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YOUR REFERENCE
OUR CONTACT Sascha Biontino
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DATE 17 May 2018
RE EFRAG DP *Equity Instruments – Impairment and Recycling*

Dear Mr. Gauzès,

We appreciate the opportunity to respond to the European Financial Reporting Advisory Group's Discussion Paper on Equity Instruments – Impairment and Recycling, issued by EFRAG in March 2018. This letter represents the view of Deutsche Telekom AG, one of the world's leading integrated telecommunication companies.

Please find our responses to the questions Q1.1, Q2.1 and Q3.1 raised in the DP in the Appendix to this letter. We would be pleased to discuss them with you at your convenience.

Yours sincerely,

/s/ Michael Brücks
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/s/ Sascha Biontino
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Appendix
Responses to the questions raised in DP March 2018 "Equity Instruments – Impairment and Recycling"
by Deutsche Telekom AG

Preliminary remark

In order to ensure a consistent set of accounting standards homogeneously applied on a global basis we would like to emphasize that any reexaminations of IFRS standards – just as a revision of IFRS 9 relating to "Equity Instruments – Impairment and Recycling" - should only be performed on a global level as part of the IASB's PiR process. A discussion on European level only would pioneer the way to EU-GAAP accompanied by a decrease in comparability of IFRS financial statements from a global perspective.

Question 1 – Recycling gains or losses on disposal

Q1.1 - What are your views on the arguments presented in paragraphs 2.3 – 2.10? Do you consider that the reintroduction of recycling would improve the depiction of the financial performance of long-term investors? Alternatively, do you consider that the existing requirements of IFRS 9 provide an adequate depiction? Please explain.

Response

From a preparer's perspective we do not agree with EFRAG's view that there is a clear need for reintroducing a recycling concept. We believe that the current requirements of IFRS 9 provide sufficient options for the accounting of equity instruments which allow an adequate presentation of financial information and performance.

Question 2 – Conceptual relationship between recycling and impairment

Q2.1 - What are your views on the arguments presented in paragraphs 2.11 – 2.17? Do you consider that, from a conceptual standpoint, recycling should be accompanied by some form of impairment model? Please explain.

Response
In our view the possible reintroduction of recycling should not necessarily be accompanied by any kind of reevaluated impairment model. The reintroduction of an impairment model results in an asymmetrical recognition of gains and losses in profit or loss with declines in fair value being recognized in profit or loss prior to ultimate disposal. We believe that such asymmetrical recognition of gains and losses does not contribute to a true and fair presentation of financial performance.

Question 3 – Enhancing presentation and disclosure requirements

Q3.1 - What are your views on the arguments and analysis presented in Chapter 3 of the DP?

Response
We believe that the current disclosure requirements of IFRS 7.11A/B for equity instruments designated at fair value through other comprehensive income provide appropriate information to users of financial statements. As we do not believe that an impairment model would lead to an improvement of information, accordingly we do not agree with the proposal in the first scenario regarding an additional disaggregation of cumulative net OCI balance.
We would like to point out that for financial instruments - including equity instruments – measured at fair value and attributed to level 3 of the fair value hierarchy additional disclosure requirements regarding disaggregated presentation of gains and losses already exists.
A general extension of these disclosure requirements to all other financial instruments measured at fair value would result in additional burden for preparers without improving information for users of financial statements.