

# Copy of the Audit Certificate

MagyarCom Holding GmbH  
Bonn

Annual financial statements as of December 31, 2009  
and management report for the 2009 financial year

Auditors' report

## Contents

Management report

Annual financial statements

Balance sheet as of December 31, 2009

Statement of income for the period from January  
1 to December 31, 2009

Notes to the 2009 annual financial statements

Auditors' report

This copy of the audit certificate shall only be used for the intended purpose as specified in §§ 325 et seq. of the German Commercial Code (*Handelsgesetzbuch* – HGB).

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# Management report for the 2009 financial year MagyarCom Holding GmbH, Bonn

## **A. Company structure of MagyarCom Holding**

MagyarCom Holding GmbH was founded in 1996. Its sole purpose is to hold shares in Magyar Telekom, currently 59.30 percent. MagyarCom Holding GmbH's sole shareholder is Deutsche Telekom AG, headquartered in Bonn. A profit and loss transfer agreement was concluded with the parent company in 2005. A control agreement was entered into in the same year.

The Company is a small corporation within the meaning of § 267 HGB.

## **B. Development of the industry and the overall economy**

The overall economic situation was impacted by the strained budgetary situation in Hungary, which did not affect the Company directly, however. Magyar Telekom itself does not anticipate any negative effects in that regard. The core business of Magyar Telekom can be considered established, with a broad base. Magyar Telekom is the only former state-owned telephone company like Deutsche Telekom AG that provides an equally extensive range of products and services and consequently has a footprint in all areas of the telecommunications and IT industry. Dependence on fluctuations in demand in segments of the industry can thus be reduced by developing new products and expanding other markets. The high visibility of the brand facilitates the rapid, nationwide launch of new solutions.

Magyar Telekom's history as a former state-owned company and sole provider of telecommunications services can still be felt today. The Hungarian regulatory authorities (NCA) put Magyar Telekom in a dominant market position in 13 out of 16 identified segments. This may have implications in areas including, for example, the rollout of a national fiber-optic network begun in 2008. The NCA reserved the right up to mid-2010 to potentially make regulatory interventions in the supply structure. Regulation may impede Magyar Telekom from reacting as flexibly as unregulated competitors, particularly in segments of the market with regulated prices.

Nevertheless, it is difficult to quantify the monetary effects, especially in light of past periods in which Magyar Telekom was, and still is, extensively active in regulated markets as well. Magyar Telekom itself is also not in a position to quantify the monetary effects.

### **C. Net worth and financial position**

MagyarCom Holding GmbH is a pure holding company and does not perform any other economic activities.

For this reason, the Company's assets mainly consist of the carrying amount of the investment in the Hungarian company Magyar Telekom and, to a lesser extent, receivables from subsidiaries (loans to DT AG). The carrying amount of the investment in Magyar Telekom is EUR 2.037 billion (2008: EUR 2.037 billion), with total assets of EUR 2.345 billion (2008: EUR 2.345 billion).

The capital stock amounts to EUR 0.316 billion (2008: EUR 0.316 billion) and the additional paid-in capital amounts to EUR 2.029 billion (2008: EUR 2.029 billion).

### **D. Results of operations**

The Company's results of operations are determined primarily by the dividend payment from Magyar Telekom as well as through any changes in exchange rates that may arise from the input currency, the forint. In recent years, the risk exposure from exchange rate parities has not exceeded 2 percent of the dividend payment received. The total dividend payment received for the 2009 financial year was EUR 0.153 billion (2008: EUR 0.153 billion).

As the ownership interest in Magyar Telekom has also remained constant in recent years, the dividend income can be regarded as virtually constant. On account of the Company's diversified positioning, including in the broadband IP solutions growth markets and the fast-growing market of wireless broadband solutions, business can be expected to expand.

Most of the Company's expenses comprise year-end closing costs as well as the quarterly payments to be made to Citibank Budapest as the depository bank holding the shares in Magyar Telekom in safe custody. Since the beginning of 2009, the fees have been invoiced in Hungarian forints, which rules out exchange losses. The custodian fees are approximately equivalent to EUR 72,000 per year and are paid from the dividend income. The fees for the audit of the annual financial statements do not exceed EUR 8,000 per year.

No personnel costs were incurred because the Company does not have any staff apart from its Managing Board.

**E. Special activities in the financial year**

No special activities in the financial year need to be mentioned because the Company does not have any operations of its own.

**F. Outlook**

There are no plans to expand the purpose of the Company, to modify its existing business in any way or to increase or reduce the ownership interest in the Company. Because the Company's profit or loss is essentially determined by the dividend payment from Magyar Telekom, it will continue to depend on this entity's results of operations. The dividend payments to the shareholders of Magyar Telekom have remained constant in recent years at around HUF 73 per share. Magyar Telekom has pursued this policy of a constant dividend distribution to its shareholders for many years. Given its size and prominence and the fact that the Company's public presence and the perception of the Company among the general public are not unlike those of Deutsche Telekom, it is assumed that the Company will not deviate from this dividend policy in the coming years without good reason.

No specific risks can be identified in this respect.

**G. Events after the balance sheet date**

No events occurred after the balance sheet date.

**H. Risks to continued existence**

There are currently no material risks that would jeopardize the development of the Company. The general outlook for the results of operations is also applicable to the identification of risks to the Company's continued existence because economic risks cannot arise from any other source. No risks from changes in company law or from changes in other areas of legislation can be identified at present and the risk exposure can be considered very low. No proceedings or court cases against MagyarCom Holding are anticipated.

The Managing Board

Roman Zitz

Wolfgang Hauptmann

# **Annual financial statements**

MagyarCom Holding GmbH, Bonn

Balance sheet as of December 31, 2009

**Assets**

	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>A. Noncurrent assets</b>	€	€
Financial assets		
Investments in subsidiaries	<b>2,036,993,989.02</b>	<b>2,037,000,000.00</b>
<b>B. Current assets</b>		
I. Receivables and other assets		
Receivables from subsidiaries	307,532,060.49	307,461,408.72
II. Bank balances	1,978.37	65,419.16
	<b>307,534,038.86</b>	<b>307,526,827.88</b>
	<b>2,344,528,027.88</b>	<b>2,344,526,827.88</b>







**Shareholders' equity and liabilities**

	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>A. Shareholders' equity</b>	€	€
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>2,344,520,427.88</b>	<b>2,344,520,427.88</b>
<b>B. Accruals</b>		
Other accruals	7,600.00	6,400.00
	<b>7,600.00</b>	<b>6,400.00</b>
	<b>2,344,528,027.88</b>	<b>2,344,526,827.88</b>

MagyarCom Holding GmbH, Bonn

Statement of income for the period  
from January 1 to December 31, 2009

	<b>2009</b>	<b>2008</b>
	<b>€</b>	<b>€</b>
1. General and administrative costs	19,071.79	17,994.45
2. Other operating income	11,160,911.56	6,825,350.65
3. Other operating expenses	81,274.51	323,216.11
4. Income related to subsidiaries, associated and related companies (of which: from subsidiaries €152,790,481.84; previous year €180,671,994.25)	152,790,481.84	180,671,994.25
5. Other interest and similar income (of which: from subsidiaries €2,731,497.41; previous year €4,474,015.11)	2,731,497.41	4,474,015.11
6. Write-downs on financial assets	0.00	305,139,380.90
7. Other interest and similar expenses (of which: from subsidiaries €0.00; previous year €0.00)	0.00	14,860.00
<b>8. Results from ordinary business activities</b>	<b>166,582,544.51</b>	<b>-113,524,091.45</b>
9. Income taxes	0.00	77,433.48
10. Profit transferred (prior-year loss) on the basis of a profit/loss transfer agreement	-166,582,544.51	113,601,524.93
<b>11. Net income</b>	<b>0.00</b>	<b>0.00</b>

## **MagyarCom Holding GmbH, Bonn**

### **Notes to the 2009 annual financial statements**

#### **I. General disclosures and remarks**

##### **1. Description of business activities**

MagyarCom Holding GmbH (hereinafter referred to as “MagyarCom”) is a subsidiary of Deutsche Telekom AG, Bonn, within the meaning of § 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.

##### **2. Summary of significant accounting principles**

As of December 31, 2009, MagyarCom is included in DTAG’s consolidated financial statements, which are published in the electronic Federal Gazette and can be accessed on the website of DTAG’s register of companies.

The annual financial statements of MagyarCom as of December 31, 2009 have been prepared based on the provisions of the German Commercial Code relating to accounting for corporations as well as the supplementary provisions of the German Limited Liability Companies Act (*GmbH-Gesetz*). The statement of income is prepared using the cost of sales method. The financial year corresponds to the calendar year.

The provisions of the German Commercial Code for small corporations within the meaning of § 267 (1) HGB apply.

The accounting policies applied in previous years were retained.

### 3. Accounting policies

The annual financial statements include all assets, liabilities, prepaid expenses, deferred charges and deferred income, as well as items of income and expense. Items on the assets side are not offset against items on the liabilities side, and expenses are not offset against income.

To the extent that mandatory disclosures may be made either on the face of the balance sheet and in the statement of income or in the notes, the preferred option is to disclose items in the notes.

Assets and liabilities have been measured separately as of the balance sheet date. Income is only recognized to the extent that it is realized as of the balance sheet date.

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

**Receivables and other assets** are generally shown at their nominal value minus necessary valuation adjustments.

Foreign currency receivables and other foreign currency items presented under cash and cash equivalents are measured at the lower of the exchange rate applicable on the transaction date or the rate applicable at the balance sheet date.

**Cash and cash equivalents** are recognized at nominal value.

Allowance is made for all identifiable risks and uncertain liabilities when **calculating accruals**. Accruals are recognized in the amount of their anticipated utilization.

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

## II. Notes to the statement of income

### 1. General and administrative costs

General and administrative costs of EUR 19 thousand (previous year: EUR 18 thousand) are almost exclusively comprised of expenses for year-end closing costs (EUR 9 thousand) and accounting costs (EUR 10 thousand).

### 2. Other operating income

Other operating income relates to income from currency translation of EUR 11,161 thousand (previous year: EUR 6,825 thousand).

### 3. Other operating expenses

Other operating expenses of EUR 81 thousand (previous year: EUR 323 thousand) principally comprise losses on the disposal of financial assets (EUR 4 thousand), expenses from currency translation (EUR 5 thousand), and bank charges (EUR 72 thousand).

Bank charges consist of income relating to other periods of EUR 26 thousand (previous year: EUR 30 thousand) and mainly relate to the securities deposit account at Citibank Budapest where the holdings in Magyar Telekom are held in safe custody.

### 4. Income related to subsidiaries, associated and related companies

Income related to subsidiaries, associated and related companies in the amount of EUR 152,790 thousand (previous year: EUR 180,672 thousand) comprises the proportionate dividend payment by Magyar Telekom for the 2008 financial year.

### 5. Other interest and similar income

Other interest comprises income from the interest on the cash management account with DTAG amounting to EUR 2,731 thousand (previous year: EUR 4,474 thousand).

### III. Notes to the balance sheet

#### 1. Financial assets

The development and classification of individual items of financial assets can be taken from the statement of noncurrent assets (annex to the notes to the financial statements).

Investments in subsidiaries relate to Magyar Távközlési Rt., Budapest (Magyar Telekom):

Name and registered office	Shareholders' equity	Proportion of voting rights	Proportion of capital stock		Net profit/loss
	millions of HUF	%	%	Nom. value millions of HUF	millions of HUF
Magyar Távközlési Rt., Budapest	318,917	59.30	59.30	61,744	101,925

MagyarCom Holding GmbH held 617,436,759 shares of Magyar Távközlési Rt., Budapest (Magyar Telekom) at the balance sheet date. This represents an ownership interest of 59.30 percent.

The decrease of EUR 6 thousand year-on-year in the carrying amount of investments in subsidiaries of EUR 2,036,994 thousand results from the sale of 1,822 shares of Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság (Magyar Telekom Telecommunications Public Limited Company) at a selling price of EUR 2 thousand. The investments are stated at cost and reduced by impairment losses.

#### 2. Receivables and other assets

Receivables from subsidiaries of EUR 307,532 thousand (previous year: EUR 307,461 thousand) relate to credit balances of MagyarCom on the clearing account with DTAG.

#### 3. Cash in hand, cash in banks

Cash in banks amounting to EUR 2 thousand (previous year: EUR 65 thousand) relates exclusively to credit balances at Deutsche Bank in Cologne.



#### 4. Shareholders' equity

DTAG holds 100 percent of the capital stock of MagyarCom with share capital of EUR 316,009 thousand.

Additional paid-in capital remained unchanged at EUR 2,028,511 thousand.

#### 5. Accruals

Accruals exclusively comprise the accrual for expenses for year-end closing costs (EUR 8 thousand; previous year: EUR 6 thousand).

Statement of accruals:

	Jan. 1, 2009	Addition	Utilization	Reversal	Dec. 31, 2009
	€	€	€	€	€
<b>Tax accruals</b>					
Income tax - tax audit	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
<b>Other accruals</b>					
Interest - tax audit	0.00	0.00	0.00	0.00	0.00
Accrual for tax audit	6,400.00	7,600.00	6,400.00	0.00	7,600.00
	6,400.00	7,600.00	6,400.00	0.00	7,600.00
<b>Total</b>	<b>6,400.00</b>	<b>7,600.00</b>	<b>6,400.00</b>	<b>0.00</b>	<b>7,600.00</b>

#### **IV. Other disclosures**

##### **1. Executive bodies**

###### **Managing Board**

1. Roman Zitz; Director  
(Head of Legal Affairs, Foreign Subsidiaries, Associated and Related Companies, DTAG, Bonn)
  
2. Dipl.-Ing. Wolfgang Hauptmann; Director  
(Save for Service Europe, DTAG, Bonn)

###### **Management compensation**

No compensation was paid to the members of the Managing Board.

##### **2 Relationships with the parent company**

MagyarCom's sole shareholder is DTAG, headquartered in Bonn. Its capital stock amounts to EUR 316,009 thousand. The annual financial statements of MagyarCom Holding GmbH are included in the consolidated financial statements of DTAG.

##### **3. Number of employees**

The Company did not employ any staff in the financial year.

Bonn, June 18, 2010

MagyarCom Holding GmbH

Roman Zitz

Dipl.-Ing. Wolfgang Hauptmann

## Statement of noncurrent assets

## Statement of noncurrent assets

	Acquisition costs			
	Jan. 1, 2009	Additions	Disposals	Dec. 31, 2009
Financial assets	€	€	€	€
Investments in subsidiaries	2,037,000,000.00	0.00	6,010.98	2,036,993,989.02

Changes in cumulative depreciation, amortization,				Net carrying amount	
Jan. 1, 2009	Additions	Disposals	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008
€	€	€	€	€	€
305,139,380.90	0.00	0.00	305,139,380.90	2,036,993,989.02	2,037,000,000.00

## **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 and the management report of MagyarCom Holding GmbH, Bonn, for the financial year from January 1 to December 31, 2009. The maintenance of books and records and the preparation of the annual financial statements and the management report 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, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 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 conformity with German principles of proper accounting and in the management report 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, the annual financial statements, and the management report 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 and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal 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. The management report prepared in accordance with the supplementary provisions of the Company's articles of association is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Dusseldorf, June 30, 2010

**PricewaterhouseCoopers**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**

Thomas Tandetzki  
Wirtschaftsprüfer

ppa Michael Ziajka  
Wirtschaftsprüfer

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