

MagyarCom Holding GmbH
Bonn

Audit of the financial statements as of 31 December 2010

Auditor's report

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1 January 2011 – 31 December 2011

Balance sheet as of December 31, 2010

Assets

	Dec. 31, 2010	Dec. 31, 2009
A. Noncurrent assets	€	€
Financial assets	2,036,993,989.02	2,036,993,989.02
Investments in subsidiaries	307,493,286.17	307,532,060.49
B. Current assets	39,352.69	1,978.37
I. Receivables and other assets	307,532,638.86	307,534,038.86
Receivables from subsidiaries		
II. Bank balances		
	2,344,526,627.88	2,344,528,027.88

**Shareholders'
equity and
liabilities**

	Dec. 31, 2010	Dec. 31, 2009
A. Shareholders' equity	€	€
I. Capital stock	316,009,000.00	316,009,000.00
II. Additional paid-in capital	2,028,511,427.88	2,028,511,427.88
B. Accruals	2,344,520,427.88	2,344,520,427.88
Other accruals	6,200.00	7,600.00
	6,200.00	7,600.00
	2,344,526,627.88	2,344,528,027.88

**Statement of income for the period from
January 1 to December 31, 2010**

	2010	2009
	€	€
1. General and administrative costs	16,473.44	19,071.79
2. Other operating income	5,994.00	11,160,911.56
3. Other operating expenses	8,593,546.87	81,274.51
4. Income related to subsidiaries, associated and related companies (of which: from subsidiaries € 171,638,430.67; prior year € 152,790,481.84)	171,638,430.67	152,790,481.84
5. Other interest and similar income (of which: from subsidiaries € 1,398,738.20; prior year € 2,731,497.41)	1,398,738.20	2,731,497.41
6. Write-downs on financial assets	0.00	0.00
7. Other interest and similar expenses (of which: from subsidiaries: € 46.68; prior year € 0.00)	46.68	0.00
8. Results from ordinary business activities	164,433,095.88	166,582,544.51
9. Income taxes	0.00	0.00
10. Profit transferred under the terms of a profit and loss transfer agreement	-164,433,095.88	-166,582,544.51
11. Net income	0.00	0.00

Notes to the financial statements.

Summary of accounting policies.

Description of business activities.

MagyarCom Holding GmbH (hereinafter referred to as "MagyarCom") is a subsidiary of Deutsche Telekom AG, Bonn, as defined by § 271 (2) of the German Commercial Code (*Handelsgesetzbuch* – HGB). A control and profit transfer agreement exists between MagyarCom and Deutsche Telekom AG (hereinafter also referred to as "DTAG").

The object of the Company is the acquisition, ownership, and administration of holdings and shares of stock in companies working in the area of telecommunications in the Republic of Hungary.

Comparability with prior-year figures on account of organizational changes and first-time application of the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz – BilMoG*).

In accordance with § 265 (2) sentence 1 HGB, the comparative figures from the Company's preceding financial year have been presented for the balance sheet as of December 31, 2010 and the statement of income for the period January 1 to December 31, 2010.

Basis of preparation.

The annual financial statements of MagyarCom are included in the consolidated financial statements of Deutsche Telekom AG, Bonn, as the highest-tier parent company. The consolidated financial statements and Group management report of Deutsche Telekom AG, Bonn, are prepared in accordance with § 315a HGB, applying the IFRSs endorsed by the EU. The consolidated financial statements and Group management report are published in the electronic Federal Gazette (*elektronischer Bundesanzeiger*) and can also be accessed via the website of the DTAG's register of companies.

Accounting policies.

Financial assets and investments are reported at the lower of cost or market value. Nonscheduled write-downs are charged only if the impairment of financial assets is assumed to be permanent.

Receivables, other assets, and liquid assets are carried at their nominal value. Identified individual risks are accounted for through appropriate individual valuation adjustments, and general credit risks through general valuation adjustments of receivables.

For the sake of simplicity, assets denominated in foreign currency are translated at the middle spot rate at the date of acquisition.

Other accruals are carried at the settlement amount computed in accordance with prudent commercial practice. Sufficient allowance is made for all identifiable risks when measuring these accruals. Expected increases in prices and costs in the meantime are taken into account.

Liabilities are recognized at the higher of nominal value or settlement amount.

Notes to the statement of income.

1 General and administrative costs

€	2010	2009
Year-end closing costs	6,234.09	8,834.09
Bookkeeping costs	10,000.00	10,000.00
	16,234.06	18,834.09

Year-end closing costs include the accrual for the preparation and auditing of the annual financial statements (EUR 6,200.00).

2 Other operating income.

€	2010	2009
Foreign currency transaction gains	5,994.00	11,160,627.78
	5,994.00	11,160,627.78

The reduction in the HUF exchange rate meant that other operating income decreased by a total of EUR 11,154,633.78 year-on-year.

Foreign currency transaction gains of EUR 5,994.00 resulted from the monthly valuation of the HUF DB account at the middle spot rate.

3 Other operating expenses.

€	2010	2009
Foreign currency transaction losses	8,514,349.49	4,965.88
Cost of monetary transactions	53,256.11	46,488.68
Expenses relating to other accounting periods	23,241.87	26,074.59
Losses on the disposal of financial assets	0.00	3,691.86
Other expenses	2,938.75	291.20
	8,593,786.22	81,512.21

Other operating expenses increased by a total of EUR 8,512,274.01 year-on-year to EUR 8,593,786.22.

Foreign currency transaction losses were mainly due to the valuation of the HUF dividend claim vis-à-vis Magyar Telekom.

The share of other operating expenses which relate to other accounting periods was primarily attributable to bank fees in connection with the securities deposit account at Citibank Budapest.

Other expenses of EUR 3 thousand (prior year: EUR 4 thousand) relate almost entirely to publication costs in the Federal Gazette.

4 Financial income/expense, net.

€	2010	2009
Income related to subsidiaries, associated and related companies of which: from subsidiaries € 171,638,430.67 (2009: € 152,790,481.78)	171,638,430.67	152,790,481.78
Income (loss) related to subsidiaries, associated and related companies	171,638,430.67	152,790,481.78
Other interest and similar income of which: from subsidiaries € 1,398,738.20 (2009: € 2,731,497.41)	1,398,738.20	2,731,497.41
Interest and similar expenses	46,68	0,00
Net interest expense	1,398,691.52	2,731,497.41

Income related to subsidiaries, associated and related companies refers to dividends from Magyar Telekom EUR 171,638 thousand (prior year: EUR 152,790 thousand).

Net interest income is the result of interest income from the cash management account with DTAG.

5 Appropriation of income.

The profit for the current financial year has been transferred to Deutsche Telekom AG, Bonn, in accordance with the profit and loss transfer agreement.

Notes to the balance sheet.

6 Noncurrent assets

	Balance at Jan. 1, 2010	Additions	Acquisition costs					Reclassifi- cations	Balance at Dec. 31, 2010
			Additions from transfers from Group comp- anies	Additions from mergers	Disposals	Disposals from transfers to Group companies	Disposals from spin- offs, split- offs, and mergers		
€									
I. Financial assets									
1. Investments in subsidiaries	€ 2,037 m							€ 2,037 m	
Total noncurrent assets	€ 2,037 m							€ 2,037 m	

Investments in subsidiaries (EUR 2,037 million) remain unchanged on the prior year.

7 Receivables.

€	Dec. 31, 2010	Dec. 31, 2009
Receivables from subsidiaries		
of which: with a remaining maturity of more than 1 year € 0.00 (Dec. 31, 2009: € 0.00)	307,493,286.17	307,532,060.49
	307,493,286.17	307,532,060.49

Receivables from subsidiaries include receivables from Group-internal cash pooling.

8 Cash and cash equivalents.

€	Dec. 31, 2010	Dec. 31, 2009
Cash in hand, bank balances, checks	39,352.69	1,978.37

The rise in bank balances relates to the topping-up of bank balances due to the regular payment of fees on the securities deposit account at Citibank Budapest. The total time to maturity of the cash and cash equivalents was less than one year.

9 Shareholders' equity.

€	Dec. 31, 2010	Dec. 31, 2009
Capital stock	€316,009,000.00	€316,009,000.00
Additional paid-in capital	€2,028,511,427.88	€2,028,511,427.88
Unappropriated net income	€0.00	€0.00
Shareholders' equity	€2,344,520,427.88	€2,344,520,427.88

MagyarCom's **capital stock** amounted to EUR 316,009 as of December 31, 2010. All shares are held by DTAG.

Additional paid-in capital (EUR 2,028,511) remains unchanged year-on-year.

The Company's profit for the current financial year has been transferred to Deutsche Telekom AG, Bonn, in accordance with the profit and loss transfer agreement.

10 Other accruals.

€	Dec. 31, 2010	Dec. 31, 2009
Other obligations		
Miscellaneous other accruals	6,200.00	7,600.00
	6,200.00	7,600.00

Miscellaneous other accruals include the cost of auditing the annual financial statements.

Other disclosures.

11 Executive bodies of the Company.

Board of Directors:

Roman Zitz; Director

(Head of Legal Affairs, Foreign Subsidiaries & Joint Ventures, DTAG, Bonn)

Dipl.-Ing. Wolfgang Hauptmann; Director

(Save for Service Europe, DTAG, Bonn)

12 Management remuneration.

The directors received no remuneration during the financial year.

Bonn, March 9, 2011

Roman Zitz

Wolfgang Hauptmann

Auditors' report

We have audited the annual financial statements, consisting of the balance sheet, the statement of income, and the notes to the financial statements, together with the bookkeeping system, of MagyarCom Holding GmbH, Bonn, for the financial year from January 1 to December 31, 2010. The maintenance of books and records and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (*Handelsgesetzbuch* - HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the annual financial statements in accordance with the German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

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Our audit has not led to any reservations.

In our opinion, based on our findings from our audit, the annual financial statements are in line with statutory requirements and give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting.

Düsseldorf, March 11, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Tandetzki
Wirtschaftsprüfer

ppa. Michael Ziajka
Wirtschaftsprüfer