

**Telekom Deutschland GmbH  
(formerly: T-Mobile Deutschland GmbH)  
Bonn**

**Copy of the Audit Certificate  
Annual financial statements  
December 31, 2010**

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

 **ERNST & YOUNG**

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Contents

**Auditors' report**

**Accounting**

**Commissioning Terms, Liability and Conditions of Use**

**General Commissioning Terms**

**Notes:**

We have prepared the following auditors' report in compliance with statutory and professional requirements and regulations in accordance with the conditions described in the Appendix "Commissioning Terms, Liability and Conditions of Use."

If this document is used in electronic form for purposes of publication in the electronic Federal Gazette, only the files relating to accounting and, in the case of a legal audit requirement, the auditors' report and / or the audit certificate awarded are to be used for this purpose.

## 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 Telekom Deutschland GmbH (formerly T-Mobile Deutschland GmbH), Bonn, for the financial year January 1 to December 31, 2010. The bookkeeping system and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company's management. The Company exercised the exemption option in § 264 (3) HGB and did not prepare a management report. 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 HGB and German generally accepted 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 expectations as to 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 and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and the evaluation of significant estimates made by the Company's management, and evaluating the overall presentation of the annual financial statements. 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.

Without qualifying this opinion, we draw attention to the fact that at the time our audit was concluded the requirements of § 264 (3) HGB could not be assessed because these had either not yet been met or, given their nature, can only be met at a later date. The outstanding requirements relate to the incorporation of the Company into the consolidated financial statements of Deutsche Telekom AG, Bonn, the statement on the Company's exemption in the notes to these consolidated financial statements, the publication of these consolidated financial statements in the electronic Federal Gazette, and the notice in the electronic Federal Gazette for the Company on its exemption from the duty to prepare consolidated financial statements in accordance with § 264 (3) HGB.

Cologne, February 4, 2011

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Forst  
Wirtschaftsprüfer

Ueberschär  
Wirtschaftsprüfer

**Telekom Deutschland GmbH** (formerly T-Mobile Deutschland GmbH)

**Bonn**

Annual financial statements as of December 31, 2010

## Statement of income.

millions of €	Note	2010	2009
Net revenue	1	23 864	7 801
Own capitalized costs	2	96	16
Total operating performance		23 960	7 817
Other operating income	3	1 159	467
Goods and services purchased	4	(8 145)	(2 844)
Personnel costs	5	(1 305)	(463)
Depreciation, amortization and write-downs	6	(3 200)	(588)
Other operating expenses	7	(6 644)	(2 151)
Financial income (expense), net	8	(583)	(62)
Results from ordinary business activities		5 242	2 176
Extraordinary income (expense)	9	45	-
Taxes	10	5	-
Profit transferred under the terms of a profit and loss transfer agreement	11	5 292	2 176
Net income		0	0

## Balance sheet.

millions of €	Note	Dec. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>			
Noncurrent assets	12		
Intangible assets		5 063	2 708
Property, plant and equipment		12 013	653
Financial assets		1 901	1 664
		18 977	5 025
Current assets			
Inventories, materials and supplies	13	239	128
Receivables	14	3 770	1 287
Other assets	15	200	102
Cash in hand	16	15	0
		4 224	1 517
Prepaid expenses and deferred charges	17	139	120
Total assets		23 340	6 662
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	18		
Capital stock		1 500	520
Additional paid-in capital		2 179	927
		3 679	1 447
Accruals			
Pensions and similar obligations	19	322	89
Taxes	20	22	36
Other accruals	21	1 493	742
		1 837	867
Liabilities	22		
Other liabilities		17 759	4 322
		17 759	4 322
Deferred income	23	65	26
Total shareholders' equity and liabilities		23 340	6 662

# Notes to the financial statements.

## Summary of accounting policies.

### Description of business activities.

Telekom Deutschland GmbH (formerly T-Mobile Deutschland GmbH), Bonn, (hereinafter also referred to as Telekom Deutschland or the Company) operates as a provider of telecommunications services, mobile communications, information technology (IT), multimedia, information and entertainment, security services, as well as sales and agency services. Telekom Deutschland performs its activities both in and outside Germany. The Company has various branch offices in the Federal Republic of Germany.

Telekom Deutschland is entered in the commercial register of the Bonn District Court (Amtsgericht) under No. HRB 5919. Its sole shareholder is Deutsche Telekom AG, Bonn (hereinafter also referred to as Deutsche Telekom). The Company's capital stock amounts to EUR 1.5 billion.

A control and profit and loss transfer agreement exists between Telekom Deutschland and Deutsche Telekom. A fiscal unity for VAT purposes has existed with Deutsche Telekom since August 1, 2007. Since January 1, 2006, fiscal unities for trade tax and corporate income tax purposes have existed under the tax group parent, Deutsche Telekom, through the intermediate tax group parent T-Mobile International AG, Bonn. The intermediate tax group parent, T-Mobile International AG, Bonn, was merged with the tax group parent, Deutsche Telekom, on July 6, 2009 with tax effect from December 31, 2008.

By resolution of the shareholders' meeting on November 19, 2009, the shareholders of Deutsche Telekom resolved to spin off the fixed-network business operated by Deutsche Telekom into T-Mobile Deutschland GmbH, Bonn. Effective as of January 1, 2010, the transfer by means of acquisition in accordance with § 123 (3) No. 1 in conjunction with § 124 et seq., § 138, and § 141 et seq. of the German Reorganization and Transformation Act (Umwandlungsgesetz – UmwG) was entered in the commercial register on March 30, 2010. The fixed-network business activities that were spun off included voice and data communications through fixed-network and broadband technology. In the process, T-Mobile Deutschland GmbH, Bonn, was renamed Telekom Deutschland GmbH, Bonn, by way of a shareholders' resolution on November 16, 2009. The spin-off of the fixed-network business into T-Mobile Deutschland GmbH, Bonn, will henceforth be referred to as the “absorption of the T-Home business unit.”

By way of a resolution on August 24, 2010, the shareholders authorized the 100% shareholder Deutsche Telekom to merge ActiveBilling Beteiligungs-GmbH, Bonn, (Bonn District Court, No. HRB 13283), the “absorbed entity,” with Telekom Deutschland, the “absorbing entity,” in accordance with the provisions of the merger agreement. The shareholders' meeting of ActiveBilling Beteiligungs-GmbH, Bonn, on the same date resolved to merge this company with Telekom Deutschland effective as of January 1, 2010. After the merger of ActiveBilling Beteiligungs-GmbH, Bonn, with Telekom Deutschland had been entered in the commercial register as of September 1, 2010, Telekom Deutschland held all interests in ActiveBilling GmbH & Co. KG, Bonn, (hereinafter also referred to as “ActiveBilling”). As a consequence, ActiveBilling's assets accrued to Telekom Deutschland in accordance with § 738 (1) sentence 1 German Civil Code (Bürgerliches Gesetzbuch – BGB). Telekom Deutschland took over the assets of ActiveBilling at their carrying amounts by analogy to § 24 UmwG. This situation will be referred to below as the “accrual of ActiveBilling.”

The Company is a subsidiary of Deutsche Telekom within the meaning of § 271 (2) of the German Commercial Code (Handelsgesetzbuch – HGB). Telekom Deutschland's single-entity financial statements are incorporated into the consolidated financial statements of the parent company, Deutsche Telekom. Deutsche Telekom prepares consolidated financial statements for the largest and also the smallest group of entities, in which the Company is included. Deutsche



Telekom's consolidated financial statements are prepared in accordance with § 315a HGB applying the International Financial Reporting Standards endorsed by the EU and providing for an exemption for Telekom Deutschland. The consolidated financial statements are published in the electronic Federal Gazette (Bundesanzeiger) and can also be accessed on the website of Deutsche Telekom's business register. No separate consolidated financial statements are prepared, in accordance with § 291 (1) and (2) HGB.

On March 16, 2010, the shareholders resolved that in accordance with § 264 (3) HGB a management report would not be prepared. Also in accordance with § 264 (3) HGB, the single-entity financial statements of Telekom Deutschland are not made public in line with this shareholders' resolution.

### 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.

As distinct from the previous year, the statement of income is prepared using the total cost method in accordance with § 275 (2) HGB. This is due to the fact that the statement of income has been brought into line with Group-wide standards following the launch of a shared service center for the preparation of financial statements. Prior-year figures amounts were restated in compliance with the total cost method.

The figures are not comparable with those for previous years, mainly due to the absorption of the T-Home business unit and the accrual of ActiveBilling. Prior-year amounts were not restated (§ 265 (2) sentence 2 HGB).

The German Accounting Law Modernization Act was applied in full for the first time in the reporting year (in accordance with Art. 66 of Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB)). Pursuant to Art. 67 (8) sentence 2 EGHGB, prior-year figures were not restated.

Where the effects of the absorption of the T-Home business unit, the accrual of ActiveBilling, and the first-time application of BilMoG are material and expedient for better comprehension of the business figures, they will be presented in the notes to individual items in the balance sheet and statement of income.

### Basis of preparation.

The annual financial statements of Telekom Deutschland are prepared in accordance with the provisions of German GAAP, as specified in HGB in the version provided in BilMoG for large corporations within the meaning of § 267 (3) HGB, as well as the German Act on Limited Liability Companies (GmbH-Gesetz).

The balance sheet and the statement of income are prepared in accordance with the classification requirements of § 266 and § 275 HGB. The statement of income is prepared using the total cost method in accordance with § 275 (2) HGB. Unless otherwise stated, all amounts shown are in millions of euros (€/EUR). The financial year is the calendar year.

Certain items have been aggregated for presentation purposes in the balance sheet and the statement of income in order to make the financial statements clearer. These items are disclosed separately in the notes. Other required disclosures for individual items of the balance sheet and the statement of income are also made in the notes. Reporting begins with the statement of income.

### Accounting policies.

Net revenue includes all revenues from the rendering of services and the sale of merchandise that are typical for the Company, i.e., revenues from Telekom Deutschland's ordinary business activities. This mainly comprises revenue from fixed-network telephony services, Internet, mobile communications, terminal equipment and other revenue.

Revenue is recorded net of value-added tax and sales-related reductions. In accordance with the realization principle, revenue is recognized in the accounting period when earned.

Research and development costs are expensed as incurred.

Expenses for pension plans comprise expenditures for additions to pension accruals for non-civil servants. The pension obligations are calculated using the projected unit credit method (BilMoG-related change). The Company exercises the option provided in Art. 67 (1) sentence 1 EGHGB of aggregating the shortfall in the pension obligations resulting from the revaluation to at least one 15<sup>th</sup> in each reporting year up to December 31, 2024 at the latest.

Marketing expenses are expensed as incurred.

Purchased intangible assets are carried at acquisition cost and are amortized on a straight-line basis over their estimated useful lives.

Telekom Deutschland does not exercise its option to recognize internally generated intangible assets in accordance with § 248 (2) HGB (BilMoG-related change).

As permitted by Postreform II, property, plant and equipment transferred to Deutsche Telekom on January 1, 1995 was recorded in the opening balance sheet of Deutsche Telekom at fair market values at that date. However, due to the short period of time that had elapsed since the measurement date for property, plant and equipment acquired since January 1, 1993, their carrying amount as of December 31, 1994 was recognized on a historical cost basis. The remaining useful lives and the depreciation methods applicable to these assets were not changed. The fair market values shown in the opening balance sheet have been carried forward as the acquisition or production costs. Due to the absorption of the T-Home business unit, these assets have been incorporated into the Company's noncurrent assets.

Other items of property, plant, and equipment are carried at acquisition or production cost, less scheduled depreciation. Production cost includes directly attributable costs and an appropriate allocation of indirect material and labor cost. Borrowing costs are not capitalized. Write-downs to the lower of cost or market value are charged if an impairment of assets is assumed to be permanent.

Depreciation is generally charged using the straight-line method. The standard useful lives used for the calculation are based on a company-specific estimate that takes both technical and commercial devaluation factors into account.

Since BilMoG entered into force, write-downs that are only permissible under tax law are generally no longer permitted in the annual financial statements. Telekom Deutschland exercises the option to retain the existing carrying amounts in accordance with Art. 67 (4) sentence 1 EGHGB. Starting on January 1, 2010, residual value as of December 31, 2009 will then be written down over the remaining useful life using the straight-line method.

The following specific useful lives are applied to depreciation:

	<b>Years</b>
Concessions, industrial property rights, other licenses	2 to 10 or by contractual arrangement
Purchased software	2 to 4
GSM license	7 to 10
UMTS license	20 years, 5 months
LTE license	15 to 15.5
Buildings	25 to 50
Shop improvements and window displays	8
Telephone facilities and terminal equipment	4 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment	3 to 10
Outside plant networks and cable conduit lines	15 to 35
Telecommunications power facilities	10
Other equipment, plant and office equipment	3 to 23

Additions to real estate and movable items of property, plant and equipment are depreciated ratably in the year of acquisition.

Low-value assets acquired up to December 31, 2007 were written off in full in the year of acquisition and presented as disposals. Since January 1, 2008, assets with an acquisition or production cost below EUR 150 have been written down immediately in the year of acquisition. Assets whose acquisition or production cost exceeds EUR 150 but is less than EUR 1,000 are capitalized in annual omnibus items of immaterial significance and depreciated over five years. These assets are presented as disposals in the statement of noncurrent assets when they are written off in full. For purposes of simplification, the tax method used to compile the omnibus items is also applied in the financial accounts.

Noncurrent assets sold or otherwise disposed of are derecognized at their relevant carrying amount (cost less accumulated depreciation). A gain or loss is recognized in income for the difference between the proceeds from the sale and the carrying amount of the asset concerned.

**Financial assets** are reported at the lower of cost or market value. In the case of financial assets acquired in a foreign currency, the exchange rate at the transaction date is used to determine the acquisition cost; in the case of hedges, the hedging rate for the purchased foreign currency is used provided an effective hedge was recognized. Loan receivables correspond to the loan amounts less repayments and – if applicable – less any write-downs to the lower fair value. Nonscheduled write-downs are charged only if the impairment of financial assets is assumed to be permanent.

**Raw materials and supplies** and **merchandise** are recognized at acquisition cost, while **work in process** is carried at production cost. Based on normal capacity utilization, production cost includes directly attributable costs, such as direct material and labor costs, as well as special direct costs, plus an appropriate pro rata allocation of indirect material and labor costs and depreciation. Telekom Deutschland does not exercise the option to include parts of administrative costs as well as expenses for social amenities, voluntary benefits to personnel, and the corporate pension plan in production cost. Research costs, selling costs and borrowing costs are not included in production cost. The carrying amount of **inventories** is reduced to the lower of cost or market value at the balance sheet date. Adequate write-downs are charged for inventory risks resulting from obsolescence or impaired marketability.

In accordance with § 240 (4) HGB, items of inventory of a similar nature are aggregated into groups and carried at their weighted average value. Telekom Deutschland also applies the last in, first out method where, in accordance with § 256 sentence 1 HGB, it is assumed that similar assets of inventories that were purchased or manufactured last have been consumed or sold first.

**Receivables, other assets, cash in hand** and **prepaid expenses and deferred charges** 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. Low-interest and non-interest-bearing items with more than one year remaining to maturity are discounted.

Receivables and assets denominated in foreign currencies are translated at the average spot rate in accordance with § 256 a HGB and measured at acquisition or production cost (§ 253 (1) sentence 1 HGB) applying the realization principle (§ 252 (1) No. 4 half-sentence 2 HGB). Current items with maturities of one year or less are always measured at the average spot rate.

**Marketable securities** are carried at the lower of cost or market value at the balance sheet date.

In accordance with § 266 (2) letter C HGB, **prepaid expenses and deferred charges** are presented separately and recalculated at each balance sheet date. The discount included under prepaid expenses and deferred charges results from the difference between the settlement amount of a financial liability and the lower principal amount. The discount is amortized over the term of the financial liabilities by systematic annual charges (§ 250 (3) sentence 2 HGB). Telekom Deutschland does not make use of the option to immediately recognize the difference as an expense.

**Accruals for pensions** and similar obligations are based on obligations to non-civil servants. These accruals are calculated on the basis of actuarial principles, applying the projected unit credit method and using the 2005 G life expectancy tables published by Prof. Klaus Heubeck, which also take expected future salary and benefit increases into account. The interest rate used to determine the present value of the pension obligations corresponds to the average market interest rate for the past seven years published by the Deutsche Bundesbank that results from an assumed remaining maturity of 15 years (§ 253 (2) sentence 2 HGB). Where an addition to pension accruals is required on account of the change in measurement, the amount must aggregate to at least one 15<sup>th</sup> in each financial year up to December 31, 2024 at the latest (Art. 67 (1) sentence 1 EGHGB). The Company exercises the option in such a way that the annual addition corresponds to exactly one 15<sup>th</sup> of the total amount being added.

The **accrual for partial retirement obligations** is measured at the present value using actuarial principles. To hedge claims from partial retirement obligations, securities have been transferred to a trustee under a contractual trust agreement (CTA). The plan assets offset must be measured at their fair value in accordance with § 253 (1) sentence 4 HGB. In accordance with § 246 (2) sentence 2 HGB (BilMoG-related change), the accrual for partial retirement obligations is offset against the plan assets. Any excess of plan assets over the amount of the accrual is recognized as an asset and presented under a separate heading (§ 266 (2) letter E HGB). In accordance with § 246 (2) sentence 2 HGB, income and expenses from discounting and from the assets to be offset are also offset under financial income/expense. If the fair value of the plan assets exceeds the historical cost, this part is subject to the restriction on profit transfer in accordance with § 268 (8) HGB.

**Tax and other accruals**, including those for contingent losses and environmental liabilities, 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 have been taken into account.

Accruals with a remaining term of more than one year are discounted at the balance sheet date at the interest rate published by the Deutsche Bundesbank, which is the average market interest rate for the past seven financial years corresponding to their remaining maturity.

Where reversals of accruals become necessary on the basis of the introduction of BilMoG and the resulting changes in measurement, Telekom Deutschland will apply the option to retain the higher carrying amount if the amount being reversed has to be added back before December 31, 2024 (Art. 67 (1) sentence 2 EGHGB). If, on the other hand, the carrying amount of the accrual recognized increases as a result of a change in measurement, this addition will be recognized as extraordinary expense in accordance with Art. 67 (7) EGHGB in the year in which BilMoG was applied for the first time.

Telekom Deutschland exercises the option in Art. 67 (3) sentence 1 EGHGB in accordance with BilMoG and retains the **cost accruals** recognized in accordance with the accounting principles applicable up to now. This applies in particular to accruals attributable to the past or an earlier financial year.

**Liabilities** are recognized at the higher of nominal value or settlement amount. In instances where the settlement amount of a liability is greater than the principal amount, the difference is recorded under prepaid expenses and deferred charges, and distributed over the term of the liability.

For purposes of simplification, liabilities denominated in foreign currencies are translated at the middle spot rate at the acquisition date. If the carrying amount resulting from a translation at the middle spot rate differs substantially from the carrying amount that would arise on translation at the bid rate, the bid rate will be used for the translation. In accordance with § 256 a HGB, the liabilities are subsequently measured at the middle spot rate at the balance sheet date in line with the imparity principle (§ 252 (1) No. 4 half-sentence 2 HGB). Current items with maturities of one year or less are always measured at the middle spot rate at the balance sheet date in accordance with § 256 a HGB.

In line with the imparity principle, unrealized losses relating to primary and derivative financial instruments are expensed when incurred.

No deferred taxes are recognized at the level of Telekom Deutschland. Deferred taxes are generally recognized at the level of Deutsche Telekom, the tax group parent.

#### Scope of discretion.

The preparation of financial statements requires the Company to make estimates and assumptions that affect the reported carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses recognized during the reporting period. Actual results may differ from those estimates.

#### Presentation of the spin-off balance sheet of the T-Home business unit.

By resolution of the shareholders' meeting on November 19, 2009, the shareholders of Deutsche Telekom resolved to spin off the fixed-network business operated by Deutsche Telekom into T-Mobile Deutschland GmbH. Effective January 1, 2010, the transfer of Deutsche Telekom's T-Home business unit by means of acquisition in accordance with § 123 (3) No. 1 in conjunction with § 124 et seq., § 138, and § 141 et seq. UmwG was entered in the commercial register on March 30, 2010.

The fixed-network business activities that were spun off included fixed-network telephony and broadband services as well as line-based Internet and entertainment offerings on the German market for consumers, business customers, and carriers. Based on the spin-off agreement dated September 3, 2009, Deutsche Telekom transferred all of the assets and liabilities attributable to the T-Home business unit to T-Mobile Deutschland GmbH comprising all tangible and intangible assets, including contracts and other legal relationships and all kinds of legal positions, receivables and liabilities, uncertain obligations, contingent liabilities, future and conditional receivables and liabilities whose legal basis has already been established, independent of whether or not these are required to be recognized. This also includes all assets and liabilities of the "Business Customers" ("DT GK") business unit that were transferred to Deutsche Telekom upon entry in the commercial register of the merger of T-Systems Business Services GmbH, with its registered offices in Bonn, into Deutsche Telekom on April 1, 2009.

The result is the following spin-off balance sheet as of January 1, 2010:

Spin-off balance sheet.

millions of €	
<b>ASSETS</b>	
Noncurrent assets	
Intangible assets	
Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	679
Advance payments	468
	1 147
Property, plant and equipment	
Technical equipment and machinery	11 420
Other equipment, plant and office equipment	51
Advance payments and construction in progress	381
	11 852
Financial assets	
Investments in subsidiaries	248
Investments in associated and related companies	7
	255
Current assets	
Inventories, materials and supplies	
Raw materials and supplies	10
Work in process	8
Merchandise	64
	82
Receivables and other assets	
Trade accounts receivable	664
Receivables from subsidiaries	400
Other assets	44
	1 108
Cash in hand	15
Prepaid expenses and deferred charges	56
<b>Total assets</b>	<b>14 515</b>

Spin-off balance sheet.

millions of €	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	
Shareholders' equity	2 232
<b>Accruals</b>	
Pensions and similar obligations	153
Taxes	10
Other accruals	852
	1 015
<b>Liabilities</b>	
Advances received	5
Trade accounts payable	552
Payables to subsidiaries	10 506
Liabilities to associated and related companies	4
Other liabilities	165
	11 232
Deferred income	36
<b>Total shareholders' equity and liabilities</b>	<b>14 515</b>

# Notes to the statement of income.

## 1 Net revenue.

### Revenue by area of activity.

millions of €	2010	2009
Revenue from fixed network	16 095	-
Revenue from mobile communications	7 769	7 801
	23 864	7 801

Net revenue rose in 2010 by EUR 16.1 billion year-on-year, principally due to the absorption of the T-Home business unit. Telephony revenue was generated from fixed-network communications in the amount of EUR 16.1 billion and from mobile communications in the amount of EUR 7.8 billion. This comprises revenue from voice and data communications as well as revenue from sales of terminal equipment.

In the retail business (consumers and business customers), revenue is primarily generated from stand-alone lines and connections, respectively, as well as from package solutions (Max products). Revenue is also generated from terminal equipment, technical customer service and broadband options.

The wholesale market is dominated by wholesale services such as interconnection, ULLs, and fixed-network lines for national carriers and companies within the Group.

The decrease in revenue from mobile communications is due almost entirely to the effect of the consolidation with the fixed-network business. The comparative figure for 2009 includes the revenue generated from the T-Home business unit absorbed as of January 1, 2010 because the consolidation took place at Group level. In the year under review, the consolidation took place within Telekom Deutschland, which naturally led to a reduction in revenue. This reduction is higher than the effect from higher operating revenues with external third parties, which only partly compensated for the decline.

### Revenue by geographic area.

millions of €	2010	2009
Domestic	23 579	7 548
International	285	253
	23 864	7 801



## 2 Own capitalized costs

millions of €	2010	2009
Own capitalized costs	96	16
	96	16

The increase in own capitalized costs compared with the previous year was principally attributable to the absorption of the T-Home business unit.

Own capitalized costs primarily consist of personnel and overhead costs for investments in software, line, transmission and IP technology as well as in telecommunications equipment.

## 3 Other operating income.

millions of €	2010	2009
Cost transfers/reimbursements	353	197
Income from the sale of receivables	179	29
Income from the reversal of accruals	118	44
Income from contractual penalties	45	11
Income from recycling	44	-
Income from reversal of valuation adjustments	42	0
Income from the disposal of noncurrent assets	39	12
Income from insurance compensation	37	3
Foreign currency transaction gains	33	7
Income from the elimination of liabilities	25	1
Other income	244	163
	1 159	467

Income from cost transfers/reimbursements of EUR 353 million includes in particular income of EUR 278 million from the settlement of administrative costs with Deutsche Telekom Technischer Service GmbH, Bonn, Deutsche Telekom Netzproduktion GmbH, Bonn, and Deutsche Telekom Kundenservice GmbH, Bonn, (hereinafter referred to as the service companies), income of EUR 36 million from the transfer of costs for financial and controlling services, and income from reimbursements by Deutsche Telekom. The increase in income of EUR 156 million is largely due to the absorption of the T-Home business unit.

Income of EUR 179 million from the sale of receivables mainly comprises income from the reimbursement of commission as part of the factoring for the difference between the contractually agreed credit-risk discount and the actual bad debt.

Income from the reversal of accruals primarily consists of EUR 55 million of income from the reversal of accruals for outstanding invoices, EUR 18 million of income from the reversal of accruals for commissions and bonuses, and EUR 18 million of income from the adjustment of restructuring accruals.

The increase of EUR 34 million in income from contractual penalties is chiefly attributable to the absorption of the T-Home business unit.

Income from recycling relates to income of EUR 44 million from sales of copper cables.

The increase in income from the reversal of valuation adjustments results primarily from the absorption of the T-Home business unit. The income of EUR 38 million is attributable to the reversal of specific valuation adjustments formed on the basis of various comparisons with corporate clients and through incoming payments on receivables written off.

Income from the disposal of noncurrent assets comprises income of EUR 22 million from the disposal of intangible assets as well as income of EUR 17 million from the disposal of property, plant and equipment.

Income from insurance compensation in the reporting year amounted to EUR 37 million and was primarily attributable to reimbursements under liability claims.

The foreign currency transaction gains of EUR 33 million primarily relate to foreign currency transaction gains from the measurement of the receivables and liabilities denominated in foreign currencies.

Income from the elimination of liabilities of EUR 25 million is principally the result of an out-of-court settlement with a competitor. Other trade accounts payable were also eliminated as there was no longer a reason to report an obligation.

Other income of EUR 244 million includes income of EUR 69 million from advertising subsidies for terminal equipment and with terminal equipment manufacturers as well as income of EUR 43 million from business transactions with the service companies. Income of EUR 22 million from returned direct debits and collection fees, income of EUR 15 million from credit balances, and income of EUR 8 million from reclamations are also presented under this item.

Pursuant to § 277 (4) HGB, EUR 254 million of income relating to another period is included in other operating income in the reporting year. This relates primarily to income of EUR 118 million from the reversal of accruals, income of EUR 42 million from the reversal of valuation adjustments, income of EUR 39 million from the disposal of noncurrent assets, and income of EUR 25 million from the elimination of liabilities.

#### 4 Goods and services purchased.

millions of €	2010	2009
Goods purchased		
Raw materials and supplies	88	6
Goods purchased	1 488	1 161
	1 576	1 167
Services purchased		
Interconnection rates (Germany)	1 867	940
Interconnection rates (international)	491	249
Other services purchased	4 211	488
	6 569	1 677
	8 145	2 844

Goods and services purchased increased by EUR 5.3 billion year-on-year to EUR 8.1 billion, due in particular to the absorption of the T-Home business unit.

The combined cost of raw materials and supplies and goods purchased rose by a total of EUR 409 million to EUR 1.6 billion in the reporting year. Goods purchased mainly comprised products and components for wireless and wired data communications as well as bundled IT packages.

The increase of EUR 4.9 billion in services purchased is mainly due to the absorption of the T-Home business unit. German and foreign interconnection rates rose by EUR 1.2 billion. Expenditure on other services purchased increased by EUR 3.7 billion in the reporting period, principally as a result of higher energy costs, installation work, services provided by the service companies for network-based provisioning and fault clearance as well as remote services.

## 5 Personnel costs/Average number of employees.

millions of €	2010	2009
Wages and salaries	1 078	382
Social security contributions and expenses for pension plans and benefits	227	81
of which: expenses for pension plans for non-civil servants	110	31
of which: support allowances	16	-
	1 305	463

Personnel costs increased by a total of EUR 842 million year-on-year. Of this figure, expenses for wages and salaries rose by EUR 696 million and social security contributions and expenses for pension plans and benefits increased by EUR 146 million due to the transfer of employees as a result of the absorption of the T-Home business unit and the accrual of ActiveBilling.

The average number of employees (FTEs) developed as follows:

FTEs	2010	2009
Non-civil servants	17 085	5 530
	17 085	5 530
Trainees and student interns	61	-

The average number of employees rose, primarily as a result of the transfer of employment relationships in the reporting period as a result of the absorption of the T-Home business unit and the accrual of ActiveBilling.

## 6 Depreciation, amortization and write-downs.

millions of €	2010	2009
Depreciation and amortization		
Amortization of intangible assets	762	365
Depreciation of property, plant and equipment	2 424	223
	3 186	588
Write-downs		
in accordance with § 253 (3) sentence 3 HGB	14	-
	3 200	588

The increase in depreciation and amortization is attributable to additions to noncurrent assets as part of the absorption of the T-Home business unit.

The amortization of intangible assets mainly relates to the amortization of software licenses in the amount of EUR 520 million as well as to the amortization of the UMTS license in the amount of EUR 224 million.

Depreciation of property, plant and equipment in the reporting period principally included depreciation of the outside plant network of EUR 1.2 billion, depreciation of transmission and switching technology of EUR 849 million, depreciation of radio transmission equipment of EUR 117 million, and depreciation of other telecommunications equipment of EUR 163 million.

## 7 Other operating expenses.

millions of €	2010	2009
Marketing expenses	1 868	1 107
Rental and leasing expenses	1 279	448
Servicing (maintenance)	1 094	137
IT support	494	-
Losses on accounts receivable and provision for doubtful accounts	416	142
Research and development	270	-
Reimbursements	165	-
Legal and consulting fees	100	8
Other employee-related costs	70	18
Losses on the disposal of noncurrent assets	62	3
Temporary employment	54	14
Foreign currency transaction losses	32	11
Travel expenses	26	9
Factoring expenses	20	8
Licenses/concessions	19	10
Other expenses	675	236
	6 644	2 151

Other operating expenses increased by EUR 4.5 billion year-on-year, mainly due to the absorption of the T-Home business unit. The principal cost components are marketing expenses, rental and leasing expenses, servicing and maintenance, IT support and losses on accounts receivable and provision for doubtful accounts.

Marketing expenses essentially comprise expenses of EUR 1.4 billion from campaigns to market products of Telekom Deutschland. Expenses of EUR 500 million for advertising, sponsoring, and market research are also reported.

Rental and leasing expenses mainly result from the cost of renting locations (EUR 1.2 billion) as well as other rental and leasing expenses of EUR 31 million.

Servicing is broken down into costs of EUR 877 million for the maintenance of technical equipment, software maintenance costs of EUR 140 million, damage remediation costs of EUR 68 million, and costs of EUR 9 million for land and building maintenance.

Expenses of EUR 494 million for IT support are comprised of computer services, network services and workstation system services.

The increase of EUR 274 million in losses on accounts receivable and provision for doubtful accounts compared with the previous year is attributable in particular to the deduction for the credit risks in factoring in the amount of EUR 217 million and the absorption of the T-Home business unit. In addition, the expenses from the previous year were affected by the first-time factoring in September 2009. Furthermore, write-downs of EUR 22 million on receivables from the wholesale business were reported in addition to a write-down of EUR 35 million to make allowance for the general credit risk on other receivables.

Expenses for research and development relate to the development of software and new products as well as network infrastructure upgrades.

Reimbursements mainly relate to expenses for the transfer of civil servants placed in the Company by Deutsche Telekom. The corresponding personnel costs are reported by Deutsche Telekom and passed on to the Company.

The other expenses in the reporting year comprise in particular expenses from accruals for ongoing legal disputes and expenses for services provided by Deutsche Telekom.

Pursuant to § 277 (4) HGB, EUR 79 million of expenses relating to another period were reported under other operating expenses in the reporting year. These include losses on asset disposals of EUR 62 million as well as bad debt losses of EUR 12 million.

## 8 Financial income/expense, net.

millions of €	2010	2009
Income from profit and loss transfer agreements	22	6
Income related to subsidiaries, associated and related companies	20	-
Income (loss) related to subsidiaries, associated and related companies	42	6
Other interest and similar income	18	7
of which: from subsidiaries €7 million (2009: €7 million)		
Interest and similar expenses	(643)	(75)
of which: to subsidiaries €609 million (2009: €73 million)		
of which: from interest added back to accruals €23 million (2009: €0 million)		
Net interest expense	(625)	(68)
	(583)	(62)

The income from profit and loss transfer agreements reported in 2010 was generated from SAF Forderungsmanagement GmbH, Heidelberg, (EUR 20 million) and Zweite DFMG Deutsche Funkturm Vermögens-GmbH, Heusenstamm, (EUR 2 million).

Income related to subsidiaries, associated and related companies results from ActiveBilling (EUR 20 million) prior to its absorption.

The net interest expense is mainly attributable to interest on loans of EUR 307 million from the affiliated company Deutsche Telekom and of EUR 283 million from Deutsche Telekom International Finance B.V., Amsterdam, as well as to interest for personnel accruals of EUR 21 million.

## 9 Extraordinary income/expense.

Extraordinary income principally comprises income of EUR 52 million accruing to Telekom Deutschland from the absorption of ActiveBilling.

An addition of EUR 8 million as well as other accruals of EUR 2 million were also reported as extraordinary expense in the 2010 financial year, particularly in accordance with the transitional provision for the introduction of BilMoG and the change in the measurement of pension accruals.

## 10 Taxes.

millions of €	2010	2009
Income taxes	4	-
Other taxes	1	-
	5	-

The amount reported for income taxes relates to a trade tax refund for the 2006 assessment period and results primarily from the accrual of ActiveBilling. In the reporting year, this item therefore relates in full to another financial year in accordance with § 277 (4) HGB.

Other taxes are principally caused by an adjustment to value-added tax for prior years. This item therefore also relates in full to another financial year in accordance with § 277 (4) HGB.

## 11 Profit transferred under the terms of a profit and loss transfer agreement.

Income before profit transfer rose by EUR 3.1 billion compared with the previous year. Under the profit and loss transfer agreement, an amount of EUR 5.3 billion was transferred to the shareholder Deutsche Telekom.

The capitalization of the CTA asset for partial retirement obligations at fair value results in a restricted amount of EUR 296,619 in accordance with § 268 (8) sentence 3 HGB. As this is covered by the freely available additional paid-in capital, the profit can be transferred in full.

# Notes to the balance sheet.

## 12 Noncurrent assets.

Additions to **intangible assets** totaled EUR 1.9 billion in the reporting year and principally comprise the addition of EUR 1.3 billion to the Long-Term Evolution license (LTE license) and investments in various software packages. EUR 1.2 billion of this increase is also attributable to the absorption of the T-Home business unit.

The carrying amount of **property, plant and equipment** in the financial year rose by EUR 11.9 billion to EUR 12.0 billion on account of the absorption of the T-Home business unit. The additions to property, plant and equipment measured at cost (EUR 2.0 billion) relate in particular to investments of EUR 644 million in transmission technology and of EUR 572 million in the outside plant network. Further investments were made in radio technology (EUR 127 million), switching technology (EUR 42 million), and other telecommunications equipment (EUR 140 million).

As of the balance sheet date, **financial assets** increased by EUR 237 million compared with December 31, 2009. Interests of EUR 247 million added as part of the absorption of the T-Home business unit by Telekom Deutschland were the main addition under **investments in subsidiaries**.

The changes in noncurrent assets resulting from the absorption of the T-Home business unit and the accrual of ActiveBilling are presented separately in the statement of noncurrent assets under additions to acquisition or production cost and accumulated depreciation, amortization and write-downs.

For the statement of investment holdings in accordance with § 285 No. 11 HGB, please refer to Note 31.

Statement of noncurrent assets.

millions of €	Acquisition costs							Balance at Dec. 31, 2010
	Balance at Jan. 1, 2010	Additions	Additions from transfers from Group companies	Additions from absorption of T-Home business unit and accrual of ActiveBilling	Disposals	Disposals from transfers to Group companies	Reclassifications	
<b>I. Intangible assets</b>								
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	9 325	1 655	0	1 297	(606)	(65)	453	12 059
2. Advance payments	105	284	0	488	(10)	(4)	(442)	421
	<b>9 430</b>	<b>1 939</b>	<b>0</b>	<b>1 785</b>	<b>(616)</b>	<b>(69)</b>	<b>11</b>	<b>12 480</b>
<b>II. Property, plant and equipment</b>								
1. Land and equivalent rights and buildings including buildings on land owned by third parties	228	29	0	0	(5)	0	0	252
2. Technical equipment and machinery	2 366	1 524	5	58 453	(1 020)	(9)	252	61 571
3. Other equipment, plant and office equipment	150	24	1	306	(19)	(3)	2	461
4. Advance payments and construction in progress	77	440	0	381	(22)	(0)	(265)	611
	<b>2 821</b>	<b>2 017</b>	<b>6</b>	<b>59 140</b>	<b>(1 066)</b>	<b>(12)</b>	<b>(11)</b>	<b>62 895</b>
<b>III. Financial assets</b>								
1. Investments in subsidiaries	1 664	8	0	300	(25)	0	0	1 947
2. Investments in associated and related companies	0	0	0	7	0	0	0	7
	<b>1 664</b>	<b>8</b>	<b>0</b>	<b>307</b>	<b>(25)</b>	<b>0</b>	<b>0</b>	<b>1 954</b>
<b>Total noncurrent assets</b>	<b>13 915</b>	<b>3 964</b>	<b>6</b>	<b>61 232</b>	<b>(1 707)</b>	<b>(81)</b>	<b>0</b>	<b>77 329</b>



Depreciation, amortization and write-downs  
Net carrying amounts

Balance at Jan. 1, 2010	Additions	Additions from transfers from Group companies	Additions from absorption of T-Home business unit and accrual of ActiveBilling	Disposals	Disposals from transfers to Group companies	Balance at Dec. 31, 2010	Balance at Dec. 31, 2010	Balance at Dec. 31, 2009
<b>I.</b>								
(6 722)	(762)	0	(580)	603	44	(7 417)	4 642	2 603
0	0	0	0	0	0	0	421	105
<b>(6 722)</b>	<b>(762)</b>	<b>0</b>	<b>(580)</b>	<b>603</b>	<b>44</b>	<b>(7 417)</b>	<b>5 063</b>	<b>2 708</b>
(109)	(18)	0	0	3	0	(124)	128	119
(1 939)	(2 385)	(3)	(47 033)	977	8	(50 375)	11 196	428
(120)	(28)	(1)	(254)	18	2	(383)	78	29
0	(7)	0	0	7	0	0	611	77
<b>(2 168)</b>	<b>(2 438)</b>	<b>(4)</b>	<b>(47 287)</b>	<b>1 005</b>	<b>10</b>	<b>(50 882)</b>	<b>12 013</b>	<b>653</b>
0	0	0	(53)	0	0	(53)	1 894	1 664
0	0	0	0	0	0	0	7	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>(53)</b>	<b>0</b>	<b>0</b>	<b>(53)</b>	<b>1 901</b>	<b>1 664</b>
<b>(8 890)</b>	<b>(3 200)</b>	<b>(4)</b>	<b>(47 920)</b>	<b>1 608</b>	<b>54</b>	<b>(58 352)</b>	<b>18 977</b>	<b>5 025</b>

## 13 Inventories.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Raw materials and supplies	38	30
Work in process	8	-
Merchandise	193	98
	239	128

The increase of EUR 111 million in inventories is mainly attributable to the absorption of the T-Home business unit.

The principal items reported under raw materials and supplies are network termination units and technical equipment, the main items reported under work in process are customer orders in connection with the set-up of network access systems for competitors (co-location), and the chief items reported under merchandise are products and components for wireless and wired data communications as well as bundled IT products.

The difference between the market price and the price calculated on the basis of a simplified measurement method in accordance with § 284 (2) No. 4 HGB is not significant.

## 14 Receivables.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Trade accounts receivable	682	214
of which: with a remaining maturity of more than one year €0 million; Dec. 31, 2009: €0 million		
Receivables from subsidiaries	3 078	1 072
of which: with a remaining maturity of more than one year €0 million; Dec. 31, 2009: €0 million		
Receivables from associated and related companies	10	1
of which: with a remaining maturity of more than one year €0 million; Dec. 31, 2009: €0 million		
	3 770	1 287

The increase in trade accounts receivable of EUR 468 million compared with December 31, 2009 is mainly attributable to the transfer of receivables resulting from the absorption of the T-Home business unit. These receivables arise from the provision of telecommunications and value-added services within Germany to retail customers, small and medium-sized business customers, as well as from the carrier and wholesale business.

Receivables from subsidiaries consist in particular of receivables related to intercompany cash pooling amounting to EUR 2.5 billion (December 31, 2009: EUR 837 million) as well as intercompany trade accounts receivable amounting to EUR 576 million (December 31, 2009: EUR 230 million).

Receivables from the shareholder of EUR 2.6 billion (December 31, 2009: EUR 987 million) and other receivables from subsidiaries of EUR 479 million predominantly relate to cash receivables and trade accounts receivable.

Receivables from cash management in respect of the shareholder are offset against the liability from profit transfer of EUR 5.3 billion.

## 15 Other assets.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Other tax receivables	1	-
	1	-
Receivables from factoring	104	79
Receivables from reimbursements	32	0
Receivables from employees	12	0
Miscellaneous other assets	51	23
	199	102
	200	102

Other tax receivables mainly relate to input tax receivables.

Receivables of EUR 104 million from factoring consist of the factoring balance from the current month and the collection for the previous month reduced by credit-risk discounts.

Receivables of EUR 32 million from reimbursements mainly result from application and contract services as well as from reimbursements for damages from the fixed network.

Receivables from employees principally comprise salary advances. The increase is attributable to the absorption of the T-Home business unit.

Other receivables of EUR 51 million are reported under miscellaneous other assets. Of the receivables reported under other assets, EUR 13.8 million (December 31, 2009: EUR 0.2 million) have a remaining maturity of more than one year.

## 16 Cash in hand.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Cash in hand	15	0
	15	0

The full amount of cash in hand comprises the cash collected from coin-operated telephone boxes.

## 17 Prepaid expenses and deferred charges.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Prepaid expenses and deferred charges	139	120
	139	120

Prepaid expenses and deferred charges comprise in particular one-time payments to DFMG Deutsche Funkturm GmbH, Bonn, of EUR 90 million (December 31, 2009: EUR 76 million) as well as a discount from loan agreements of EUR 16 million.

This item also includes prepaid expenses and deferred charges of EUR 13 million from the national carrier business. These relate primarily to a contract with Kabel Deutschland Vertrieb und Service GmbH & Co. KG, Unterföhring.

Expenses for sponsoring and advertising costs were also deferred.

## 18 Shareholders' equity.

<b>millions of €</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>
Capital stock	1 500	520
Additional paid-in capital	2 179	927
	3 679	1 447

Shareholders' equity increased by EUR 2.2 billion compared with December 31, 2009. The changes are presented individually below:

<b>millions of €</b>	<b>Capital stock</b>
Balance at Dec. 31, 2009	520
Increase arising from the absorption of T-Home	980
Balance at Dec. 31, 2010	1 500

The absorption of the T-Home business unit results in an increase of EUR 1.3 billion in additional paid-in capital.

The capitalization of the CTA asset for partial retirement obligations at fair value results in a restricted amount of EUR 296,619 in accordance with § 268 (8) sentence 3 HGB. As this is covered by the freely available additional paid-in capital, the profit can be transferred in full.

## 19 Accruals for pensions and similar obligations.

The pension obligations to non-civil servant employees are based on indirect and direct pension commitments. The pension fund Deutsche Telekom Betriebsrenten-Service e.V. (DTBS) is included in the indirect pension commitments.

Telekom Deutschland's direct pension commitments include the commitments that the Company has issued directly.

In principle, the pension fund comprises the former obligations of Versorgungsanstalt der Deutschen Bundespost (VAP) to Telekom Deutschland transacted through the pension fund of Deutsche Telekom Betriebsrenten-Service (DTBS) in accordance with the pension provisions of the skeleton collective bargaining agreement signed on September 30, 1998 for T-Mobile/DeTeSystem, providing these do not fall within the scope of the Group Works Agreement on the Conditions of Employment for Salaried Employees outside the Collective Agreement signed on October 12, 2005 or providing they are not granted directly and with a legal claim on the basis of the collective agreement on the restructuring of the corporate pension plan signed on August 17, 2005.

The form of implementation changed as a result of the collective agreement on the restructuring of the corporate pension plan at Deutsche Telekom signed on August 17, 2005. According to this agreement, all corporate pension services for active and inactive employees will henceforth be granted directly and with a legal claim.

With effect from the effective spin-off date January 1, 2010, Telekom Deutschland assumed all rights and duties under the company pension commitments granted by Deutsche Telekom with respect to the transferred employees.

For the purposes of commercial law, a pension accrual was accounted for under pension obligations until December 31, 2009 in accordance with § 6 a EStG. Pension accruals are measured using the projected unit credit method since the introduction of BilMoG effective January 1, 2010. The addition resulting from the change in the measurement of pension accruals is spread over 15 years in accordance with transitional provisions (Art. 67 (1) sentence 1 EGHGB) of BilMoG.

Pension accruals not shown in the balance sheet as a consequence of the transitional provisions of BilMoG amounted to EUR 54 million as of December 31, 2010.

Assumptions for the measurement of the obligations as of December 31, 2010:

%	Dec. 31, 2010
Notional interest rate	5.16%
Projected salary increase	
Pay-scale employees	3.25%
Non-pay-scale employees	3.50%
Projected pension increase	
General	1.50%
According to articles of association	1.00%

Accruals for pensions and similar obligations are based on obligations to employees. Pension accruals are measured using the projected unit credit method 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 pension obligations corresponds to the average market interest rate for the past seven years published by the Deutsche Bundesbank that results from an assumed remaining maturity of 15 years (§ 253 (2) sentence 2 HGB).

The computations for the obligations are based on the 2005 G life expectancy tables published by Prof. Klaus Heubeck.

On the basis of the actuarial reports, the carrying amounts of the pension obligations at the respective balance sheet dates were as follows:

millions of €	Dec. 31, 2010	Dec. 31, 2009
Direct pension obligations		
of which: parallel obligation €0 million (Dec. 31, 2009: €0 million)	322	86
Indirect pension obligations	-	3
	322	89

The increase in accruals for direct pension obligations compared with December 31, 2009 is primarily attributable to the absorption of the T-Home business unit.

## 20 Tax accruals.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Corporate income tax	8	34
Trade income tax	1	-
Other taxes	13	2
	22	36

The accrual for corporate income tax was formed for items from assessment periods prior to fiscal unity.

The increase in the accruals for other taxes compared with December 31, 2009 mainly results from the addition to the accrual for wage tax items.

## 21 Other accruals.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Employee benefits		
Performance-based compensation and social security risks	162	60
Staff adjustment measures	28	1
Partial retirement arrangement	16	7
Other obligations	18	9
Other obligations		
Outstanding invoices for supplies and services	346	155
Litigation risks	194	1
Unused prepaid credit	160	163
Restoration commitments	150	94
Deferred maintenance	17	3
Miscellaneous other accruals	402	249
	1 493	742

The increase in obligations for performance-based compensation and social security risks is largely due to the absorption of the T-Home business unit. The obligation particularly includes accruals for variable compensation.

The increase in the accrual for staff adjustment measures results in particular from a severance program for the T-Home business unit.

The accrual for the partial retirement arrangement increased on account of the absorption of the T-Home business unit.

The fair value of the CTA asset of EUR 25.3 million covered the discounted settlement amounts for Telekom Deutschland's partial retirement obligations and accruals for long-term compensation time accounts of EUR 26 million in respect of employees in partial retirement and owners of long-term compensation accounts at the balance sheet date December 31, 2010 except for EUR 0.7 million. The amount of expenses and income netted in the statement of income in the reporting period in connection with the fluctuations in value of the CTA asset and the interest added back to the netted outstanding settlement amounts for partial retirement obligations and to the accruals for long-term compensation time accounts comprises interest expenses of EUR 1.0 million and write-ups of the CTA asset of EUR 0.7 million. The historical cost of the CTA asset is EUR 25.0 million. The CTA asset is measured at the reporting date taking current market values into account.

The other obligations from the area of human resources principally comprise accruals for vacation and flexitime.

The accruals for outstanding invoices as of December 31, 2010 include accruals for legal advice, IT and management consulting, interconnection costs, roaming expenses, cost-sharing for other network operators and accruals for

maintenance costs. In this item too, the increase in accruals is attributable in particular to the absorption of the T-Home business unit.

The accruals for litigation risks primarily include possible settlements attributable to pending lawsuits. The increase in accruals for litigation risks compared with December 31, 2009 is mainly the result of the absorption of the T-Home business unit and the increase in accruals for ongoing legal disputes.

The accruals for restoration commitments comprise the estimated costs for the demolition and clearing of a building or a technical plant and the restoration of the site on which the building or plant is located. Here, too, the increase is mainly attributable to the absorption of the T-Home business unit.

Miscellaneous other accruals principally comprise accruals for awards, commissions, advertising subsidies, bonuses and compensation claims.

Telekom Deutschland makes use of the option to retain the higher carrying amount of accruals under the transitional provisions of BilMoG. If it had waived this option to retain the higher carrying amount, a dissolution amount for the other accruals of EUR 12 million would have been incurred.

## 22 Liabilities.

millions of €	Dec. 31, 2010				Dec. 31, 2009			
	Total	of which			Total	of which		
		Due within 1 year	Due > 1 ≤ 5 years	> 5 years		Due within 1 year	Due > 1 ≤ 5 years	> 5 years
<b>Other liabilities</b>								
Advances received	6	6	-	0	-	-	-	-
Trade accounts payable	847	847	-	-	134	134	-	-
Payables to subsidiaries	15 917	8 318	4 965	2 634	3 309	3 309	-	-
Liabilities to associated and related companies	6	6	-	-	0	0	-	-
Other liabilities	983	954	29	0	879	879	-	-
of which: from taxes	30	30	-	-	7	7	-	-
of which: from social security	2	1	1	0	-	-	-	-
<b>Total liabilities</b>	<b>17 759</b>	<b>10 131</b>	<b>4 994</b>	<b>2 634</b>	<b>4 322</b>	<b>4 322</b>		

**Payables to subsidiaries** principally comprise loan liabilities of EUR 9.3 billion as well as EUR 4.8 billion for liabilities from cash pooling with Deutsche Telekom, trade accounts payable of EUR 1.1 billion, and other liabilities of EUR 0.7 billion. The increase in liabilities is attributable to the absorption of the T-Home business unit.

EUR 11.4 billion of the payables to subsidiaries relates to liabilities to the shareholder Deutsche Telekom (December 31, 2009: EUR 3.2 billion). Payables to the shareholder result from interest-bearing shareholder loans as well as from liabilities from operating activities.

The following table shows the composition of other liabilities:

millions of €	Dec. 31, 2010	Dec. 31, 2009
Purchase of shareholding in PTC, Polska Telefonia Cyfrowa Sp.z o.o.	820	850
Tax liabilities	30	7
Liabilities to employees	17	0
Miscellaneous other liabilities	116	22
	983	879

Liabilities of EUR 820 million arise from the purchase of a shareholding in PTC, Polska Telefonia Cyfrowa Sp.z o.o., Warsaw (PTC).

Tax liabilities principally comprise VAT and wage tax liabilities.

Liabilities to employees relate to severance agreements concluded in connection with the workforce restructuring program.

The increase in miscellaneous other liabilities is attributable to the absorption of the T-Home business unit.

### 23 Deferred income.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Deferred income	65	26
	65	26

The increase in deferred income compared with December 31, 2009 is essentially connected with the absorption of the T-Home business unit.

This relates to deferred revenues from the national carrier business of EUR 34 million as well as deferred supplier subsidies of EUR 10 million. Deferred income also includes cross-border leasing of EUR 21 million.



## Other disclosures.

### 24 Guarantees and commitments and transactions not included in the balance sheet in accordance with § 285 No. 3 HGB, and reasons underlying the evaluation of the risk of utilization of guarantees and commitments in accordance with § 285 No. 27 HGB.

millions of €	Dec. 31, 2010	Dec. 31, 2009
Liabilities from guarantees	1	-
Liabilities arising from warranty agreements		
of which: to subsidiaries €0 million (Dec. 31, 2009: €0 million)	420	535
	421	535

On December 31, 2010, there were contingencies from warranties in the amount of EUR 420 million. As of December 31, 2010, there was a liability arising from warranty agreements with respect to cross-border leases totaling EUR 382 million that Telekom Deutschland concluded on March 27, 2002 and April 10, 2002. This includes the letters of credit procured by Telekom Deutschland with a total volume of EUR 31 million. The subject of the cross-border transactions (lease-in, lease-out transactions) is a major part of the GSM mobile communications network operated by Telekom Deutschland including the related software. It is considered very unlikely that Telekom Deutschland will utilize this contingency because in the event of a failure to uphold the contractual arrangements, the Free State of Bavaria will honor Bayerische Landesbank's obligations within the scope of a guarantor's liability. In addition, Deutsche Telekom generally guarantees all of the Company's obligations from the leases in connection with US QTE Lease.

There is another contingency of €38 million in accordance with § 133 (1) UmwG from the transfer of pension obligations in 2007 as part of the spin-off of the customer service unit to Deutsche Telekom Kundenservice GmbH, Bonn.

When introducing network operator portability in mobile communications networks (MNP), the Company in conjunction with other network providers founded MNP Deutschland Gesellschaft bürgerlichen Rechts (MNP GbR), Düsseldorf, in 2002. On account of the Company's legal form, this investment may give rise to unlimited liability. There is no reason to believe that claims will be asserted on this liability.

No off-balance-sheet transactions required to be disclosed in accordance with § 285 No. 3 HGB exist.

## 25 Other financial obligations.

	Dec. 31, 2010			Dec. 31, 2009		
	Total	of which due		Total	of which due	
		in the next financial year	from the second financial year after the balance sheet date		in the next financial year	from the second financial year after the balance sheet date
millions of €						
Obligations under rental and lease agreements of which: to subsidiaries € 8.1 billion (Dec. 31, 2009: € 3.5 billion)	8 346	1 661	6 685	3 597	721	2 876
Purchase commitments for capital projects in progress, including obligations arising from future expenditure of which: to subsidiaries € 501 million (Dec. 31, 2009: € 168 million)	2 378	1 491	887	553	328	225
<b>Total other financial obligations</b>	<b>10 724</b>	<b>3 152</b>	<b>7 572</b>	<b>4 150</b>	<b>1 049</b>	<b>3 101</b>

Obligations under rental and lease agreements to subsidiaries mainly exist in respect of Deutsche Telekom in the amount of EUR 5.4 billion, in respect of DFMG Deutsche Funkturm GmbH, Münster, in the amount of EUR 2.1 billion, and also in respect of DeTeFleetServices GmbH, Bonn, and T-Systems International GmbH, Frankfurt/Main.

Purchase commitments for capital projects in progress, including obligations arising from future expenditure are primarily composed of commitments for non-capital (EUR 1.1 billion).

In 2010, Telekom Deutschland purchased frequency in the 800 MHz spectrum (the digital dividend), among other things. In this connection, Telekom Deutschland assumed an obligation to expand the network in each federal state and, as stipulated by this state, in cities, towns and municipalities in ascending order by the size of their population with the goal of achieving network coverage of at least 90% of the population of these cities, towns and municipalities by January 1, 2016. In addition, coverage at least 50% of the population must be achieved by January 1, 2016.

Telekom Deutschland is a party to a number of lawsuits and other proceedings and issues arising from the general conduct of its business. Litigation accruals include the costs of litigation and the forecast cost of the negative outcome of proceedings.

For tax reasons, the profit and loss transfer agreements and any control agreements between Deutsche Telekom and Deutsche Telekom Technischer Service GmbH, Bonn, Deutsche Telekom Netzproduktion GmbH, Bonn, Deutsche Telekom Kundenservice GmbH, Bonn, Telekom Shop Vertriebsgesellschaft mbH, Bonn, and congstar GmbH, Cologne, still in existence up to the end of 2010 were terminated with effect from December 31, 2010. In 2011, Telekom Deutschland concluded new profit and loss transfer agreements and control agreements with the above-mentioned companies. To provide security for the companies until these control and profit and loss transfer agreements have been entered in the commercial register, Telekom Deutschland pledged to provide adequate financial support to these companies and to take suitable measures to offset any losses.

## 26 Derivative financial instruments.

The Company enters into forward exchange transactions to eliminate risks relating to its supplies and services. As of December 31, 2010, Telekom Deutschland had concluded foreign exchange transactions with Deutsche Telekom of USD 242 million (December 31, 2009: USD 49 million), CHF 22 million (December 31, 2009: CHF 13 million), and GBP 3 million (December 31, 2009: GBP 3 million). The forward exchange transactions will mature in the 2011 financial year, always in the middle of the month in question (for USD and CHF each month, for GBP February, March, May, July, September, and November 2011). The fair values derived on the basis of a calculation of the present value from input factors that can be observed directly on the market amount to EUR 2 million (December 31, 2009: EUR -1 million). These consist of the balance of EUR 9 million (December 31, 2009: EUR 0.6 million) of unrealized gains and an accrual for contingent losses of EUR 7 million (December 31, 2009: EUR 1.6 million). The accrual for contingent losses is reported under other accruals.

## 27 Auditors' fees and services.

The total fees charged by the external auditors for the financial year as defined in § 285 No. 17 HGB are detailed in the relevant note in the consolidated financial statements.

## 28 The Board of Management of Telekom Deutschland GmbH in 2010.

**Niek Jan van Damme.**

Board member for Germany, Deutsche Telekom AG

Managing Director, Telekom Deutschland GmbH

**Thomas Berlemann.**

Director of Sales & Service

**Thomas Dannenfeldt.**

Director of Finance

**Thomas Freude (from June 11, 2010).**

Director of Telekom Shops

**Friedrich Fuß (from June 11, 2010).**

Director of Technical Service

**Christoph Ganswindt (from June 11, 2010).**

Director of Information Technology

Dr. Christian P. Illek.

Director of Marketing

Dr. Bruno Jacobfeuerborn.

Director of Technology

Dietmar Welslau (from June 11, 2010).

Director of Human Resources

Members of the Board of Management who left during 2010.

Albert Henn (until June 10, 2010).

Director of Human Resources

Dr. Dirk Rohweder (until March 30, 2010).

Director of Information Technology

## 29 The Supervisory Board of Telekom Deutschland GmbH in 2010.

Timotheus Höttges.

Chairman of the Supervisory Board

Chief Financial Officer of Deutsche Telekom AG

Lothar Schröder. \*

Deputy Chairman of the Supervisory Board

Member of the ver.di National Executive Board responsible for telecommunications, information technology, and data processing

Anke Bardenhagen. \*

Deputy Chairwoman of the Technology (Central) works council of Telekom Deutschland GmbH

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Employee representative.

Reiner Ginko (since March 30, 2010). \*

Chairman of the M/F/HR/MD works council of Telekom Deutschland GmbH

Lothar Holzwarth (since March 30, 2010). \*

Chairman of the Central Works Council of Telekom Deutschland GmbH

Dr. Bruno Kahl (since December 14, 2010)

Ministerialdirektor, Federal Ministry of Finance

Wolfgang Kopf (since March 17, 2010).

Head of Politics & Regulation, Deutsche Telekom AG

Rita Lietzke (since September 2, 2010).

Senior Vice President Human Resources, CTIO, Deutsche Telekom AG

Dr. Axel Lütznert.

Head of Mergers & Acquisition, Joint Ventures, Deutsche Telekom AG

Dr. Guillaume Maisondieu (since March 17, 2010).

Head of Group Accounting & Customer Finance, Deutsche Telekom AG

Stefan Pilar. \*

Head of Wholesale Marketing, Telekom Deutschland GmbH

Igor Pissarewsky. \*

Chairman of the Technology (Mobile Region) works council of Telekom Deutschland GmbH

Jürgen Richter (since March 30, 2010). \*

Union Secretary Telecommunications, Online and Regulatory Authorities

ver.di

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\* Employee representative.

**Dr. Steffen Roehn.**

CIO of Deutsche Telekom AG

**Thomas Sattelberger.**

Board Member responsible for Human Resources at Deutsche Telekom AG

**Philipp Schindera (since March 17, 2010).**

Head of Corporate Communications, Deutsche Telekom AG

**Heike Schmaida (since March 30, 2010). \***

Member of the Central Works Council of Deutsche Telekom, Business Customers

**Ado Wilhelm. \***

Union Secretary

Divisional director of mobile communications for ver.di

**Michael Wilkens.**

Senior Vice President International Businesses, Deutsche Telekom AG

**Members of the Supervisory Board who left during 2010.**

**Henry Cordes (until October 28, 2010).**

Ministerialdirektor, Federal Ministry of Finance

**Georg Pepping (March 17, 2010 – August 31, 2010).**

Head of Human Resources Competence Center, Deutsche Telekom AG

**Wolfgang Teitge (until December 31, 2010). \***

Member of the Technology (Mobile Region) works council of Telekom Deutschland GmbH

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\* Vertreter der Arbeitnehmer.

### 30 Compensation of the Board of Management and the Supervisory Board.

The Company's directors received compensation of EUR 5.1 million in 2010.

No remuneration was paid to former members of the Company's Board of Management or their surviving dependents in the reporting year.

Accruals of EUR 0.3 million were recognized for pension rights of former members of the Board of Management of Telekom Deutschland.

Supervisory Board compensation totaled EUR 131,600.00 in the reporting year. No remuneration was paid to former members of the Company's Supervisory Board or their surviving dependents in the reporting year.

In 2010, Telekom Deutschland did not grant any loans to current or former members of the Board of Management or Supervisory Board.

### 31 Statement of investment holdings in accordance with § 285 No. 11 HGB.

No.	Name and registered office	Directly %	Total nominal value	Currency	Shareholders' equity	Net income/net loss	Currency	Note
<b>Subsidiaries</b>								
1.	SAF Forderungsmanagement GmbH, Heidelberg, Germany	100.00	4 101 000	EUR	11 796 656	-	EUR	Profit and loss transfer agreement
2.	Deutsche Telekom Value Added Services Austria GmbH, Vienna, Austria	100.00	100 000	EUR	112 732 611	-1 396 116	EUR	Dec. 31, 2010
3.	PTC, Polska Telefonia Cyfrowa Sp. z.o.o., Warsaw, Poland	70.50	471 000 000	PLN	8 766 951 000	1 366 062 000	PLN	Dec. 31, 2009
4.	Zweite DFMG Deutsche Funkturm Vermögens-GmbH, Heusenstamm, Germany	100.00	100 000	EUR	37 124 753	-	EUR	Profit and loss transfer agreement
5.	congstar GmbH, Cologne, Germany	100.00	250 000	EUR	3 747 047	-	EUR	Profit and loss transfer agreement
6.	Telekom Shop Vertriebsgesellschaft mbH, Bonn, Germany	100.00	10 000 000	EUR	44 258 116	-	EUR	Profit and loss transfer agreement
7.	Deutsche Telekom Technischer Service GmbH, Bonn, Germany	100.00	27 000	EUR	56 964 589	-	EUR	Profit and loss transfer agreement
8.	Deutsche Telekom Netzproduktion GmbH, Bonn, Germany	100.00	27 000	EUR	29 651 556	-	EUR	Profit and loss transfer agreement
9.	Deutsche Telekom Kundenservice GmbH, Bonn, Germany	100.00	25 000	EUR	19 110 240	-	EUR	Profit and loss transfer agreement
10.	Electrorecycling Anlagen GmbH, Goslar, Germany	25.00	9 000 000	DEM	5 260 398	327 042	EUR	Dec. 31, 2009
11.	CTDI GmbH, Malsch (Karlsruhe district), Germany	49.00	2 500 000	EUR	37 471 824	5 140 717	EUR	Dec. 31, 2010
12.	Electrorecycling GmbH, Goslar, Germany	25.50	1 500 000	EUR	5 805 784	1 469 085	EUR	Dec. 31, 2009

Bonn, February 4, 2011

Niek Jan van Damme

Thomas Berlemann

Thomas Dannenfeldt

Thomas Freude

Friedrich Fuß

Christoph Ganswindt

Dr. Christian P. Illek

Dr. Jacobfeuerborn

Dietmar Welslau



## Commissioning Terms, Liability and Conditions of Use

We, Ernst & Young AG GmbH Wirtschaftsprüfungsgesellschaft, have performed our audit of these accounts on behalf of the Company. In addition to the legal function of disclosure (§ 325 German Commercial Code) in the case of a legal audit requirement, the auditors' report is intended exclusively for the Company and was issued for the Company's internal use only, and not for any other purposes for third parties or as a basis for decision for third parties. As such, the results of voluntary audits as summarized in the auditors' report are not intended as the basis for third parties to reach any decisions, and are not to be used for any purposes other than that intended.

Our activities are governed by our commission confirmation letter for the audit of these accounts, the Special Commissioning Terms for Audits and Audit-Related Services published by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (dated July 1, 2007) and the "General Commissioning Terms for Independent Auditors and Auditing Companies" of January 1, 2002 issued by the Institut der Wirtschaftsprüfer.

For purposes of clarification, we emphasize that we accept no responsibility, liability or other obligations to third parties unless we have concluded a written agreement to the contrary with the third party or such a disclaimer is ineffective.

We explicitly emphasize that we shall not update the auditors' report to take into account any events or circumstances that may arise following its issue, unless there is a legal obligation to do so.

Whosoever may read and acknowledge the results of our activities as summarized in the above auditors' report decides under his/her own responsibility whether and in what form he/she considers these results useful and appropriate to his/her purposes and extends, verifies or updates them through investigative activities of his/her own.