		
1 year	44	22
2 years	114	77
3 years	47	108
4 years	246	269
5 years	108	125
After 5 years	3,604	4,277
Unlimited carryforward period	2,676	3,330

**Loss carryforwards and temporary differences for which no deferred taxes were recorded amount to:**

T 139

millions of €

	Dec. 31, 2015	Dec. 31, 2014
<b>LOSS CARRYFORWARDS FOR CORPORATE INCOME TAX PURPOSES</b>	<b>2,505</b>	<b>2,420</b>
Expiry within		
1 year	24	22
2 years	114	77
3 years	45	108
4 years	25	44
5 years	41	55
After 5 years	152	209
Unlimited carryforward period	2,104	1,905
<b>TEMPORARY DIFFERENCES IN CORPORATE INCOME TAX</b>	<b>423</b>	<b>424</b>

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 107 million (December 31, 2014: EUR 100 million) and on temporary differences

T 140

millions of €

	2015			2014			2013		
	Before tax amount	Tax (expense) benefits	Net of tax amount	Before tax amount	Tax (expense) benefits	Net of tax amount	Before tax amount	Tax (expense) benefits	Net of tax amount
<b>Items not reclassified to the income statement retrospectively</b>									
Gain (loss) from the remeasurement of defined benefit plans	230	(60)	170	(1,581)	477	(1,104)	48	(16)	32
Share of profit (loss) of investments accounted for using the equity method	0	0	0	(29)	0	(29)	(17)	0	(17)
	<b>230</b>	<b>(60)</b>	<b>170</b>	<b>(1,610)</b>	<b>477</b>	<b>(1,133)</b>	<b>31</b>	<b>(16)</b>	<b>15</b>
<b>Items reclassified to the income statement retrospectively, if certain reasons are given</b>									
Exchange differences on translating foreign operations									
Recognition of other comprehensive income in income statement	4	(1)	3	(4)	0	(4)	0	0	0
Change in other comprehensive income (not recognized in income statement)	2,000	0	2,000	1,849	0	1,849	(901)	0	(901)
Available-for-sale financial assets									
Recognition of other comprehensive income in income statement	0	0	0	(1)	0	(1)	0	0	0
Change in other comprehensive income (not recognized in income statement)	31	0	31	41	1	42	(4)	1	(3)
Gains (losses) from hedging instruments									
Recognition of other comprehensive income in income statement	(255)	79	(176)	(267)	82	(185)	178	(55)	123
Change in other comprehensive income (not recognized in income statement)	653	(205)	448	265	(80)	185	(162)	49	(113)
Share of profit (loss) of investments accounted for using the equity method									
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	25	0	25	0	0	0	(37)	0	(37)
	<b>2,458</b>	<b>(127)</b>	<b>2,331</b>	<b>1,883</b>	<b>3</b>	<b>1,886</b>	<b>(926)</b>	<b>(5)</b>	<b>(931)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>2,688</b>	<b>(187)</b>	<b>2,501</b>	<b>273</b>	<b>480</b>	<b>753</b>	<b>(895)</b>	<b>(21)</b>	<b>(916)</b>
Profit (loss)			3,502			3,244			1,204
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>6,003</b>			<b>3,997</b>			<b>288</b>

for trade tax purposes in the amount of EUR 9 million (December 31, 2014: EUR 8 million). Furthermore, apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 858 million (December 31, 2014: EUR 796 million) were recognized for other foreign income tax loss carryforwards and, apart from temporary differences for trade tax purposes, no deferred taxes in the amount of EUR 30 million (December 31, 2014: EUR 50 million) were recognized for other foreign income taxes.

No deferred tax assets were recognized on the aforementioned tax loss carryforwards and temporary differences as it is not probable that taxable profit will be available in the foreseeable future against which these tax loss carryforwards can be utilized.

A positive tax effect in the amount of EUR 16 million (2014: EUR 17 million, 2013: EUR 14 million) attributable to the utilization of tax loss carryforwards on which deferred tax assets had not yet been recognized, was recorded in the reporting year.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 228 million (December 31, 2014: EUR 175 million) as it is unlikely that these differences will be reversed in the near future.

**Disclosure of tax effects relating to each component of other comprehensive income:**

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## 26 PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

T 141

millions of €

	2015	2014	2013
T-Mobile US	186	115	18
Hrvatski Telekom	69	65	79
Hellenic Telecommunications Organization (OTE)	(63)	48	24
Magyar Telekom	50	47	43
Slovak Telekom	6	36	25
T-Mobile Czech Republic	0	11	91
Other	0	(2)	(6)
	<b>248</b>	<b>320</b>	<b>274</b>

## 27 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

T 142

	2015	2014	2013
Profit attributable to the owners of the parent (net profit (loss))	3,254	2,924	930
Adjustment	-	-	-
<b>ADJUSTED BASIC/DILUTED NET PROFIT (LOSS)</b>	<b>3,254</b>	<b>2,924</b>	<b>930</b>
Number of ordinary shares issued	4,574	4,497	4,391
Treasury shares	(21)	(21)	(5)
Shares reserved for outstanding options	-	-	(16)
<b>ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING (BASIC/DILUTED)</b>	<b>4,553</b>	<b>4,476</b>	<b>4,370</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	<b>€ 0.71</b>	<b>0.65</b>	<b>0.21</b>

The calculation of basic earnings per share is based on the time-weighted number of all ordinary shares outstanding. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the weighted average number of treasury shares held by Deutsche Telekom AG. As part of the issue of new shares in the course of the acquisition of T-Mobile USA (VoiceStream/Powertel), the options and conversion rights existing in previous years were held in a trust depot for later issue and subsequent trading as registered shares and fully expired in the 2013 financial year. They have since been accounted for as treasury shares and were still included pro rata temporis in the average portfolio for the 2013 financial year. There are currently no diluting shares.

## 28 DIVIDEND PER SHARE

For the 2015 financial year, the Board of Management proposes a dividend of EUR 0.55 for each no par value share carrying dividend rights. On the basis of this payout volume, total dividends in the amount of EUR 2,523 million would be appropriated to the no par value shares carrying dividend rights as of February 9, 2016. The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

A dividend of EUR 0.50 for the 2014 financial year for each no par value share carrying dividend rights was paid out in 2015. The shareholders had the choice between payment in cash or, alternatively, the conversion of their dividend entitlement into Deutsche Telekom AG shares (dividend in kind). In June 2015, dividend entitlements of EUR 1.1 billion were thus substituted by shares from authorized capital and thus did not have an effect on cash flows (see Note 15 "Shareholders' equity," PAGE 206 ET SEQ.).

## 29 AVERAGE NUMBER OF EMPLOYEES AND PERSONNEL COSTS

### Average number of employees

T 143

	2015	2014	2013
<b>GROUP (TOTAL)</b>	<b>226,332</b>	<b>228,248</b>	<b>229,704</b>
Domestic	113,277	116,067	117,995
International	113,055	112,181	111,709
Non-civil servants	207,153	207,855	208,422
Civil servants (domestic, active service relationship)	19,179	20,393	21,282
Trainees and students on cooperative degree courses	7,942	8,098	8,145
<b>PERSONNEL COSTS</b> (millions of €)	<b>15,856</b>	<b>14,683</b>	<b>15,144</b>

The average headcount decreased by 0.8 percent compared with the prior year. This trend is largely attributable to a lower domestic headcount, which was down by 2.4 percent. Intensified staff restructuring measures in the Systems Solutions operating segment in connection with the realignment of the business model, and in the Group Headquarters & Group Services segment contributed to this trend. In the Germany operating segment, by contrast, the headcount increased for the build-out of the network.

The average international headcount grew by 0.8 percent, due in particular to the higher staff levels in the United States operating segment as a result of the enhanced customer base. By contrast, the average headcount in the Europe operating segment declined as a consequence of efficiency enhancement measures in some countries.

Personnel costs increased by 8.0 percent year-on-year, almost half of which was attributable to exchange rate effects – primarily from the translation of U.S. dollars to euros. Higher restructuring expenses also increased personnel costs, as did the increase in the average salaries of employees. Here, the lower average headcount as described above had an offsetting effect.



### 30 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses included in the functional costs and in other operating expenses break down as follows:

T 144

millions of €

	2015	2014	2013
<b>AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS</b>	<b>4,109</b>	<b>3,863</b>	<b>4,176</b>
Of which: Goodwill impairment losses	43	51	605
Amortization of mobile licenses	898	889	854
Impairment losses on mobile licenses	–	10	104
<b>DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>7,251</b>	<b>6,711</b>	<b>6,728</b>
Of which: Impairment losses recognized on property, plant and equipment	101	78	117
	<b>11,360</b>	<b>10,574</b>	<b>10,904</b>

Impairment losses break down as follows:

T 145

millions of €

	2015	2014	2013
<b>INTANGIBLE ASSETS</b>	<b>61</b>	<b>65</b>	<b>721</b>
Of which: Goodwill from the year-end impairment test	43	51	600
FCC licenses	–	10	104
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>101</b>	<b>78</b>	<b>117</b>
Of which: From the year-end impairment test	–	–	–
	<b>162</b>	<b>143</b>	<b>838</b>

Depreciation, amortization and impairment losses increased by EUR 0.8 billion year-on-year. This development was mainly attributable to the increase in depreciation and amortization recorded in the United States operating segment primarily as a result of the build-out of 4G/LTE and the launch of the JUMP! On Demand business model, under which customers no longer purchase the device but lease it. The reduction in useful lives with regard to the decommissioning of the CDMA mobile network of MetroPCS taken over in 2013 also increased depreciation and amortization by EUR 0.1 billion.

In the reporting year, impairment losses of EUR 43 million were recognized on goodwill following scheduled impairment testing at the cash-generating units. For further details, please refer to Note 5 "Intangible assets," PAGE 184 ET SEQ.

Impairment losses on property, plant and equipment related mainly to land and buildings.

### OTHER DISCLOSURES

#### 31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by EUR 1.6 billion year-on-year to EUR 15.0 billion mainly as a result of the positive business development of the United States operating segment. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of trade receivables. Factoring agreements resulted in positive effects of EUR 0.8 billion on net cash from operating activities in the 2015 financial year. This mainly comprises the renewed conclusion in 2015 of a factoring agreement in the Germany operating segment that was terminated in 2014 and a new factoring agreement concluded in the United States operating segment. The effect from factoring agreements in the prior year totaled EUR 0.2 billion. Cash inflows of EUR 0.2 billion resulted from an agreement to settle an ongoing complaints procedure under anti-trust law. Off-setting effects included payments made in 2015 in connection with the European Commission proceedings against Slovak Telekom and Deutsche Telekom. The dividend payment received for the first time from the Scout24 group of EUR 0.1 billion and a year-on-year increase of EUR 0.1 billion in the dividend payments from the EE joint venture increased net cash from operating activities.

Deutsche Telekom's working capital measures are focused on improvements in the area of liabilities as well as in the management of receivables and inventories. However, they are not used for active liquidity management. The negative effect on the change in assets carried as working capital can be attributed to the acquisition of mobile devices in connection with the JUMP! On Demand business model introduced by T-Mobile US in June 2015. The cash inflows from the factoring agreements and reduced trade receivables in the United States operating segment had a positive effect. Under the new business model, trade receivables no longer include the receivable from the sale of the device when a contract is concluded with a customer, but rather only the monthly lease installment for the device. For further explanations on individual assets carried as working capital, please refer to Note 2 "Trade and other receivables," PAGE 181, and Note 3 "Inventories," PAGE 182. The increase in other liabilities carried as working capital is attributable to the increase in trade payables, which is due in particular to the higher procurement volume in connection with the new business model introduced in the United States operating segment. Financing options selected in the reporting year under which the payments for trade payables become due at a later point in time by involving banks in the process also had a positive effect on other liabilities carried as working capital. For further explanations, please refer to Note 11 "Trade and other payables," PAGE 196.

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**Net cash used in investing activities**

millions of €

	2015	2014	2013
Cash capex			
Germany operating segment	(5,609)	(3,807)	(3,411)
United States operating segment	(6,381)	(5,072)	(3,279)
Europe operating segment	(1,652)	(2,101)	(3,661)
Systems Solutions operating segment	(1,169)	(1,171)	(1,066)
Group Headquarters & Group Services	(342)	(381)	(411)
Reconciliation	540	688	760
	<b>(14,613)</b>	<b>(11,844)</b>	<b>(11,068)</b>
Net cash flows for collateral deposited for hedging transactions	1,785	606	(776)
Cash inflows from the sale of the shares in Scout24 AG	390	-	-
Proceeds from the disposal of property, plant and equipment	363	265	245
Net change in cash and cash equivalents due to the first-time inclusion of MetroPCS	-	-	1,641
Acquisition of the GTS Central Europe group	-	(539)	-
Cash flows from the loss of control of subsidiaries and associates <sup>a</sup>	(58)	1,540	650
Allocation under Contractual Trust Agreement (CTA) on pension commitments	(250)	(250)	(250)
Acquisition/sale of government bonds, net	(2,759)	11	(159)
Other	127	(550)	(179)
	<b>(15,015)</b>	<b>(10,761)</b>	<b>(9,896)</b>

<sup>a</sup>In the 2015 financial year, these mainly included outflows of cash and cash equivalents resulting from the sale of the online platform t-online.de and the digital marketing company InteractiveMedia to Ströer. In the prior year, this item included cash inflows of EUR 1.6 billion from the sale of 70 percent of the shares in the Scout24 group.

Cash capex increased by EUR 2.8 billion to EUR 14.6 billion. In the reporting period, mobile licenses were acquired for a total of EUR 3.8 billion, primarily in the United States and Germany operating segments. In the prior-year period, the United States and Europe operating segments had acquired mobile licenses for EUR 2.3 billion. In addition, cash capex increased primarily in the United States operating segment in connection with the network modernization, including 4G/LTE network roll-out, and in the Germany operating segment due to the investments made as part of the integrated network strategy in the vectoring/fiber-optic cable build-out, in the IP transformation, and in the LTE infrastructure.

Interest payments (including capitalized interest) of EUR 3.7 billion (2014: EUR 3.5 billion, 2013: EUR 3.0 billion) were made in the 2015 financial year. Capitalized interest was reported within cash capex in net cash used in investing activities, together with the associated assets.

T 147

**Net cash used in/from financing activities**

millions of €

	2015	2014	2013
Repayment of bonds	(4,056)	(4,677)	(4,748)
Dividends (including to non-controlling interests)	(1,256)	(1,290)	(2,243)
Repayment of financial liabilities from financed capex and opex	(846)	(760)	-
Repayment of EIB loans	(412)	-	(32)
Net cash flows for collateral deposited for hedging transactions	(254)	170	(537)
Repayment of lease liabilities	(224)	(164)	(172)
Repayment of financial liabilities for media broadcasting rights	(192)	(40)	-
Cash deposits from the EE joint venture, net	(16)	3	(195)
Deutsche Telekom AG share buy-back	(15)	-	(2)
OTE credit line, net	-	(45)	(704)
Repayment of financial liabilities to Sireo	-	-	(534)
Cash flows from continuing involvement factoring (net)	30	31	-
Sale of Deutsche Telekom AG treasury shares	31	-	-
Loans taken out with the EIB	1,199	400	-
Promissory notes, net	1,655	(1,293)	(309)
Issuance of bonds	2,208	3,816	9,051
Commercial paper, net	2,645	1,561	-
Cash inflows from transactions with non-controlling entities			
T-Mobile US capital increase	-	-	1,313
T-Mobile US stock options	43	17	102
Cash inflows from the assignment of OTE stock options	-	26	-
	<b>43</b>	<b>43</b>	<b>1,415</b>
Cash outflows from transactions with non-controlling entities			
Acquisition of the remaining shares in Slovak Telekom	(900)	-	-
Acquisition of the remaining shares in T-Mobile Czech Republic	-	(828)	-
T-Mobile US share buy-back	(141)	(53)	-
OTE share buy-back	-	(69)	-
	<b>(1,041)</b>	<b>(950)</b>	<b>-</b>
Other	(375)	(239)	32
	<b>(876)</b>	<b>(3,434)</b>	<b>1,022</b>

**NON-CASH TRANSACTIONS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS**

In June 2015, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.1 billion did not have an effect on net cash used in/from financing activities when fulfilled; rather, they were substituted by shares from authorized capital (see Note 15 "Shareholders' equity," PAGE 206 ET SEQ.). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.2 billion. In the previous year, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.0 billion did not have an impact on cash flows, while dividend entitlements of EUR 1.2 billion did have an effect on cash flows.

In the 2015 financial year, Deutsche Telekom chose financing options totaling EUR 0.7 billion (2014: EUR 0.6 billion) under which the payments for trade payables

from operating and investing activities become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the 2015 financial year, Deutsche Telekom primarily leased network equipment for a total of EUR 0.6 billion, which is recognized as a finance lease. This lease is now also shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash from/used in financing activities.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion (2014: EUR 0.2 billion) were recognized in the 2015 financial year for future consideration for acquired broadcasting rights. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, mobile devices amounting to EUR 2.3 billion were recognized under property, plant and equipment in the reporting year. These relate to the business model JUMP! On Demand introduced at T-Mobile US in June 2015 under which customers no longer purchase the device but lease it. The payments are presented under net cash from in operating activities.

In the United States operating segment, the exchange of mobile licenses with Verizon Communication in the amount of EUR 0.3 billion was completed in

December 2015. A share of EUR 0.2 billion of the purchase price of the mobile licenses acquired in June 2015 in a spectrum auction in Germany was recognized under financial liabilities. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In November 2015, Deutsche Telekom received newly issued shares of Ströer with a value of some EUR 0.3 billion through the non-cash sale of the online platform t-online.de and the digital marketing company InteractiveMedia.

### 32 SEGMENT REPORTING

Deutsche Telekom reports on four operating segments, as well as on the Group Headquarters & Group Services segment. In three operating segments, business activities are assigned by region, whereas one segment allocates its activities by product and/or customer.

The **Germany** operating segment comprises all fixed-network and mobile activities for consumers and business customers in Germany. In addition, the operating segment provides wholesale telecommunications services for the Group's other operating segments. The **United States** operating segment combines all mobile activities in the U.S. market. The **Europe** operating segment comprises all fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Albania, the F.Y.R.O. Macedonia, and Montenegro. The Europe operating segment additionally comprises the GTS Central Europe group (GTS) and the units International Carrier Sales & Solutions (ICSS), Group Technology, and the Global Network

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millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method	Income taxes	Segment assets <sup>a, b</sup>
Germany	2015	21,069	1,352	22,421	4,490	13	(221)	3	0	33,552
	2014	20,903	1,354	22,257	4,663	6	(277)	2	0	29,980
	2013	21,056	1,379	22,435	4,435	20	(367)	1	5	30,738
United States	2015	28,924	1	28,925	2,454	5	(1,284)	(12)	(360)	62,534
	2014	22,405	3	22,408	1,405	2	(867)	(41)	(203)	49,784
	2013	18,552	4	18,556	1,404	461	(737)	(33)	(418)	38,830
Europe	2015	12,415	303	12,718	1,450	19	(314)	2	(310)	30,296
	2014	12,596	376	12,972	1,704	27	(365)	2	(371)	31,215
	2013	13,174	530	13,704	972	25	(423)	4	(417)	30,400
Systems Solutions	2015	6,194	2,398	8,592	(516)	16	12	5	(39)	9,067
	2014	5,988	2,613	8,601	(422)	14	(1)	(9)	(31)	8,788
	2013	6,244	2,794	9,038	(294)	15	(1)	4	(29)	8,428
Group Headquarters & Group Services	2015	626	1,649	2,275	(860)	1,035	(1,641)	26	(566)	44,532
	2014	766	1,750	2,516	(109)	906	(1,808)	(152)	(492)	41,358
	2013	1,106	1,773	2,879	(1,582)	1,145	(1,871)	(47)	(249)	43,720
<b>TOTAL</b>	2015	<b>69,228</b>	<b>5,703</b>	<b>74,931</b>	<b>7,018</b>	<b>1,088</b>	<b>(3,448)</b>	<b>24</b>	<b>(1,275)</b>	<b>179,981</b>
	2014	<b>62,658</b>	<b>6,096</b>	<b>68,754</b>	<b>7,241</b>	<b>955</b>	<b>(3,318)</b>	<b>(198)</b>	<b>(1,097)</b>	<b>161,125</b>
	2013	<b>60,132</b>	<b>6,480</b>	<b>66,612</b>	<b>4,935</b>	<b>1,666</b>	<b>(3,399)</b>	<b>(71)</b>	<b>(1,108)</b>	<b>152,116</b>
Reconciliation	2015	-	(5,703)	(5,703)	10	(842)	839	-	(1)	(36,061)
	2014	-	(6,096)	(6,096)	6	(630)	653	-	(9)	(31,765)
	2013	-	(6,480)	(6,480)	(5)	(1,438)	1,009	-	184	(33,968)
<b>GROUP</b>	2015	<b>69,228</b>	<b>-</b>	<b>69,228</b>	<b>7,028</b>	<b>246</b>	<b>(2,609)</b>	<b>24</b>	<b>(1,276)</b>	<b>143,920</b>
	2014	<b>62,658</b>	<b>-</b>	<b>62,658</b>	<b>7,247</b>	<b>325</b>	<b>(2,665)</b>	<b>(198)</b>	<b>(1,106)</b>	<b>129,360</b>
	2013	<b>60,132</b>	<b>-</b>	<b>60,132</b>	<b>4,930</b>	<b>228</b>	<b>(2,390)</b>	<b>(71)</b>	<b>(924)</b>	<b>118,148</b>

<sup>a</sup> Relating to the Group Headquarters & Group Services segment, Deutsche Telekom AG shareholders opted to have part of their dividend entitlement converted into shares, meaning that this dividend in kind had no impact on cash flows (see Note 15 "Shareholders' equity," PAGE 206 ET SEQ.).

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Factory (GNF). The Europe operating segment also offers ICT services to business customers in individual national companies.

The **Systems Solutions** operating segment bundles business with ICT products and solutions for large multinational corporations and public institutions. The operating segment offers its customers information and communication technology from a single source and develops and operates infrastructure and industry solutions. The offering primarily includes services from the cloud, M2M and security solutions, complementary, highly standardized mobile and fixed-network products, as well as solutions for virtual collaboration and IT platforms. They form the basis for the digital business models of corporate customers.

The **Group Headquarters & Group Services** segment comprises Service Headquarters and those subsidiaries of Deutsche Telekom AG that are not allocated to the operating segments, and the EE joint venture in the United Kingdom. As of December 31, 2015, the EE joint venture is reported under non-current assets and disposal groups held for sale (see also Note 4, PAGES 182 and 183).

Fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers. The mobile communications business offers mobile voice and data services to consumers and business customers. Mobile devices and other hardware are sold in connection with the services offered. In addition, mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (MVNOs).

The business segments shown are reviewed at regular intervals by the Deutsche Telekom Board of Management in terms of the allocation of resources and their earning performance.

The measurement principles for Deutsche Telekom's segment reporting structure are primarily based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices. Services performed by Telekom IT are charged at cost. Segment assets and liabilities include all assets and liabilities that are carried in the financial statements prepared by the segments and included in the consolidated financial statements. Segment investments include additions to intangible assets and property, plant and equipment. Where entities accounted for using the equity method are directly allocable to a segment, their shares of profit or loss after income taxes and their carrying amounts are reported in this segment's accounts. The performance indicators shown in TABLE 148 are exclusively presented from the segments' perspective. The effects of intersegment transactions are eliminated and presented in aggregate form in the reconciliation line. The following table shows the performance indicators used by Deutsche Telekom to evaluate the operating segments' performance as well as additional segment-related indicators:

Segment liabilities <sup>b</sup>	Segment investments	Investments accounted for using the equity method	Depreciation and amortization	Impairment losses	Average number of employees	Net cash from operating activities	Net cash (used in) from investing activities	Of which: cash capex <sup>c</sup>	Net cash (used in) from financing activities <sup>a</sup>
26,270	6,340	20	(3,746)	(9)	69,440	8,185	(5,736)	(5,609)	(4,830)
23,148	4,144	19	(3,884)	(9)	68,106	8,810	(4,171)	(3,807)	(6,844)
23,200	3,538	17	(3,959)	(7)	67,765	8,646	(3,444)	(3,411)	(5,691)
46,087	10,164	215	(3,774)	(1)	41,669	5,327	(8,624)	(6,381)	2,935
35,724	7,318	197	(2,829)	(10)	37,858	3,170	(5,417)	(5,072)	1,952
26,888	4,676	198	(2,133)	(105)	32,962	2,580	(1,232)	(3,279)	2,728
12,595	2,051	61	(2,571)	(48)	50,635	3,358	(1,982)	(1,652)	(2,287)
13,520	2,718	52	(2,567)	(30)	52,829	3,597	(2,196)	(2,101)	662
12,699	4,192	59	(2,755)	(644)	56,810	3,658	(3,026)	(3,661)	(2,128)
6,043	1,192	21	(625)	(24)	46,536	132	(815)	(1,169)	710
5,962	1,279	14	(712)	(5)	48,817	687	(840)	(1,171)	424
5,279	1,133	24	(639)	(13)	49,985	999	(531)	(1,066)	138
50,830	397	504	(545)	(82)	18,052	2,638	1,056	(342)	(1,374)
48,702	441	335	(582)	(89)	20,639	2,510	912	(381)	(4,055)
51,952	573	5,869	(627)	(72)	22,182	3,266	3,731	(411)	(5,552)
<b>141,825</b>	<b>20,144</b>	<b>821</b>	<b>(11,261)</b>	<b>(164)</b>	<b>226,332</b>	<b>19,640</b>	<b>(16,101)</b>	<b>(15,153)</b>	<b>(4,846)</b>
<b>127,056</b>	<b>15,900</b>	<b>617</b>	<b>(10,574)</b>	<b>(143)</b>	<b>228,249</b>	<b>18,774</b>	<b>(11,712)</b>	<b>(12,532)</b>	<b>(7,861)</b>
<b>120,018</b>	<b>14,112</b>	<b>6,167</b>	<b>(10,113)</b>	<b>(841)</b>	<b>229,704</b>	<b>19,149</b>	<b>(4,502)</b>	<b>(11,828)</b>	<b>(10,505)</b>
(36,055)	(777)	1	63	2	-	(4,643)	1,086	540	3,970
(31,762)	(819)	-	143	-	(1)	(5,381)	951	688	4,427
(33,933)	(752)	-	47	3	-	(6,132)	(5,394)	760	11,527
<b>105,770</b>	<b>19,367</b>	<b>822</b>	<b>(11,198)</b>	<b>(162)</b>	<b>226,332</b>	<b>14,997</b>	<b>(15,015)</b>	<b>(14,613)</b>	<b>(876)</b>
<b>95,294</b>	<b>15,081</b>	<b>617</b>	<b>(10,431)</b>	<b>(143)</b>	<b>228,248</b>	<b>13,393</b>	<b>(10,761)</b>	<b>(11,844)</b>	<b>(3,434)</b>
<b>86,085</b>	<b>13,360</b>	<b>6,167</b>	<b>(10,066)</b>	<b>(838)</b>	<b>229,704</b>	<b>13,017</b>	<b>(9,896)</b>	<b>(11,068)</b>	<b>1,022</b>

<sup>b</sup>In line with internal reporting, the carrying amounts for investments have not been disclosed in segment reporting at segment level since January 1, 2015. Three holding companies have been reallocated as of July 1, 2015 from the Group Headquarters & Group Services segment into the Europe operating segment in connection with the build-out of the pan-European all-IP network. The comparatives were adjusted as of December 31, 2014 and December 31, 2013.

<sup>c</sup>Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, as shown in the statement of cash flows.

**Information on geographic areas.** The Group's non-current assets and net revenue are shown by region: Germany, Europe (excluding Germany), North America, and Other countries. The North America region comprises the United States and Canada. The Europe (excluding Germany) region covers the entire European Union (excluding Germany) and the other countries in Europe. Other countries include all countries that are not Germany or in Europe (excluding Germany) or North America. Non-current assets are allocated to the regions according to the location of the assets in question. Non-current assets encompass intangible assets; property, plant and equipment; investments accounted for using the equity method; as well as other non-current assets. Net revenue is allocated according to the location of the respective customers' operations.

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millions of €

	Non-current assets			Net revenue		
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	2015	2014	2013
Germany	37,280	35,343	35,200	25,078	24,999	25,384
International	65,678	56,766	54,663	44,150	37,659	34,748
Of which: Europe (excluding Germany)	21,099	21,654	27,288	14,431	14,311	15,173
North America	44,505	35,039	27,289	29,224	22,701	18,796
Other countries	74	73	86	495	647	779
<b>GROUP</b>	<b>102,958</b>	<b>92,109</b>	<b>89,863</b>	<b>69,228</b>	<b>62,658</b>	<b>60,132</b>

**Information on products and services.** Revenue generated with external customers for groups of comparable products and services developed as follows:

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millions of €

	Net revenue		
	2015	2014	2013
Telecommunications	61,769	55,946	53,220
ICT solutions	6,833	6,513	6,713
Other	626	199	199
	<b>69,228</b>	<b>62,658</b>	<b>60,132</b>

### 33 CONTINGENCIES

As part of its ordinary business activities, Deutsche Telekom is involved in various proceedings both in and out of court with government agencies, competitors, and other parties, the outcome of which often cannot be reliably anticipated. As of the reporting date, the Group was exposed to contingent liabilities amounting to EUR 0.2 billion (December 31, 2014: EUR 0.3 billion) and to contingent assets amounting to EUR 0.0 billion (December 31, 2014: EUR 0.0 billion) that, on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities or assets in the statement of financial position. Litigation provisions include the costs of legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group. In addition to individual cases that do not have any significant impact on their own, the aforementioned total contingent liabilities include the following items, the sequence of which does not imply an evaluation of their probability of occurrence or potential damage. In the event that in extremely rare cases disclosures required by IAS 37

are not made, Deutsche Telekom comes to the conclusion that these disclosures could seriously undermine the outcome of the relevant proceedings.

### CONTINGENT LIABILITIES

**Proceedings by the Anti-Monopoly Commission in Poland.** On November 23, 2011, the national Anti-Monopoly Commission (UOKiK) concluded investigations started in 2010. It decided that T-Mobile Polska (formerly PTC) and other Polish telecommunications companies had fixed prices in breach of anti-trust law and imposed a fine on T-Mobile Polska of PLN 34 million (approximately EUR 8 million). T-Mobile Polska believes these allegations are unfounded and thus appealed the decision. On June 19, 2015, the competent court canceled the fine on the grounds that the competition authorities were unable to prove the alleged price fixing. The national competition authorities appealed the decision of the court and a decision is pending. Any fine would only fall due after the decision becomes final and legally binding. The same applies to another fine of PLN 21 million (approximately EUR 5 million) imposed by UOKiK on T-Mobile Polska on January 2, 2012 for an alleged breach of consumer protection law. Overall, the risk remaining is classified as low and consequently Deutsche Telekom will not report further on the proceedings in the future.

**Claims by partnering publishers of telephone directories.** Several publishers that had set up joint ventures with DeTeMedien GmbH, a wholly owned subsidiary of Deutsche Telekom AG, to edit and publish subscriber directories, filed claims against DeTeMedien GmbH and/or Deutsche Telekom AG at the end of 2013. The complainants have been claiming damages or refund from DeTeMedien GmbH and to a certain extent from Deutsche Telekom AG as joint and several debtor next to DeTeMedien GmbH. The complainants have based their claims on allegedly excessive charges for the provision of subscriber data in the joint ventures. The amounts claimed by the complainants totaled around EUR 470 million plus interest at the end of 2014. So far, the Frankfurt/Main Regional Court rejected 22 out of 81 claims in the first instance. Two of these rulings are legally binding, the claim total

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was accordingly reduced to approximately EUR 467 million plus interest. The complainants filed appeals against the other rulings with the Frankfurt/Main Higher Regional Court. On October 22, 2015, Deutsche Telekom AG, DeTeMedien GmbH and the majority of the partnering publishers of telephone directories concluded an agreement to settle their disputes, as a result of which 54 publishers applied to the court to waive their claims. Seven publishers withdrew their appeals, as a result of which the rulings of the first instance that rejected the claims became legally binding with immediate effect upon receipt by the court of the withdrawals. At present, 18 proceedings are still pending with a remaining claim total of approximately EUR 132 million (plus interest).

Likewise, on the basis of the information and estimates available, the following issues do not fulfill the requirements for recognition as liabilities in the statement of financial position. As, however, the Group is unable to estimate the amount of the contingent liabilities or the group of contingent liabilities in each case due to the uncertainties described below, they have not been included in the aforementioned total contingent liabilities.

**Anti-trust and consumer protection proceedings.** Deutsche Telekom and its subsidiaries, joint ventures, and associates are subject to proceedings under competition law in various jurisdictions, which may also lead to civil follow-on claims. Looking at each of the proceedings individually, none has a material impact. Deutsche Telekom believes the respective allegations and claims for damages are unfounded. The outcome of the proceedings cannot be foreseen at this point in time.

**Claims for damages against Slovak Telekom following the European Commission's decision to impose fines.** Following the decision of the European Commission on October 15, 2014, both Orange Slovensko and SWAN filed civil action against Slovak Telekom with the competent court in Bratislava in August 2015, claiming compensation for damages of EUR 232 million and EUR 50 million respectively, plus interest. These claims seek compensation for alleged damages due to Slovak Telekom's abuse of a dominant market position, as determined by the European Commission. In December 2014, Slovak Telekom and Deutsche Telekom filed an appeal against the decision of the European Commission with the Court of the European Union; in addition, Slovak Telekom considers the complaint by Orange Slovensko to be largely unfounded. The complaint by SWAN has not yet been officially served to Slovak Telekom. It is uncertain whether SWAN is waiting for the outcome of the proceedings in relation to Orange Slovensko or, following publication of the European Commission's decision, considers it unlikely that a claim will be successful.

**Toll Collect arbitration proceedings.** The principal members of the Toll Collect consortium are Daimler Financial Services AG and Deutsche Telekom AG. In the arbitration proceedings between these principal shareholders and the consortium company Toll Collect GbR on one side and the Federal Republic of Germany on the other concerning disputes in connection with the truck toll collection system, Deutsche Telekom received the Federal Republic of Germany's statement of claim on August 2, 2005. In this statement, the Federal Republic claimed to have lost toll revenues of approximately EUR 3.51 billion plus interest owing to a delay in the commencement of operations. The total claims for contractual penalties amount to EUR 1.65 billion plus interest; these claims are based on alleged violations of the operator agreement: alleged lack of consent to subcontracting, allegedly delayed provision of on-board units and monitoring equipment. In a letter dated May 16, 2008, the Federal Republic recalculated its claim for damages

for lost toll revenues and reduced it by EUR 169 million. The claim is now approximately EUR 3.33 billion plus interest. The main claims by the Federal Republic – including the contractual penalty claims – thus amount to around EUR 4.98 billion plus interest. Further hearings took place in spring and fall 2014. In connection with the hearing in spring 2014, the proceedings and the share of the risk borne by Deutsche Telekom were reexamined and, as a result, appropriate provisions for risk were recognized in the statement of financial position. A further hearing took place in June 2015, which was resumed in January 2016. There is no reason to adjust the provisions for risk recognized in 2014 in the statement of financial position. Deutsche Telekom AG believes that a claim arising from the joint and several liability is unlikely to be made in excess of Deutsche Telekom's share of the risk.

- **Bank loans guarantee.** Deutsche Telekom guarantees to third parties bank loans of up to a maximum amount of EUR 100 million granted to Toll Collect GmbH. These guarantees for bank loans will expire on October 15, 2018.
- **Equity maintenance undertaking.** The consortium partners have the obligation, on a joint and several basis, to provide Toll Collect GmbH with additional equity in order to ensure a minimum equity ratio of 15 percent (in the single-entity financial statements prepared in accordance with German GAAP) (equity maintenance undertaking). This obligation ends when the operating agreement expires on August 31, 2018, or earlier if the operating agreement is terminated prematurely. The amount of a potential settlement attributable to the equity maintenance undertaking cannot be estimated because of uncertainties.

In June 2006, the Federal Republic of Germany began to partially offset its monthly advance payments for operating fees to Toll Collect GmbH of EUR 8 million against the contractual penalty claims that are already subject of the aforementioned arbitration proceedings. As a result, it may become necessary for the consortium members to provide Toll Collect GmbH with further liquidity.

The risks and obligations of Compagnie Financière et Industrielle des Autoroutes S.A., Sèvres Cedex (Cofiroute, which holds a 10-percent stake in Toll Collect) are limited to EUR 70 million. Deutsche Telekom AG and Daimler Financial Services AG have the obligation, on a joint and several basis, to indemnify Cofiroute against further claims.

**Prospectus liability proceedings.** There are around 2,600 ongoing actions filed by around 16,000 alleged buyers of T-Shares sold on the basis of the prospectuses published on May 28, 1999 (second public offering, or DT2) and May 26, 2000 (third public offering, or DT3). The complainants assert that individual figures given in these prospectuses were inaccurate or incomplete. The amount in dispute totals approximately EUR 80 million. Some of the actions are also directed at KfW and/or the Federal Republic of Germany as well as the banks that handled the issuances. The Frankfurt/Main Regional Court has issued certified questions to the Frankfurt/Main Higher Regional Court in accordance with the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG) and has temporarily suspended the initial proceedings. In the model proceedings (“Musterverfahren”) on the second public offering (DT2) on July 3, 2013, the Frankfurt/Main Higher Regional Court issued a decision and ruled that the disputed stock exchange prospectus did not contain any errors.

On May 16, 2012, the Frankfurt/Main Higher Regional Court had ruled in the model proceedings ("Musterverfahren") on the third public offering (DT3) that there were also no errors in the prospectus for Deutsche Telekom AG's third public offering. The Frankfurt/Main Higher Regional Court therefore believes there is no basis for holding Deutsche Telekom AG liable. In its decision on October 21, 2014, the Federal Court of Justice revoked this ruling, determined that there was a mistake in the prospectus, and referred the case back to the Frankfurt/Main Higher Regional Court. A decision on possible liability for damages was not made. We continue to hold the opinion that there are compelling reasons why Deutsche Telekom AG should not be liable for damages.

**Claims relating to charges for the shared use of cable ducts.** With an action filed in spring 2012, Kabel Deutschland Vertrieb und Service GmbH (KDG) – now Vodafone Kabel Deutschland GmbH – is asserting two claims: first, Telekom Deutschland GmbH is to reduce the annual charge for the rights to use cable duct capacities in the future; second, it is to partially refund payments made in this connection since 2004. KDG quantified the amount of the claims incurred up to and including 2012 at approximately EUR 340 million plus interest. In its ruling on August 28, 2013, the Frankfurt/Main Regional Court dismissed the complaint. In the appeal proceedings, KDG also quantified its claims for 2013 through an extension of claim and is now seeking a refund of charges allegedly paid in excess of approximately EUR 407 million as well as the alleged benefit for Telekom Deutschland GmbH from additional interest of around EUR 34 million, plus interest in each case. On December 9, 2014, the Frankfurt/Main Higher Regional Court rejected the appeal and disallowed a further appeal. In response to the subsequent complaint against non-allowance of appeal filed by KDG, the Federal Court of Justice allowed KDG's appeal in a ruling dated December 15, 2015. In similar proceedings, Telekom Deutschland GmbH also received a claim filed on January 23, 2013 in which Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH and Kabel BW GmbH demand that Telekom Deutschland GmbH cease charging the complainants more than a specific and precisely stated amount for the shared use of cable ducts. For charges allegedly paid in excess for the shared use of cable ducts from 2009 up to and including 2012, Unitymedia Hessen GmbH & Co. KG is currently demanding payment of approximately EUR 36.5 million plus interest, Unitymedia NRW GmbH EUR 90.8 million plus interest, and Kabel BW GmbH EUR 61.5 million plus interest.

**Claim for compensation against OTE.** In May 2009, Lannet Communications S. A. filed an action against OTE claiming compensation for damages of around EUR 176 million plus interest arising from an allegedly unlawful termination of services by OTE – mainly interconnection services, unbundling of local loops, and leasing of dedicated lines. A hearing took place on May 30, 2013; a ruling has not yet been issued.

**Patents and licenses.** Like many other large telecommunications and Internet providers, Deutsche Telekom is exposed to a growing number of intellectual property rights disputes. There is a risk that Deutsche Telekom may have to pay license fees and/or compensation; Deutsche Telekom is also exposed to a risk of cease-and-desist orders, for example relating to the sale of a product or the use of a technology.

**Tax risks.** In many countries, Deutsche Telekom is subject to the applicable legal tax regulations. Risks can arise from changes in local taxation laws or case law and different interpretations of existing provisions. As a result, they can affect on Deutsche Telekom's tax expense and benefit as well as tax receivables and liabilities.

### 34 LEASES

#### DEUTSCHE TELEKOM AS LESSEE

**Finance leases.** When a lease transfers substantially all risks and rewards to Deutsche Telekom as lessee, Deutsche Telekom initially recognizes the leased assets in the statement of financial position at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the statement of financial position as part of finance leases relate to long-term rental and lease agreements for office buildings and cell towers or mobile communications facilities. The average lease term is 17 years. The agreements include extension and purchase options. TABLE 151 shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the reporting date:

T 151

millions of €

	Dec. 31, 2015	Of which: sale and leaseback transactions	Dec. 31, 2014	Of which: sale and leaseback transactions
Land and buildings	559	290	599	347
Technical equipment and machinery	796	0	455	0
Other	9	0	8	0
<b>NET CARRYING AMOUNTS OF LEASED ASSETS CAPITALIZED</b>	<b>1,364</b>	<b>290</b>	<b>1,062</b>	<b>347</b>

The increase in technical equipment and machinery is primarily a result of new finance leases for network upgrades at T-Mobile US totaling EUR 0.4 billion.

At the inception of the lease term, Deutsche Telekom recognizes a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognized in the income statement.

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TABLE 152 provides a breakdown of these amounts:

T 152

millions of €

	Minimum lease payments		Interest component		Present values	
	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback
<b>Dec. 31, 2015</b>						
<b>MATURITY</b>						
Within 1 year	425	103	114	42	311	61
In 1 to 3 years	774	198	253	69	521	129
In 3 to 5 years	422	126	65	48	357	78
After 5 years	1,052	333	314	136	738	197
	<b>2,673</b>	<b>760</b>	<b>746</b>	<b>295</b>	<b>1,927</b>	<b>465</b>
<b>Dec. 31, 2014</b>						
<b>MATURITY</b>						
Within 1 year	278	108	98	49	180	59
In 1 to 3 years	509	206	178	82	331	124
In 3 to 5 years	372	183	133	60	239	123
After 5 years	1,028	393	317	165	711	228
	<b>2,187</b>	<b>890</b>	<b>726</b>	<b>356</b>	<b>1,461</b>	<b>534</b>

**Operating leases.** Beneficial ownership of a lease is attributed to the lessor if this is the party to which all the substantial risks and rewards incidental to ownership of the asset are transferred. The lessor recognizes the leased asset in its statement of financial position. Deutsche Telekom recognizes the lease payments made during the term of the operating lease in profit or loss. Deutsche Telekom's obligations arising from operating leases are mainly related to long-term rental or lease agreements for cell towers, network infrastructure, and real estate.

Some leases include extension options and provide for stepped rents. Most of these leases relate to cell towers in the United States.

The operating lease expenses recognized in profit or loss amounted to EUR 3.2 billion in the 2015 financial year (2014: EUR 3.3 billion, 2013: EUR 3.2 billion). TABLE 153 provides a breakdown of future obligations arising from operating leases:

T 153

millions of €

	Dec. 31, 2015	Dec. 31, 2014
<b>MATURITY</b>		
Within 1 year	3,322	2,918
In 1 to 3 years	5,650	4,856
In 3 to 5 years	4,548	3,971
After 5 years	7,822	7,164
	<b>21,342</b>	<b>18,909</b>

Obligations arising from operating leases increased from EUR 18.9 billion to EUR 21.3 billion, with T-Mobile US accounting for EUR 2.3 billion of this trend in particular as a result of exchange rate effects totaling EUR 1.6 billion from the translation of U.S. dollars to euros. In addition, the increase resulted from new and modified operating leases in connection with the 700 MHz network build-out for mobile sites, network equipment, and leased fixed-network connections.

#### DEUTSCHE TELEKOM AS LESSOR

**Finance leases.** Deutsche Telekom is a lessor in connection with finance leases. Essentially, these relate to the leasing of routers and other hardware, which Deutsche Telekom provides to its customers for data and telephone network solutions. Deutsche Telekom recognizes a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as finance income in the income statement. TABLE 154 shows how the amount of the net investment in a finance lease is determined:

T 154

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Minimum lease payments	219	242
Unguaranteed residual value	5	2
Gross investment	224	244
Unearned finance income	(14)	(17)
<b>NET INVESTMENT (PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS)</b>	<b>210</b>	<b>227</b>



TABLE 155 presents the gross investment amounts and the present value of payable minimum lease payments:

T 155

millions of €

	Dec. 31, 2015		Dec. 31, 2014	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
<b>MATURITY</b>				
Within 1 year	94	86	98	90
In 1 to 3 years	116	110	113	103
In 3 to 5 years	12	12	31	33
After 5 years	2	2	2	1
	<b>224</b>	<b>210</b>	<b>244</b>	<b>227</b>

**Operating leases.** If Deutsche Telekom is a lessor in connection with operating leases, it continues to recognize the leased assets in its statement of financial position. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of cell towers, building space, and terminal equipment, and have an average term of 15 years. TABLE 156 presents the future minimum lease payments arising from non-cancelable operating leases:

T 156

millions of €

	Dec. 31, 2015	Dec. 31, 2014
	<b>MATURITY</b>	
Within 1 year	1,184	314
In 1 to 3 years	728	380
In 3 to 5 years	339	289
After 5 years	485	507
	<b>2,736</b>	<b>1,490</b>

The increase in future minimum lease payments primarily results from expected lease payments from the lease of mobile terminal devices as part of the terminal equipment lease model introduced at T-Mobile US in June 2015.

### 35 OTHER FINANCIAL OBLIGATIONS

TABLE 157 provides an overview of Deutsche Telekom's other financial obligations:

T 157

millions of €

	Dec. 31, 2015			
	Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Purchase commitments regarding property, plant and equipment	1,924	1,731	183	10
Purchase commitments regarding intangible assets	1,132	1,058	74	0
Firm purchase commitments for inventories	4,430	2,364	2,066	0
Other purchase commitments and similar obligations	10,774	5,445	3,980	1,349
Payment obligations to the Civil Service Pension Fund	4,185	492	1,409	2,284
Miscellaneous other obligations	755	277	478	0
	<b>23,200</b>	<b>11,367</b>	<b>8,190</b>	<b>3,643</b>

### 36 SHARE-BASED PAYMENT

#### SHARE MATCHING PLAN

In the 2011 financial year, specific executives were contractually obliged to invest a minimum of 10 percent and a maximum of 33.3 percent of their variable short-term remuneration component, which is based on the achievement of targets set for each person for the financial year (Variable I), in Deutsche Telekom AG shares. Deutsche Telekom AG will award one additional share for every share acquired as part of this executive's aforementioned personal investment (Share Matching Plan). These shares will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period.

In the 2015 financial year, executives who were not contractually obliged to participate in the Share Matching Plan were given the opportunity to participate on a voluntary basis. To participate, the executives invested a minimum of 10 percent and a maximum of 33.3 percent of their variable short-term remuneration component, which is based on the achievement of targets set for each person for the financial year (Variable I), in Deutsche Telekom AG shares. Deutsche Telekom AG will award additional shares for every share acquired as part of this executive's aforementioned personal investment (Share Matching Plan). Participation in the Share Matching Plan and the number of additional shares granted are contingent on the executive's individual performance. The additional shares will be allotted to the beneficiaries of this plan on expiration of the four-year lock-up period. The offer to executives to participate voluntarily in the Share Matching Plan is only made in the years in which the previous year's free cash flow target was achieved.

The individual Share Matching Plans are each recognized for the first time at fair value on the grant date. To determine the fair value, the expected dividend entitlements are deducted from Deutsche Telekom AG's share price, as there are no dividend entitlements until the matching shares have been allocated. In the 2015 financial year, a total of 0.5 million matching shares were allocated to beneficiaries

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of the plan at a weighted average fair value of EUR 14.10. The cost is to be recognized against the capital reserves pro rata temporis until the end of the service period and amounted to EUR 2.91 million as of December 31, 2015 (December 31, 2014: EUR 1.89 million). The capital reserves recognized for the Share Matching Plan as of December 31, 2015 amounted to EUR 8.17 million (December 31, 2014: EUR 5.26 million).

For the compensation system of Board of Management members who also participate in the Share Matching Plan, please refer to the "Compensation report" in the combined management report, PAGE 143 ET SEQ.

### LONG-TERM INCENTIVE PLAN

In the 2015 financial year, executives who had not yet made a contractual commitment to participate in the long-term incentive plan were given the first-time opportunity to participate. The participating executives receive a package of virtual shares at the inception of the plan. The number of virtual shares is contingent on the participant's management group assignment, individual performance, and annual target salary. Taking these factors into account, the value of the package of virtual shares at the inception of the plan is between 10 and 43 percent of the participant's annual target salary.

Over the term of the four-year plan, the value of the virtual shares changes in line with Deutsche Telekom share price development. The number of virtual shares will change on achievement of the targets for four equally weighted performance indicators (return on capital employed, adjusted earnings per share, employee satisfaction, and customer satisfaction), to be determined at the end of each year. At the end of the four-year plan, the results of each of the four years will be added together and the virtual shares will be converted on the basis of a share price calculated in a reference period and paid out in cash.

The long-term incentive plan was measured at fair value on the grant date. The fair value of the plan is calculated by multiplying the number of virtual shares by Deutsche Telekom AG's share price discounted to the reporting date. In the 2015 financial year, a total of 4.4 million virtual shares were granted at a weighted average fair value of EUR 13.16. The plan must be remeasured at every reporting date until the end of the service period and expensed pro rata temporis. As of December 31, 2015, the cost of the long-term incentive plan amounted to EUR 17.24 million (December 31, 2014: EUR 0 million). A provision was recognized in the same amount.

### SHARE-BASED PAYMENT AT T-MOBILE US

T-Mobile US maintains the 2013 Omnibus Incentive Plan, which authorized the issuance of up to 63 million shares of common stock of T-Mobile US. Under the incentive plan, the company may grant stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), and performance awards to employees, consultants, advisors, and non-employee directors. As of December 31, 2015, there were 29 million T-Mobile US shares of common stock (December 31, 2014: 37 million shares) available for future grants under the incentive plan.

T-Mobile US grants RSUs to eligible employees and certain non-employee directors. RSUs entitle the grantee to receive shares of T-Mobile US common stock at the end of a vesting period up to 3.5 years.

T-Mobile US also grants performance stock units (PSUs) to eligible key executives of the company. PSUs entitle the holder to receive shares of T-Mobile US common stock at the end of a vesting period up to 2.5 years if a specific performance goal is achieved. The number of shares ultimately received is dependent on specified performance of T-Mobile US's operating free cash flow as well as its total shareholder return against a defined peer group.

The plan resulted in the following development:

T 158

	Number of shares	Weighted average fair value at grant date USD
<b>Non-vested as of January 1, 2015</b>	<b>19,952,089</b>	<b>24.15</b>
Granted	9,760,057	35.56
Vested	(11,956,345)	25.28
Forfeited	(1,421,530)	27.36
<b>Non-vested as of December 31, 2015</b>	<b>16,334,271</b>	<b>29.95</b>

The program is measured at fair value on the grant date and recognized as expense, net of expected forfeitures, following a graded vesting schedule over the related service period. The fair value of stock awards for the RSUs is based on the closing price of T-Mobile US' common stock on the date of grant. The fair value of stock awards for the PSUs was determined using the Monte Carlo model. Stock-based compensation expense was EUR 227 million as of December 31, 2015 (December 31, 2014: EUR 159 million).

Prior to the business combination, MetroPCS had established various stock option plans (predecessor plans). The MetroPCS stock options were adjusted in connection with the business combination. Following stockholder approval of T-Mobile US' 2013 Omnibus Incentive Plan, no new awards may be granted under the predecessor plans.

The plan resulted in the following development of the T-Mobile US stock options:

T 159

	Number of shares	Weighted average exercise price USD	Weighted average remaining contractual life (years)
<b>Stock options outstanding/ exercisable at January 1, 2015</b>	<b>4,348,912</b>	<b>24.96</b>	<b>3.7</b>
Exercised	(2,381,650)	19.91	
Forfeited	(142,908)	38.32	
<b>Stock options outstanding/ exercisable at December 31, 2015</b>	<b>1,824,354</b>	<b>30.50</b>	<b>2.7</b>

The exercise of stock options generated cash inflows of EUR 42 million (USD 47 million) in the 2015 financial year (2014: EUR 17 million (USD 27 million)).

## 37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

T 160

## Carrying amounts, amounts recognized, and fair values by class and measurement category

millions of €

	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2015	Amounts recognized in the statement of financial position in accordance with IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
<b>ASSETS</b>						
Cash and cash equivalents	LaR	6,897	6,897			
Trade receivables	LaR	8,752	8,752			
Originated loans and receivables	LaR/n. a.	3,283	3,076			
Of which: collateral paid	LaR	98	98			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	10	10			
Available-for-sale financial assets <sup>a</sup>	AFS	3,354		156	3,198	
Derivative financial assets <sup>b</sup>						
Derivatives without a hedging relationship	FAHfT	1,526				1,526
Of which: termination rights embedded in bonds issued	FAHfT	390				390
Derivatives with a hedging relationship	n. a.	1,160			870	290
<b>LIABILITIES<sup>c</sup></b>						
Trade payables	FLAC	11,037	11,037			
Bonds and other securitized liabilities	FLAC	47,766	47,766			
Liabilities to banks	FLAC	4,190	4,190			
Liabilities to non-banks from promissory notes	FLAC	934	934			
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	1,822	1,822			
Other interest-bearing liabilities	FLAC	3,009	3,009			
Of which: collateral received	FLAC	1,740	1,740			
Other non-interest-bearing liabilities	FLAC	1,798	1,798			
Finance lease liabilities	n. a.	1,927				
Derivative financial liabilities <sup>d</sup>						
Derivatives without a hedging relationship	FLHfT	817				817
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	298				298
Of which: options granted to third parties for the purchase of shares in subsidiaries	FLHfT	39				39
Derivatives with a hedging relationship	n. a.	117			107	10
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	18,725	18,725			
Held-to-maturity investments	HtM	10	10			
Available-for-sale financial assets <sup>a</sup>	AFS	3,354		156	3,198	
Financial assets held for trading	FAHfT	1,526				1,526
Financial liabilities measured at amortized cost	FLAC	70,556	70,556			
Financial liabilities held for trading	FLHfT	817				817

<sup>a</sup> For details, please refer to Note 8 "Other financial assets," PAGES 192 and 193.<sup>b</sup> For details, please refer to TABLE 166 on derivatives in this Note, PAGE 236.<sup>c</sup> For financial guarantees and loan commitments existing at the reporting date, please refer to the additional information provided in this section, PAGE 234.<sup>d</sup> The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

Trade receivables include receivables amounting to EUR 1.0 billion (December 31, 2014: EUR 1.6 billion) due in more than one year. The fair value generally equates to the carrying amount.

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Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2015 <sup>d</sup>	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2014	Amounts recognized in the statement of financial position in accordance with IAS 39				Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2014 <sup>d</sup>
				Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
	-	LaR	7,523	7,523				-	
	-	LaR	10,262	10,262				-	
207	3,318	LaR/n.a.	3,224	2,997			227	3,256	
	-	LaR	527	527				-	
	-	HtM	10	10				-	
	3,198	AfS	683		122	561		561	
	1,526	FAHfT	835				835	835	
	390	FAHfT	183				183	183	
	1,160	n.a.	508			286	222	508	
	-	FLAC	9,631	9,631				-	
	52,194	FLAC	44,219	44,219				49,402	
	4,247	FLAC	3,676	3,676				3,788	
	1,069	FLAC	946	946				1,106	
	1,830	FLAC	-	-				-	
	3,059	FLAC	1,775	1,775				1,836	
	-	FLAC	486	486				-	
	-	FLAC	2,055	2,055				-	
1,927	2,166	n.a.	1,461				1,461	1,869	
	817	FLHfT	664				664	664	
	298	FLHfT	-					-	
	39	FLHfT	-					-	
	117	n.a.	431			423	8	431	
	3,111	LaR	20,782	20,782				3,029	
	-	HtM	10	10				-	
	3,198	AfS	683		122	561		561	
	1,526	FAHfT	835				835	835	
	62,399	FLAC	62,302	62,302				56,132	
	817	FLHfT	664				664	664	

### Financial instruments not measured at fair value, the fair values of which are disclosed nevertheless

T 161

millions of €

	Dec. 31, 2015				Dec. 31, 2014			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable <sup>a</sup>	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable <sup>a</sup>	Total
<b>ASSETS</b>								
Originated loans and receivables		3,318		3,318		3,256		3,256
<b>LIABILITIES</b>								
Financial liabilities measured at amortized cost (FLAC)	41,498	20,810	91	62,399	41,121	14,828	183	56,132
Of which: bonds and other securitized liabilities	41,498	10,605	91	52,194	41,121	8,098	183	49,402
Of which: liabilities to banks		4,247		4,247		3,788		3,788
Of which: liabilities to non-banks from promissory notes		1,069		1,069		1,106		1,106
Of which: liabilities with the right of creditors to priority repayment in the event of default		1,830		1,830				
Of which: other interest-bearing liabilities		3,059		3,059		1,836		1,836
Finance lease liabilities		2,166		2,166		1,869		1,869

<sup>a</sup>Separation of embedded derivatives; the fair value of the entire instrument must be categorized as Level 1.

### Financial instruments measured at fair value

T 162

millions of €

	Dec. 31, 2015				Dec. 31, 2014			
	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total	Level 1 Inputs as prices in active markets	Level 2 Other inputs that are directly or indirectly observable	Level 3 Inputs that are unobservable	Total
<b>ASSETS</b>								
Available-for-sale financial assets (AFS)	2,931		267	3,198	348	5	208	561
Financial assets held for trading (FAHfT)		1,136	390	1,526		652	183	835
Derivative financial assets with a hedging relationship		1,160		1,160		508		508
<b>LIABILITIES</b>								
Financial liabilities held for trading (FLHfT)		480	337	817		664		664
Derivative financial liabilities with a hedging relationship		117		117		431		431

Of the available-for-sale financial assets (AFS) presented under other non-derivative financial assets, the instruments presented in the different levels constitute separate classes of financial instruments. In Level 1, EUR 2,931 million (December 31, 2014: EUR 348 million) is recognized, the majority of which relates to listed government bonds, the fair values of which are the price quotations at the reporting date. The

carrying amount of EUR 2.8 billion – when translated into euros – of the year-on-year increase in the instruments recognized as Level 1, resulted from the acquisition of short-term U.S. government bonds. For information on the issue of liabilities by T-Mobile US, please refer to Note 10 “Financial liabilities,” PAGE 193 ET SEQ.

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The available-for-sale financial assets assigned to Level 3 that are carried under other non-derivative financial assets are equity investments with a carrying amount of EUR 267 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers executed transactions involving shares in those companies to have the greatest relevance. Executed transactions involving shares in comparable companies are also considered. The closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. In the case of investments with a carrying amount of EUR 107 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why in Deutsche Telekom's view the share prices agreed in the transactions were to be used without adjustment for the measurement as of December 31, 2015. In the case of investments with a carrying amount of EUR 138 million, although the last arm's length transactions relating to shares in these companies took place some time ago, based on the analysis of operational development (in particular revenue, EBIT and liquidity) in Deutsche Telekom's assessment, the previous carrying amount nevertheless corresponds to the fair value and, due to limited comparability, is preferable to measurement on the basis of transactions executed more recently relating to shares in comparable companies. In the case of investments with a carrying amount of EUR 22 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, in Deutsche Telekom's assessment, measurement on the basis of transactions executed more recently relating to shares in comparable companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of net revenue (ranging between 1.40 and 5.56) were used, taking the respective median. In certain cases, due to specific circumstances, valuation discounts need to be applied to the respective multiples. If the value of the respective 2/3-quantile (1/3-quantile) had been used as a multiple with no change in the reference variables, the fair value of the investments at the reporting date would have been EUR 2 million higher (EUR 7 million lower). If the reference variables had been 10 percent higher (lower) with no change in the multiples, the fair value of the investments at the reporting date would have been EUR 2 million higher (EUR 2 million lower). In the reporting period, net expense of EUR 8 million was recognized in other financial income/expense for unrealized losses for the investments in the portfolio at the reporting date. Please refer to the following **TABLE 163** for the development of the carrying amounts in the reporting period. No plans existed as of the reporting date to sell these investments.

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 on the basis of the amount of the trading volume for the relevant instrument. Issues denominated in euros or U.S. dollars with relatively large nominal amounts are routinely to be classified as Level 1, the rest routinely as Level 2. The fair values of the instruments assigned to Level 1 equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of the instruments assigned to Level 2 are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

The fair values of liabilities to banks, liabilities to non-banks from promissory notes, other interest-bearing liabilities, and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. Interest rates of contractual partners relevant as of the reporting date are used in this respect. The middle rates applicable as of the reporting date are used as exchange 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.

The financial assets held for trading assigned to Level 3 that are carried under other derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 390 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available routinely and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights were measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers were used for the measurement because we believe that these provide a more reliable estimate for these unobservable inputs at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.8 and 2.4 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 3.3 and 4.9 percent for the maturities of the bonds and between 2.2 and 2.8 percent for shorter terms. In our opinion, 10 percent constituted the best estimate for the mean reversion, another unobservable input. If 10 percent higher (lower) interest rate volatilities in absolute terms had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 54 million higher (EUR 59 million lower) when translated into euros. If spreads of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 144 million lower (EUR 217 million higher) when translated into euros. If a mean reversion of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 13 million lower (EUR 16 million higher) when translated into euros. In the reporting period, net income of EUR 166 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. Please refer to **TABLE 163** for the development of the carrying amounts in the reporting period. The value increases recognized in profit or loss in the reporting period are mainly attributable to lower interest rates and a historically higher absolute interest rate volatility. The value reductions recognized in profit or loss in the reporting period are mainly due to an increase in the interest rate level. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

The financial liabilities held for trading assigned to Level 3 that are presented under financial liabilities with a carrying amount of EUR 298 million when translated into euros relate to stock options embedded in the Mandatory Convertible Preferred Stock issued by T-Mobile US. The Mandatory Convertible Preferred Stock will be converted into a variable number of shares of T-Mobile US on the maturity date in 2017 and, in accordance with IFRS, is accounted for as debt rather than equity. The entire instrument is split into a debt instrument (bond) measured at amortized cost and an embedded derivative measured at fair value through profit or loss. In addition to conversion on the maturity date, this derivative also includes the early conversion rights granted to investors. An observable market price is available regularly and at the reporting date for the Mandatory Convertible Preferred Stock as an entire instrument, but not for the options embedded therein. The conversion rights were measured using an option pricing model. The market price of the entire instrument and its individual components is largely dependent on T-Mobile US' share price performance and the market interest rates. If the share price of T-Mobile US had been 10 percent higher (lower) at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 110 million lower (EUR 108 million higher) when translated into euros. If a market interest rate of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 15 million lower (EUR 16 million higher) when translated into euros. In the reporting period, a net expense of EUR 295 million when translated into euros was recognized in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. Please refer to TABLE 163 for the development of the carrying amount in the reporting period. As of December 31, 2014, the value of the derivative was still slightly positive from Deutsche Telekom's perspective (carrying amount less than EUR 1 million), which is why it had to be disclosed as an asset. The change in the market price in the reporting period is largely attributable to the rise in T-Mobile US' share price. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

The financial liabilities assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 39 million resulting from an option granted to third parties in the reporting period for the purchase of shares in a subsidiary of Deutsche Telekom. The term ends in 2017 and no notable fluctuations in value are expected in future. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

T 163

#### Development of the carrying amounts of the financial assets and financial liabilities assigned to Level 3

millions of €

	Available-for-sale financial assets (AFS)	Financial assets held for trading (FAHFT): Early redemption options embedded in bonds	Financial liabilities held for trading (FLHFT): Conversion rights embedded in Mandatory Convertible Preferred Stock
<b>Carrying amount as of January 1, 2015</b>	<b>208</b>	<b>183</b>	<b>0</b>
Additions (including first-time categorization as Level 3)	49	27	-
Value decreases recognized in profit/loss	(8)	(174)	(323)
Value increases recognized in profit/loss	-	340	28
Value decreases recognized directly in equity	(18)	-	-
Value increases recognized directly in equity	48	-	-
Disposals	(12)	-	-
Currency translation effects recognized directly in equity	-	14	(3)
<b>CARRYING AMOUNT AS OF DECEMBER 31, 2015</b>	<b>267</b>	<b>390</b>	<b>(298)</b>

T 164

#### Net gain/loss by measurement category

millions of €

	Recognized in profit or loss from interest, dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss)
		At fair value	Currency translation	Impairments/allowances			
Loans and receivables (LaR)	34		1,854	(748)			2015 1,140
Held-to-maturity investments (HtM)							-
Available-for-sale financial assets (AFS)	7			(4)	31	3	37
Financial instruments held for trading (FAHFT and FLHFT)	n. a.	258					258
Financial liabilities measured at amortized cost (FLAC)	(2,381)		(2,144)				(4,525)
	<b>(2,340)</b>	<b>258</b>	<b>(290)</b>	<b>(752)</b>	<b>31</b>	<b>3</b>	<b>(3,090)</b>

millions of €

	Recognized in profit or loss from interest, dividends	Recognized in profit or loss from subsequent measurement			Recognized directly in equity from subsequent measurement	Recognized in profit or loss from derecognition	Net gain (loss)
		At fair value	Currency translation	Impairments/allowances			
Loans and receivables (LaR)	16		1,865	(602)			2014 1,279
Held-to-maturity investments (HtM)							-
Available-for-sale financial assets (AFS)	7			(132)	41	20	(64)
Financial instruments held for trading (FAHFT and FLHFT)	n. a.	435					435
Financial liabilities measured at amortized cost (FLAC)	(2,446)		(2,255)			29	(4,672)
	<b>(2,423)</b>	<b>435</b>	<b>(390)</b>	<b>(734)</b>	<b>41</b>	<b>49</b>	<b>(3,022)</b>

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Interest from financial instruments is recognized in finance costs, dividends in other financial income/expense (please also refer to Note 22 "Finance costs," PAGE 210, and Note 24 "Other financial income/expense," PAGE 210). Deutsche Telekom recognizes the other components of net gain/loss in other financial income/expense, except for allowances on trade receivables (please also refer to Note 2 "Trade and other receivables," PAGE 181) that are classified as loans and receivables, which are reported under selling expenses. The net gain from the subsequent measurement for financial instruments held for trading (EUR 258 million) also includes interest and currency translation effects. The net currency translation gains on financial assets classified as loans and receivables (EUR 1,854 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom's financing company, Deutsche Telekom International Finance B. V., on the capital market. These were offset by corresponding currency translation losses on capital market liabilities of EUR 2,144 million. These include currency translation gains from derivatives that Deutsche Telekom used as hedges for hedge accounting in foreign currency (EUR 335 million; 2014: currency translation gains of EUR 331 million). Finance costs from financial liabilities measured at amortized cost (expense of EUR 2,381 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from interest added back and interest income from interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting period to hedge the fair value risk of financial liabilities (please also refer to Note 22 "Finance costs," PAGE 210).

**Principles of risk management.** Deutsche Telekom is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments (hedging transactions) are used for this purpose, depending on the risk assessment. However, Deutsche Telekom only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, i. e., not for trading or other speculative purposes. To reduce the credit risk, hedging instruments are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk for derivatives with a positive market value is minimized through collateral agreements with all core banks. Furthermore, the limits for deposits are also set and monitored on a daily basis depending on the rating, share price performance, and credit default swap level of the counterparty.

The fundamentals of Deutsche Telekom's financial policy are established by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the finance policy and for ongoing risk management. Certain transactions require the prior approval of the Board of Management, which is also regularly briefed on the severity and amount of the current risk exposure.

Treasury regards effective management of the market risk as one of its main tasks. The main risks relate to foreign currencies and interest rates.

**Currency risks.** Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. Foreign-currency risks that do not influence the Group's cash flows (i. e., the risks resulting from the translation of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies. Deutsche Telekom hedges these risks. If the risk position exceeds EUR 100 million, the Board of Management must make a special decision on how the risk shall be hedged. If the risk position is below EUR 100 million, Group Treasury performs the currency hedging itself. At the reporting date, Deutsche Telekom was not exposed to any significant risks from foreign-currency transactions in the field of investments.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Group Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies.

At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds in Australian dollars, pounds sterling, Japanese yen, Norwegian kroner, Swiss francs, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

The Group entities predominantly execute their operating activities in their respective functional currencies. Payments made in a currency other than the respective functional currency result in foreign-currency risks in the Group. These relate in particular to payments for the procurement of network equipment and mobile handsets as well as payments to international telecommunications companies for the provision of access services. Deutsche Telekom generally uses currency derivatives for hedging purposes. On account of these hedging activities, Deutsche Telekom was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. In addition to currency risks, Deutsche Telekom is exposed to interest rate risks and price risks in its investments. 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 risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Deutsche Telekom has contracted financial instruments.



The currency sensitivity analyses are based on the following assumptions: Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing securities and/or debt instruments held, interest-bearing liabilities, finance lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.

Non-interest-bearing securities or equity instruments held are of a non-monetary nature and therefore are not exposed to a currency risk as defined by IFRS 7.

Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency using derivatives. For this reason, there can be no effects on the variables considered in this connection.

In the case of fair value hedges designed to hedge currency risks, the changes in the fair values of the hedged item and the hedging transaction attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

In the case of net investment hedges designed to hedge currency risks, the changes in the fair values of the hedged item and the hedging instrument attributable to exchange rate movements balance out completely in shareholders' equity in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

Cross-currency swaps are always assigned to non-derivative hedged items, so these instruments do not have any currency effects, either.

Deutsche Telekom is therefore only exposed to currency risks from specific currency derivatives. Some of these are currency derivatives that are part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging instruments. Others are currency derivatives that are neither part of one of the hedges defined in IAS 39 nor part of a natural hedge. These derivatives are used to hedge planned transactions. Exchange rate fluctuations of the currencies on which such financial instruments are based affect other financial income or expense (net gain/loss from remeasurement of financial assets and liabilities to fair value).

If the euro had gained (lost) 10 percent against the U.S. dollar and the pound sterling at December 31, 2015, the hedging reserve in shareholders' equity and the fair values of the hedging instruments before taxes would have been EUR 38 million higher (lower) (December 31, 2014: EUR 21 million higher (lower)). The hypothetical effect of EUR 38 million on profit or loss primarily results from the currency sensitivities EUR/USD: EUR 52 million and EUR/GBP: EUR -14 million.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2015, other financial income and the fair value of the hedging instruments before taxes would have been EUR 42 million higher (lower) (December 31, 2014: EUR 115 million higher (lower)). The hypothetical effect of EUR 42 million on profit or loss primarily results from the currency sensitivities EUR/PLN: EUR 26 million and EUR/USD: EUR 18 million.

**Interest rate risks.** Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone and in the United States. To minimize the effects of interest rate fluctuations in these regions, Deutsche Telekom manages the interest rate risk for net debt denominated in euros and U.S. dollars separately. Once a year, the Board of Management stipulates the desired mix of fixed- and variable-interest net debt for a planning period of at least three years. Taking account of the Group's existing and planned debt structure, Treasury uses interest rate derivatives to adjust the interest structure for the net debt of the composition specified by the Board of Management.

Due to the derivative hedging instruments, an average of 53 percent (2014: 60 percent) of net debt in 2015 denominated in euros and 87 percent (2014: 93 percent) of net debt denominated in U.S. dollars had a fixed rate of interest. The average value is representative for the year as a whole. Since T-Mobile US as a self-financing company is responsible for the "net exposure in USD" and a higher fixed portion for high-yield issuers is quite usual in the market and appropriate, no interest rate management measures for the U.S. dollar were resolved or implemented in 2015.

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, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions: Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. This means that interest-rate-based changes in the measurement of the hedged item and the hedging instrument do not affect income and are therefore not subject to interest rate risk.

In the case of interest rate derivatives in fair value hedges, however, changes in market interest rates affect the amount of interest payments. As a consequence, they have an effect on interest income and are therefore included in the calculation of income-related sensitivities.

Changes in the market interest rate regarding financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in shareholders' equity and are therefore taken into consideration in the equity-related sensitivity calculations.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

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Changes in the market interest rate regarding interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations. Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher at December 31, 2015, profit or loss before taxes would have been EUR 369 million (December 31, 2014: EUR 301 million) lower. If the market interest rates had been 100 basis points lower at December 31, 2015, profit or loss before taxes would have been EUR 443 million (December 31, 2014: EUR 366 million) higher. This simulation includes the effects from the financial instruments assigned to Level 3 described above. The hypothetical effect of EUR -369 million/EUR +443 million on income primarily results from the potential effects of EUR -353 million/EUR +426 million from interest rate derivatives, EUR -35 million/EUR +35 million from non-derivative, variable-interest financial liabilities, as well as EUR +33 million/EUR -33 million from other non-derivative financial assets. Potential effects from interest rate derivatives are partially balanced out by the contrasting performance of non-derivative financial instruments, which cannot, however, be shown as a result of applicable accounting standards. If the market interest rates had been 100 basis points higher (lower) at December 31, 2015, the hedging reserve would have been EUR 24 million lower (higher) (December 31, 2014: EUR 97 million higher (lower)), and gains and losses recognized in equity from

the remeasurement of available-for-sale financial assets before taxes would have been EUR 9 million lower (higher) (December 31, 2014: EUR 0 million).

**Other price risks.** As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes.

Aside from the value-creating factors in the financial instruments assigned to Level 3 described above, there were no other price risks as of December 31, 2015, as was also the case at December 31, 2014.

**Credit risks.** Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. As a rule, transactions with regard to financing activities are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i. e., locally. Credit risks are taken into account through individual and collective allowances.

The solvency of the business with corporate customers, especially international carriers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

T 165

millions of €

	Dec. 31, 2015			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	701	778	2,296	597
Amounts set off in the statement of financial position in accordance with IAS 32.42	(126)	(126)	-	-
<b>Net amounts presented in the statement of financial position</b>	<b>575</b>	<b>652</b>	<b>2,296</b>	<b>597</b>
<b>Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42</b>	<b>(23)</b>	<b>(23)</b>	<b>(2,217)</b>	<b>(587)</b>
Of which: amounts related to recognized financial instruments	(23)	(23)	(492)	(492)
Of which: amounts related to financial collateral (including cash collateral)	-	-	(1,725)	(95)
<b>NET AMOUNTS</b>	<b>552</b>	<b>629</b>	<b>79</b>	<b>10</b>

millions of €

	Dec. 31, 2014			
	Trade receivables	Trade payables	Derivative financial assets	Derivative financial liabilities
Gross amounts subject to enforceable master netting arrangements or similar agreements	301	347	1,160	1,095
Amounts set off in the statement of financial position in accordance with IAS 32.42	(102)	(102)	-	-
<b>Net amounts presented in the statement of financial position</b>	<b>199</b>	<b>245</b>	<b>1,160</b>	<b>1,095</b>
<b>Amounts subject to enforceable master netting arrangements or similar agreements and not meeting all offsetting requirements in accordance with IAS 32.42</b>	<b>(11)</b>	<b>(11)</b>	<b>(1,108)</b>	<b>(1,091)</b>
Of which: amounts related to recognized financial instruments	(11)	(11)	(624)	(624)
Of which: amounts related to financial collateral (including cash collateral)	-	-	(484)	(467)
<b>NET AMOUNTS</b>	<b>188</b>	<b>234</b>	<b>52</b>	<b>4</b>

Offsetting is applied in particular to receivables and liabilities at Deutsche Telekom AG and Telekom Deutschland GmbH for the routing of international calls via the fixed network and for roaming fees in the mobile network.

In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, the counterparty provided Deutsche Telekom with cash pursuant to the collateral contracts mentioned in Note 1 "Cash and cash equivalents," PAGE 180. The credit risk was thus further reduced.

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral to counterparties pursuant to collateral agreements. The net amounts are normally recalculated every bank working day and offset against each other. The cash collateral paid (please also refer to Note 8 "Other financial assets," PAGES 192 and 193) is offset by corresponding negative net derivative positions of EUR 95 million at the reporting date, which is why it was not exposed to any credit risks in this amount as of the reporting date. The collateral paid is reported under originated loans and receivables within other financial assets. On account of its close connection to the corresponding derivatives, the collateral paid constitutes a separate class of financial assets. Likewise, the collateral received, which is reported as other interest-bearing liabilities under financial liabilities, constitutes a separate class of financial liabilities on account of its close connection to the corresponding derivatives.

In accordance with the terms of bonds issued by a Deutsche Telekom subsidiary, this subsidiary has the right to terminate the bonds prematurely under specific conditions. The rights of termination constitute embedded derivatives and are accounted for separately as derivative financial assets. The conversion rights contained in Mandatory Convertible Preferred Stock issued by a subsidiary of Deutsche Telekom constitute an embedded derivative and are recognized separately as a derivative. Since these rights of termination and conversion rights are not exposed to a credit risk, they constitute a separate class of financial instruments.

No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

In addition, Deutsche Telekom is exposed to a credit risk through the granting of financial guarantees. Guarantees amounting to a nominal total of EUR 84 million had been pledged as of the reporting date (December 31, 2014: EUR 50 million), which also represent the maximum exposure to credit risk.

There were no indications as of the reporting date that Deutsche Telekom will incur a loss from a financial guarantee.

**Risks from financing and loan commitments.** Deutsche Telekom granted the EE joint venture an irrevocable loan commitment of a maximum of GBP 225 million at arm's length market conditions in the reporting period which has not yet been utilized. The credit facility can be utilized at any time and will expire on November 14, 2016. The credit facility will be extended each time by a further twelve months, unless terminated three months prior to the end of the term. The nominal amount of GBP 225 million is the maximum default risk associated with this loan commitment. The arrangement allows for Deutsche Telekom to unilaterally terminate the credit facility with immediate effect upon consummation of the sale of the EE joint venture. Deutsche Telekom made use of this right of termination at the time of the consummation of the sale on January 29, 2016. As a result, the loan commitment was canceled and since that time there has been no further obligation on the part of Deutsche Telekom. For information on the consummation of the sale, please refer to Note 40 "Related-party disclosures," PAGES 239 and 240, and Note 43 "Events after the reporting period," PAGE 241.

In connection with the operation of a network in the United Kingdom by the EE joint venture, Deutsche Telekom had undertaken to make a payment in the event that the joint venture is unable to meet its contractual obligations. This guarantee is valid until December 9, 2029. The nominal amount of GBP 150 million is the maximum default risk associated with this guarantee. Following the consummation of the sale of the EE joint venture in January 2016, the guarantee obligation will in future be adapted to the new circumstances. For information on the consummation of the sale, please refer to Note 40 "Related-party disclosures," PAGES 239 and 240, and Note 43 "Events after the reporting period," PAGE 241.

No significant agreements reducing the maximum default risk of financing and loan commitments exist. There were no indications as of the reporting date that Deutsche Telekom will incur a loss.

**Liquidity risks.** Please also refer to Note 10 "Financial liabilities," PAGE 193 SET SEQ.

#### **HEDGE ACCOUNTING**

**Fair value hedges.** To hedge the fair value risk of fixed-interest liabilities, Deutsche Telekom primarily used interest rate swaps and forward interest rate swaps (pay variable, receive fixed) denominated in EUR, GBP, NOK, and USD. Fixed-income bonds denominated in EUR, GBP, NOK, and USD were designated as hedged items. The changes in the fair values of the hedged items resulting from changes in the Euribor, GBP Libor, NOK OIBOR, or USD Libor swap rate are offset against the changes in the value of the interest rate swaps. In addition, a cross-currency swap totaling AUD 125 million has been designated as fair value hedge, which converts a fixed interest-bearing bond into a variable interest-bearing security. The aim of this hedging is to transform the fixed-income bonds into variable-interest debt, thus hedging the fair value of the financial liabilities. Credit risks are not part of the hedging.

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The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date using statistical methods in the form of a regression analysis. All hedging relationships were sufficiently effective as of the reporting date.

In the reporting period, new fair value hedges with a total nominal volume of EUR 5.4 billion were designated for reducing the fair value risk.

As the list of the fair values of derivatives shows (see TABLE 166, PAGE 236), Deutsche Telekom had interest rate derivatives with a net fair value of EUR 0.3 billion (December 31, 2014: EUR 0.2 billion) designated as fair value hedges at December 31, 2015. The remeasurement of the hedged items resulted in losses of EUR 0.1 billion being recorded in other financial income/expense in the 2015 financial year (2014: losses of EUR 0.4 billion); the changes in the fair values of the hedging transactions resulted in gains of EUR 0.1 billion (2014: gains of EUR 0.4 billion) being recorded in other financial income/expense.

**Cash flow hedges – interest rate risks.** Deutsche Telekom entered into payer interest rate swaps and forward payer interest rate swaps (pay fixed, receive variable) to hedge the cash flow risk of variable-interest debt. The interest payments to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The changes in the cash flows of the hedged items resulting from changes in the Euribor and Libor rates are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. The terms of the hedging relationships will end in the years 2016 through 2018. Credit risks are not part of the hedging.

The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis.

Ineffectiveness of EUR 7 million (income) was recognized in profit or loss under other financial income/expense in the reporting year (2014: income of EUR 19 million).

All designated hedging relationships were sufficiently effective as of the reporting date.

As the list of the fair values of derivatives shows (see TABLE 166, PAGE 236), Deutsche Telekom had interest rate derivatives with a fair value of EUR –0.1 billion (December 31, 2014: EUR –0.3 billion) amounting to a nominal total of EUR 1.0 billion (December 31, 2014: EUR 3.1 billion) designated as hedging instruments for the hedging of interest rate risks as part of cash flow hedges at December 31, 2015.

The recognition directly in equity of the change in the fair value of the hedging instruments resulted in losses (before taxes) of EUR 1 million (2014: losses of EUR 97 million) in shareholders' equity in the 2015 financial year. Losses amounting to EUR 100 million (2014: losses of EUR 77 million) recognized directly in equity were reclassified to other financial income/expense in the income statement in the 2015 financial year.

**Cash flow hedges – currency risks.** Deutsche Telekom entered into currency derivative and cross-currency swap agreements to hedge cash flows not denominated in a functional currency. The payments in foreign currency to be made in the hedging period are the hedged items and are recognized in profit or loss in the same period. The terms of the hedging relationships will end in the years 2016 through 2033. The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. All designated hedging relationships were sufficiently effective as of the reporting date.

No new cash flow hedges of this kind were designated in the reporting period.

In the 2015 financial year, gains (before taxes) totaling EUR 654 million (2014: gains of EUR 362 million) resulting from the change in the fair values of currency derivatives were taken directly to equity (hedging reserve). These changes constitute the effective portion of the hedging relationship. In the 2015 financial year, gains totaling EUR 358 million recognized directly in equity were reclassified to other financial income/expense and losses totaling EUR 4 million were reclassified to profit/loss from operations (2014: gains of EUR 338 million were reclassified to other financial income/expense and gains of EUR 6 million to profit/loss from operations). There was no material ineffectiveness of these hedges recorded as of the reporting date.

As the list of the fair values of derivatives shows (see TABLE 166, PAGE 236), Deutsche Telekom had currency forwards of a net fair value of EUR –26 million (December 31, 2014: EUR –5 million), that are the result of foreign currency purchases totaling EUR 0.5 billion and foreign currency sales totaling EUR 0.7 billion (December 31, 2014: foreign currency purchases of EUR 0.2 billion and foreign currency sales of EUR 0.4 billion), as well as cross-currency swaps of a net fair value of EUR 0.9 billion (December 31, 2014: EUR 0.1 billion) and a total volume of EUR 4.8 billion (December 31, 2014: EUR 4.8 billion) designated as hedging instruments for cash flow hedges as of December 31, 2015.

**Hedging of a net investment.** The hedge of the net investment in T-Mobile US against fluctuations in the U.S. dollar spot rate designated in 2012 did not generate any effects in 2015. The level of gains/losses recognized directly in equity (total other comprehensive income) remained unchanged at EUR –0.4 billion (before taxes).

**Derivatives.** TABLE 166 shows the fair values of the various derivatives carried. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IAS 39 (fair value hedge, cash flow hedge, net investment hedge) or not. Other derivatives can also be embedded, i. e., a component of a composite instrument that contains a non-derivative host contract.

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millions of €

	Net carrying amounts Dec. 31, 2015	Net carrying amounts Dec. 31, 2014
<b>ASSETS</b>		
Interest rate swaps		
Without a hedging relationship	49	53
In connection with fair value hedges	290	222
In connection with cash flow hedges	-	-
Currency forwards/currency swaps		
Without a hedging relationship	29	67
In connection with cash flow hedges	7	4
Cross-currency swaps		
Without a hedging relationship	1,057	531
In connection with fair value hedges	-	-
In connection with cash flow hedges	863	282
Other derivatives in connection with cash flow hedges	-	-
Other derivatives without a hedging relationship	1	1
Embedded derivatives	390	183
<b>LIABILITIES</b>		
Interest rate swaps		
Without a hedging relationship	238	235
In connection with fair value hedges	-	-
In connection with cash flow hedges	74	252
Currency forwards/currency swaps		
Without a hedging relationship	147	229
In connection with cash flow hedges	33	9
In connection with net investment hedges	-	-
Cross-currency swaps		
Without a hedging relationship	76	185
In connection with fair value hedges	10	8
In connection with cash flow hedges	-	162
Other derivatives in connection with cash flow hedges	-	-
Other derivatives without a hedging relationship	58	15
Embedded derivatives	298	-

### Transfer of financial assets

**Factoring transactions with substantially all risks and rewards being transferred.** Since January 1, 2015, a factoring transaction has been in place under which a bank is required to purchase current trade receivables. The bank's purchase obligation revolves on a monthly basis and covers a maximum receivables amount of EUR 250 million when translated into euros. Sales exceeding this amount must be agreed on a case-by-case basis. The agreement runs until 2020, giving Deutsche Telekom the freedom to decide whether receivables will be sold and in which revolving nominal volume. The risks relevant for the risk assessment with respect to the receivables sold are the credit risk and the risk of late payments (late payment risk). The credit risk represents substantially all the risks and rewards of ownership of the receivables and is transferred to the bank in full in return for payment of a fixed purchase price discount. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss resulting from late-payment risk relating to the receivables sold and derecognized as of December 31, 2015 (nominal volume EUR 306 million) is EUR 1 million. At the

derecognition date, the fixed purchase price discount and the fair value of the expected loss resulting from the late-payment risk was expensed. The expected loss resulting from the late-payment risk recognized under financial liabilities represents Deutsche Telekom's entire continuing involvement; as of December 31, 2015, the carrying amount and fair value each amounted to less than EUR 1 million. Deutsche Telekom expensed EUR 72 million in total in the 2015 financial year from its continuing involvement to account for purchase price discounts and program fees (interest and bank margin). Deutsche Telekom recognizes the purchase price payments received from the buyers under cash generated from operations (please refer to Note 31 "Notes to the consolidated statement of cash flows," PAGE 216 ET SEQ.). The volume of receivables sold during the financial year amounted to between EUR 193 million and EUR 348 million. As of December 31, 2015, a total provision of EUR 3 million was recognized for the receivables management to be performed by Deutsche Telekom. A factoring agreement that was still active in the prior period was completed and settled as of the reporting date.

**Factoring transactions involving the splitting of significant risks and rewards as well as the transfer of control.** Factoring transactions are in place under which banks are required to purchase trade receivables. The receivables sold entail both charges already due and charges from sales of handsets payable over a period of up to two years. The banks' purchase obligation revolves on a monthly basis and covers a maximum receivables amount of EUR 737 million when translated into euros. Sales exceeding this amount must be agreed on a case-by-case basis. The purchase price up to a maximum amount of EUR 503 million will be paid out immediately upon sale; remaining portions of the purchase price will only be paid to the extent that the volume of receivables sold decreases further accordingly. The term of the agreements ends between 2016 and 2019, giving Deutsche Telekom the freedom to decide whether receivables will be sold and in which volume. The risks relevant for the risk assessment with respect to the receivables sold are the credit risk and the risk of late payments (late payment risk). The purchase price corresponds to the nominal amount. The maximum credit risk from the various tranches to be borne by Deutsche Telekom amounts to EUR 134 million. The other credit risk-related losses are borne by the banks. The existing loan insurance policy reimburses losses relating to certain receivables to a maximum amount of EUR 150 million and thus reduces the exposure to loss. The late-payment risk continues to be borne almost in full by Deutsche Telekom. The maximum exposure to loss resulting from credit risk and late-payment risk relating to the receivables sold as of December 31, 2015 (nominal volume EUR 451 million when translated into euros), excluding loan insurance coverage, is EUR 151 million. Substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained (allocation of the material risks between Deutsche Telekom and the bank). Control of the receivables sold was transferred to the banks because these have the practical ability to resell the receivables. All receivables sold as of December 31, 2015 have been derecognized. At the derecognition date, the fair value of the expected losses was expensed as financial liabilities. As of December 31, 2015, the carrying amount of the financial liability representing Deutsche Telekom's entire continuing involvement was EUR 4 million and its fair value was EUR 4 million. Deutsche Telekom expensed EUR 13 million, including credit-risk discounts and loss allocations to cover monthly credit risks, in the financial year from its continuing involvement including program fees (interest and bank margin), and has expensed a total amount of EUR 51 million since the beginning of the transaction. Deutsche Telekom recognizes the purchase price payments received from the buyers under cash generated from operations (please refer to Note 31 "Notes to the consolidated statement of cash flows," PAGE 216 ET SEQ.). The bank has the right to sell back all overdue receivables to Deutsche Telekom. For some of the transactions, the

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purchase price corresponds to the nominal amount and is payable in the month following the buy-back (outstanding receivables volume as of December 31, 2015: EUR 370 million when translated into euros). In other transactions, the purchase price equals the actual proceeds from collection or disposal, and is payable in the month after Deutsche Telekom receives these proceeds from collection or disposal (outstanding receivables volume as of December 31, 2015: EUR 81 million when translated into euros). Such buy-backs would not affect the allocation of the credit risk-related losses in any way, not even in the event of buy-back at nominal amount, as such losses would be passed back to the bank in line with the agreed risk allocation. The volume of receivables sold was not subject to major fluctuations since the beginning of the transaction. The carrying amount of the provision recognized by Deutsche Telekom as of December 31, 2015 for the receivables management to be performed is less than EUR 1 million.

**Factoring transactions involving the splitting of significant risks and rewards with control remaining at Deutsche Telekom.** Deutsche Telekom has entered into five factoring agreements under which it sells trade receivables on a revolving basis. The receivables are sold on a daily basis and settled on a monthly basis. The receivables sold entail both charges already due and charges from sales of handsets payable over a period of up to two years. The debtors are consumers as well as business customers. In none of the transactions is Deutsche Telekom exposed to risks other than the credit risk and late-payment risk resulting from the sold receivables agreed in the respective agreement. The term of the agreements ends between 2017 and 2020.

In one factoring agreement, the buyers have a monthly revolving purchase obligation that covers a maximum receivables amount of EUR 1,331 million when translated into euros. The purchase price up to a maximum of EUR 689 million when translated into euros will be paid out immediately upon sale; remaining portions of the purchase price will only be paid to the extent that the volume of receivables sold decreases further accordingly. As part of this transaction, subsidiaries of Deutsche Telekom sell receivables to a structured entity that is also a subsidiary of Deutsche Telekom and was established for the sole purpose of this factoring agreement. The structured entity has no assets and liabilities other than those resulting from the purchase and sale of the receivables under the factoring agreement. It resells the receivables to another structured entity. Deutsche Telekom does not consolidate this other structured entity because it has no ability to direct this entity's relevant activities. This other structured entity sells the ownership interests in the receivables to banks on a pro-rata basis. The required funding is provided to the structured entity consolidated by Deutsche Telekom in the context of Deutsche Telekom's general Group financing. The structured entity not consolidated by Deutsche Telekom is financed by the external buyers of the receivables. All receivables are purchased in an automated process based on the purchase criteria set out in the receivables purchase agreement. Deutsche Telekom is obligated to buy back aged receivables and receivables for which a write-down is imminent at nominal value. The cash flows resulting from the buy-backs would be in the month following the buy-back. Such buy-backs of receivables would not affect the allocation of the credit risk-related losses in any way, as the latter would be passed back to the buyers in line with the agreed risk allocation. The nominal volume of the receivables sold by Deutsche Telekom and not yet settled by the debtors was EUR 856 million as of the reporting date when translated into euros.

In another factoring agreement, the buyers have a monthly revolving purchase obligation. Here the amount of the purchase price to be paid immediately is determined on the basis of the characteristics of the receivables. The buyers' purchase obligation covers a receivables amount that leads to an immediate purchase price payment of EUR 735 million when translated into euros. The remaining purchase price is only paid if the volume of the receivables sold decreases accordingly or the characteristics of the receivables change. As part of this transaction, subsidiaries of Deutsche Telekom sell receivables to a structured entity that is also a subsidiary of Deutsche Telekom and was established for the sole purpose of this factoring agreement. The required funding is provided to this structured entity in the context of Deutsche Telekom's general Group financing. It has no assets and liabilities other than those resulting from the purchase and sale of the receivables under the factoring agreement. The structured entity transfers the legal role of creditor for the receivables to a bank that performs this role on behalf of the investors who have beneficial ownership of the receivables (administrative agent). These investors are a bank and a structured entity. Deutsche Telekom does not consolidate this structured entity because it has no ability to direct this entity's relevant activities. The structured entity is financed through the issue of commercial paper to third parties outside the Group or, alternatively, through a credit facility provided by a bank. All receivables are purchased in an automated process based on the purchase criteria set out in the receivables purchase agreement. Deutsche Telekom is obligated to buy back aged receivables and receivables for which a write-down is imminent at nominal value. Such buy-backs would not result in any cash outflow, but rather would correspondingly reduce the retained portions of the purchase price payable to Deutsche Telekom in the future. The buy-backs would not affect the allocation of the credit risk-related losses in any way, as the latter would be passed back to the buyers in line with the agreed risk allocation. The nominal volume of the receivables sold by Deutsche Telekom and not yet settled by the debtors was EUR 941 million as of the reporting date when translated into euros.

Another factoring agreement has a maximum program volume of EUR 150 million. If the buyer agrees to purchase receivables beyond this amount, the purchase price payment shall be deferred until the maximum program volume decreases again by the corresponding amount. With this structure, there is no structured entity consolidated by Deutsche Telekom. Rather, the receivables are sold directly to a structured entity that is not consolidated by Deutsche Telekom due to the lack of ability to direct the entity's relevant activities. This structured entity holds the receivables and allocates the risks and rewards resulting from these to Deutsche Telekom and a bank on the basis of contractual arrangements. The structured entity is financed through the issue of commercial paper to third parties outside the Group or, alternatively, through a credit facility provided by a bank. In one receivables portfolio, the receivables are purchased in an automated process based on the purchase criteria set out in the receivables purchase agreement. In another receivables portfolio, the structured entity has the freedom to decide whether and which receivables will be purchased, though purchase of the agreed minimum volume is imperative. Deutsche Telekom is obligated to buy back aged receivables and receivables for which a write-down is imminent at nominal value. The cash flows resulting from the buy-backs would occur in the month following the buy-back. Such buy-backs of receivables would not affect the allocation of the credit risk-related losses in any way, as the latter would be passed back to the buyers in line with the agreed risk allocation. The nominal volume of the receivables sold by Deutsche Telekom and not yet settled by the debtors was EUR 100 million as of the reporting date.

None of the structured entities has business activities other than the purchase or sale of trade receivables or other investments.

Under another factoring agreement with a maximum volume of receivables of EUR 725 million, Deutsche Telekom sells the receivables directly to the purchasers outside the Group without using structured entities as intermediaries. If more receivables are purchased, the purchase price payment is deferred until the maximum program volume accordingly falls again. Deutsche Telekom has the freedom to decide whether receivables can be sold and in which volume. Receivables for which a write-down is imminent are sold back to Deutsche Telekom. Here the purchase price corresponds to the actual proceeds from collection or disposal and is payable in the month after Deutsche Telekom receives these proceeds from collection or disposal. As such, these buy-backs would affect neither the allocation of the credit risk-related losses nor Deutsche Telekom's liquidity situation.

Under another factoring agreement with a maximum volume of receivables of EUR 150 million, Deutsche Telekom sells the receivables directly to the purchasers outside the Group without using structured entities as intermediaries. Deutsche Telekom has the freedom to decide whether receivables can be sold and in which volume. The existing loan insurance policy reimburses losses relating to certain receivables to a maximum amount of EUR 35 million and thus reduces the exposure to loss.

The nominal volume of the receivables sold by Deutsche Telekom under the five factoring agreements and not yet settled by the debtors was EUR 2,773 million as of the reporting date when translated into euros. The risks relevant for the risk assessment with respect to the receivables sold are the credit risk and the risk of late payments (late payment risk). The maximum credit risk to be borne by Deutsche Telekom amounts to EUR 457 million as of the reporting date when translated into euros and is largely attributable to transactions involving structured entities. The other credit risk-related losses are borne by the buyers. The late-payment risk continues to be borne in full by Deutsche Telekom. The maximum exposure to loss for Deutsche Telekom resulting from credit risk and late-payment risk relating to the receivables sold at the reporting date is EUR 469 million when translated into euros and is largely attributable to transactions involving structured entities. Substantially all the risks and rewards of ownership of the receivables were neither transferred nor retained (allocation of the material risks and rewards between Deutsche Telekom and the buyers). Deutsche Telekom continues to perform servicing for the receivables sold. Under the factoring agreements in which structured entities are engaged, buyers have the right to transfer the servicing to third parties for no specific reason. Although Deutsche Telekom is not authorized to use the receivables sold other than in its capacity as servicer, it retains control over the receivables sold because the buyers and the structured entities do not have the practical ability to resell the purchased receivables. At the time the receivables are sold, the fair value of the expected losses is expensed. Expected future payments are presented as a component of the associated liability. In transactions with structured entities, certain portions of the purchase price are initially held back and, depending on the amount of the actual defaults, are only paid to Deutsche Telekom at a later date. To the extent that such portions of the purchase price are expected to be received in the future, they are recognized at fair value. Deutsche Telekom

continues to recognize the trade receivables sold to the extent of its continuing involvement, i. e., in the maximum amount with which it is still liable for the credit risk and late-payment risk inherent in the receivables sold, and recognizes a corresponding associated liability presented in liabilities to banks. The receivables and the associated liability are then derecognized in the extent to which Deutsche Telekom's continuing involvement is reduced (particularly when payment is made by the customer). The carrying amount of the receivables is subsequently reduced by the extent to which the actual losses to be borne by Deutsche Telekom resulting from the credit risk and the late-payment risk exceed the losses initially expected. This amount is recognized as an expense. Deutsche Telekom's continuing involvement as of December 31, 2015 amounted to EUR 469 million when translated into euros, and the carrying amount of the associated liability was EUR 475 million when translated into euros. Deutsche Telekom presents the purchase price payments received from the buyers under cash generated from operations where these relate to the derecognized portion of the receivables, and under net cash from/used in financing activities where they relate to the portion of the receivables that is still recognized (please also refer to Note 31 "Notes to the consolidated statement of cash flows," PAGE 216 ET SEQ.). The carrying amount of the provision recognized by Deutsche Telekom as of December 31, 2015 for the receivables management to be performed is EUR 4 million. The volume of receivables sold was not subject to major fluctuations since the beginning of the respective transaction.

### 38 CAPITAL MANAGEMENT

**Disclosures on capital management.** The overriding aim of Deutsche Telekom's capital management is to strike a balance between the contrasting expectations of the four stakeholders:

- Shareholders
- Providers of debt capital
- Employees
- "Entrepreneurs within the enterprise"

For further information, please refer to the section "Management of the Group," PAGE 63 ET SEQ., in the combined management report.

An important key performance indicator for the capital market communication with investors, analysts, and rating agencies is relative debt, i. e., net debt to adjusted EBITDA. This ratio stood at 2.4 at December 31, 2015 (December 31, 2014: 2.4). The target corridor for relative debt is between 2.0 and 2.5. Net debt is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. A further essential key performance indicator is the equity ratio, i. e., the ratio of shareholders' equity to total assets as shown in the consolidated statement of financial position. The equity ratio was 26.5 percent as of December 31, 2015 (December 31, 2014: 26.3 percent). The target corridor is between 25 and 35 percent. In addition, Deutsche Telekom maintains a liquidity reserve covering all maturities of the next 24 months.

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**Calculation of net debt; shareholders' equity**

millions of €

	Dec. 31, 2015	Dec. 31, 2014
Financial liabilities (current)	14,439	10,558
Financial liabilities (non-current)	47,941	44,669
<b>FINANCIAL LIABILITIES</b>	<b>62,380</b>	<b>55,227</b>
Accrued interest	(1,014)	(1,097)
Other	(857)	(1,038)
<b>GROSS DEBT</b>	<b>60,509</b>	<b>53,092</b>
Cash and cash equivalents	6,897	7,523
Available-for-sale/held-for-trading financial assets	2,877	289
Derivative financial assets	2,686	1,343
Other financial assets	479	1,437
<b>NET DEBT</b>	<b>47,570</b>	<b>42,500</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>38,150</b>	<b>34,066</b>

**39 SERVICE CONCESSION ARRANGEMENTS**

Satellie NV, Machelen, Belgium, is a fully consolidated subsidiary of Deutsche Telekom and on July 25, 2014 signed a contractual arrangement with Viapass, the public agency responsible for toll collection in Belgium, for the establishment, operation, and financing of an electronic toll collection system. The system is expected to be in place by March 31, 2016. The operation phase that follows will have a duration of twelve years, with the additional option for Viapass to extend the term three times by one year. Satellie has no entitlement to the toll revenue collected but will receive contractually agreed fees for setting up and operating the system. Viapass is authorized to terminate the arrangement giving notice of six months with payment of reasonable compensation. In the event of regular or premature termination of the agreement, Satellie has an obligation to hand over to Viapass, on request, material assets for the operation of the toll collection system that have not yet passed to the ownership of Viapass; in such an event, however, the software platform for toll collection would not be handed over to Viapass. The agreement was classified as a service concessions arrangement within the meaning of IFRIC 12. During the phase of setting up the system, revenue from long-term construction contracts will be recognized pursuant to IAS 11 and a financial asset carried in accordance with IFRIC 12. The percentage of completion is determined as the percentage of cost incurred up until the reporting date relative to the total estimated cost (cost-to-cost method). Revenue from separate fees for operation and maintenance services during the operation phase will be recognized on an accrual basis in accordance with IAS 18. In the reporting year, revenue from construction contracts of EUR 239 million and capitalized costs from long-term construction contracts of EUR 293 million were reported under trade receivables. In accordance with IAS 11, revenue is only recognized in the amount of the contract costs expensed (zero-profit method). Total costs of EUR 293 million have been incurred so far under the construction contract.

**40 RELATED-PARTY DISCLOSURES**

**Federal Republic of Germany and other related parties.** The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds approximately 31.8 percent (December 31, 2014: 31.7 percent) of the share capital of Deutsche Telekom AG. The Federal Republic usually represents a solid majority at the shareholders' meeting due to its high attendance rate, giving the Federal Republic control over Deutsche Telekom. Therefore, the Federal Republic and the companies controlled by the Federal Republic, or companies over which the Federal Republic can exercise a significant influence are classified as related parties of Deutsche Telekom. Charges for services provided to the Federal Republic and its departments and agencies, and the individual companies are based on Deutsche Telekom's commercial pricing policies. Deutsche Telekom participates in the spectrum auctions of the Federal Network Agency. The acquisition of mobile communications spectrum through licenses may result in build-out requirements stipulated by the Agency.

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the recreation service (Erholungswerk), the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost), and the welfare service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements. Up to and including the 2012 reporting year, Deutsche Telekom maintained a joint pension fund, Bundes-Pensions-Service für Post und Telekommunikation e. V., Bonn (Federal Pension Service for Post and Telecommunications – BPS-PT), together with Deutsche Post AG and Deutsche Postbank AG for civil-servant pension plans. The German Act on the Reorganization of the civil-servant Pension Fund (Gesetz zur Neuordnung der Postbeamtenversorgungskasse – PVKNeuG) transferred the functions of BPS-PT relating to civil-servant pensions (organized within the Civil Service Pension Fund) to the existing Federal Agency effective January 1, 2013. The civil-servant pension functions are therefore performed by the Civil Service Pension Fund as an integral part of the Federal Agency. This joint Civil Service Pension Fund works for the funds of all three companies and also handles the financial administration of the pension plan for the Federal Republic on a trust basis. For the 2015 financial year, Deutsche Telekom made payments in the amount of EUR 85 million (2014: EUR 58 million, 2013: EUR 58 million). Furthermore, payments are made to the Civil Service Pension Fund according to the provisions of the Act on the Reorganization of the Civil Service Pension Fund (please also refer to Note 12 "Provisions for pensions and other employee benefits," PAGE 197 ET SEQ.).

The Federal Republic and the companies controlled by the Federal Republic, or companies over which the Federal Republic can exercise a significant influence, are customers or suppliers of Deutsche Telekom and as such have mutual contractual relationships with Deutsche Telekom.

The Federal Republic of Germany (Federal Republic) and KfW Bankengruppe requested their dividend entitlements for the 2014 financial year relating to shares held in Deutsche Telekom AG be paid out partly in cash and partly in shares from authorized capital. In this connection, 13,905 thousand shares were transferred to the Federal Republic and 12,761 thousand shares to KfW Bankengruppe in June 2015. As of December 31, 2015, the Federal Republic held a share of 14.3 percent and KfW Bankengruppe a share of 17.5 percent in Deutsche Telekom AG. Otherwise, Deutsche Telekom did not execute any individually material transactions in the 2015 financial year at off-market terms and conditions or, as described, outside of its normal business activities.



**Joint ventures.** In the 2015 financial year, Deutsche Telekom generated revenue from service agreements (e. g., roaming charges) and service and licensing agreements, as well as other operating income totaling EUR 193 million (2014: EUR 283 million; 2013: EUR 294 million) from the EE joint venture established on April 1, 2010. Revenue generated with Toll Collect totaled EUR 83 million (2014: EUR 65 million, 2013: EUR 62 million), in particular from data processing and telecommunications services as well as consulting services.

Net funds of EUR 0.2 billion that had been originally invested by the EE joint venture were repaid to the company by Deutsche Telekom in the reporting year. Subsequently, the EE joint venture again invested a net EUR 0.2 billion with Deutsche Telekom.

At the end of the year, there were receivables vis-à-vis the EE joint venture in the amount of EUR 38 million (December 31, 2014: EUR 175 million, December 31, 2013: EUR 94 million), liabilities of EUR 235 million (December 31, 2014: EUR 257 million, December 31, 2013: EUR 241 million), and loan commitments of EUR 0.3 billion (December 31, 2014: EUR 0.3 billion, December 31, 2013: EUR 0.3 billion). The arrangement concerning the loan commitments allowed for unilateral termination by Deutsche Telekom with immediate effect upon consummation of the sale of the EE joint venture. At the closing date of the transaction, Deutsche Telekom AG exercised this termination right. As result, obligations from the loan commitment no longer exist. Loan guarantees and guarantee statements of EUR 0.9 billion (December 31, 2014: EUR 0.6 billion, December 31, 2013: EUR 0.6 billion) given by the company to third parties existed. Following the consummation of the sale of the EE joint venture on January 29, 2016, the guarantee obligations will in future be adapted to the new circumstances.

As of December 31, 2015, there were receivables vis-à-vis Toll Collect in the amount of EUR 40 million (December 31, 2014: EUR 11 million, December 31, 2013: EUR 13 million), liabilities of EUR 0 million (December 31, 2014: EUR 12 million, December 31, 2013: EUR 12 million), an equity maintenance undertaking, and loan guarantees granted to banks. For further details, please refer to Note 33 "Contingencies," PAGE 220 ET SEQ.

There are otherwise no material revenue, receivables or liabilities from or to joint ventures.

**Related individuals.** In the reporting period, expenses for short-term benefits payable to members of the Board of Management and the Supervisory Board amounted to EUR 16.1 million (2014: EUR 13.5 million) and expenses for other long-term benefits amounted to EUR 3.2 million (2014: EUR 2.5 million). Service cost of EUR 3.2 million (2014: EUR 2.4 million) was recorded for Board of Management benefits. In addition, expenses for share-based payment for Board of Management members were incurred in the amount of EUR 870 thousand (2014: EUR 862 thousand). EUR 0.0 million (2014: EUR 2.9 million) was paid for termination benefits and recognized as an expense.

As of December 31, 2015, Deutsche Telekom recognized provisions for Board of Management compensation from short-term benefits of EUR 5.6 million (2014: EUR 4.7 million) and from other long-term benefits of EUR 7.3 million (2014: EUR 5.9 million). Furthermore, the present value of the defined benefit obligation (DBO) from the Board of Management pension amounts to EUR 20.5 million (2014: EUR 18.3 million).

The compensation of the Board of Management and the Supervisory Board totaled EUR 23.5 million in the reporting year (2014: EUR 22.2 million).

For further information, please refer to the "Compensation report" in the combined management report, PAGE 143 ET SEQ., and Note 41 "Compensation of the Board of Management and the Supervisory Board," PAGE 240.

Employees elected to the Supervisory Board of Deutsche Telekom continue to be entitled to a regular salary as part of their employment contract. The amount of the salary is the adequate compensation for their job or activity within the Company. Besides this, no major transactions took place with related individuals.

## 41 COMPENSATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

### COMPENSATION OF THE BOARD OF MANAGEMENT

The presentation of the system used for compensation of the Board of Management and the disclosures required in accordance with § 314 (1) No. 6a sentences 5–8 HGB are a component of the combined management report, PAGE 143 ET SEQ.

#### Board of Management compensation for the 2015 financial year

Total compensation of the members of the Board of Management for the 2015 financial year amounted to EUR 17.6 million (2014: EUR 13.9 million). This includes in total 101,207 entitlements to matching shares with a fair value on the date granted of EUR 1.4 million (2014: EUR 1.2 million).

#### Former members of the Board of Management

A total of EUR 7.1 million (2014: EUR 9.2 million) was granted for payments to and entitlements for former members of the Board of Management and their surviving dependents. Provisions (measured in accordance with IAS 19) totaling EUR 188.1 million (2014: EUR 196.9 million) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents.

#### Other

The Company has not granted any advances or loans to current or former Board of Management members, nor were any other financial obligations to the benefit of this group of people entered into.

### COMPENSATION OF THE SUPERVISORY BOARD

The main features of the compensation system and the disclosure of the compensation of the individual members of the Supervisory Board are a component of the combined management report, PAGE 151.

Total compensation of the members of the Supervisory Board for 2015 amounted to EUR 2,683,500.00 (plus VAT) and is comprised of fixed annual remuneration plus meeting attendance fees.

The Company has not granted any advances or loans to current or former Supervisory Board members, nor were any other financial obligations to the benefit of this group of people entered into.

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#### 42 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH § 161 AktG

In accordance with § 161 AktG, the Board of Management and the Supervisory Board of Deutsche Telekom AG have submitted the mandatory declaration of conformity and made it available to shareholders on Deutsche Telekom AG's website. The full text of the Declaration of Conformity can be found on the Deutsche Telekom website ([www.telekom.com](http://www.telekom.com)) under Investor Relations in the Corporate Governance section.

#### 43 EVENTS AFTER THE REPORTING PERIOD

**Sale of the EE joint venture.** After the British Competition and Markets Authority (CMA) had approved the sale of the EE joint venture to the UK company BT unconditionally and without remedies in January 2016, Deutsche Telekom AG and the French telecommunications provider Orange consummated the transaction on January 29, 2016 at an adjusted purchase price of GBP 13.2 billion. In return for its stake in the EE joint venture, Deutsche Telekom AG received a financial stake of 12.0 percent in BT and a cash payment of GBP 25.7 million. In total, the sale is expected to generate income of around EUR 2.5 billion; around EUR 0.9 billion of this amount will result from effects recognized directly in equity in prior years. In addition, on January 25, 2016, the shareholders received a final dividend totaling GBP 0.3 billion from the EE joint venture, which Deutsche Telekom participated in with the capital share the Company had at that date of 50.0 percent. The financial stake in BT received in connection with this transaction will be disclosed as available-for-sale financial assets under other financial assets. The financial stake will be measured at fair value directly in equity.

**Acquisition of mobile spectrum in the United States.** In January 2016, T-Mobile US acquired spectrum licenses covering nearly 20 million people in seven major metropolitan markets for approximately USD 0.6 billion in cash. In January 2016, T-Mobile US entered into agreements with third parties for the exchange and acquisition of spectrum licenses covering approximately 23 million people in seven major metropolitan markets. In the first quarter of 2016, spectrum licenses to be exchanged of USD 0.3 billion will therefore be reclassified to non-current assets and disposal groups held for sale. A non-cash gain is expected to be recognized upon closing of the exchange transaction, which is expected to occur in mid-2016, subject to regulatory approval and other customary closing conditions.

**Acquisition of mobile spectrum in Poland.** At the spectrum auction in Poland which ended in October 2015, T-Mobile Polska was the highest bidder, acquiring spectrum of some EUR 0.5 billion, which was paid at the start of February 2016. T-Mobile Polska is also in negotiations with the Polish regulatory authority UKE to accept additional spectrum amounting to around EUR 0.5 billion. This was offered to T-Mobile Polska by UKE after the highest bidder had declined to accept the spectrum. In accordance with the rules of the auction, T-Mobile Polska was offered the spectrum for purchase as the second highest bidder. T-Mobile Polska submitted an application for the allocation of this spectrum block on February 8, 2016.

#### 44 AUDITOR'S FEES AND SERVICES IN ACCORDANCE WITH § 314 HGB

TABLE 168 provides a breakdown of the auditor's professional fees recognized as expenses in the 2015 financial year:

T 168

**PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft**  
 millions of €

	2015
Auditing services	15
Other assurance services	6
Tax advisory services	0
Other non-audit services	1
	22

Professional fees for auditing services include in particular fees for the statutory auditing of annual and consolidated financial statements, the review of the interim financial statements, auditing activities in connection with the documentation of the internal control system for financial reporting, and the auditing of information systems and processes, as well as fees for other auditing services.

Professional fees for other assurance services primarily relate to the commissioning of a review of regulatory issues for the Federal Network Agency.

Other non-audit services mainly relate to services in connection with fundamental business issues for the Company's compliance with requirements stipulated by the Federal Network Agency and other authorities, and services for the strategic support.

# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of Deutsche Telekom AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, February 9, 2016

Deutsche Telekom AG  
Board of Management

Timotheus Höttges

Reinhard Clemens

Niek Jan van Damme

Thomas Dannenfeldt

Dr. Christian P. Illek

Dr. Thomas Kremer

Claudia Nemat

# INDEPENDENT AUDITOR'S REPORT

## To Deutsche Telekom AG, Bonn

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Deutsche Telekom AG, Bonn, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, for the financial year from January 1 to December 31, 2015.

### Board of Management's responsibility for the consolidated financial statements

The Board of Management of Deutsche Telekom AG, Bonn, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Board of Management is also responsible for the internal controls as the Board of Management deems to be necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Audit opinion

According to § 322 (3) sentence 1 HGB we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2015 as well as the results of operations for the financial year then ended, in accordance with these requirements.

### Report on the Group management report

We have audited the accompanying Group management report of Deutsche Telekom AG, Bonn, which is combined with the management report of the Company, for the financial year from January 1 to December 31, 2015. The Board of Management of Deutsche Telekom AG is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a (1) HGB. We conducted our audit in accordance with § 317 (2) HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 (3) sentence 1 HGB we state that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, February 9, 2016

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer