
Copy of the Audit Certificate

Deutsche Telekom Accounting GmbH

Bonn



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Deutsche Telekom Accounting GmbH, Bonn

Management report for the 2010 financial year

1. Organizational and company structure

Deutsche Telekom Accounting GmbH (hereinafter referred to as “DeTeAccounting”) is a subsidiary of Deutsche Telekom AG, Bonn, within the meaning of § 271 (2) of the German Commercial Code (Handelsgesetzbuch – HGB). Capital stock remained unchanged at EUR 100,000 as of the balance sheet date. A control and profit transfer agreement exists between DeTeAccounting and Deutsche Telekom AG (hereinafter referred to as “Deutsche Telekom”).

Since February 2010, DeTeAccounting has held a 96.25-percent share (2009: 85 percent) and T-Systems Beteiligungsverwaltungsgesellschaft mbH a 3.75-percent share (2009: 15 percent) in Deutsche Telekom Shared Services s.r.o. (hereinafter referred to as “DT Shared Services”). This change in proportional share ownership was due to a EUR 15 thousand increase in the capital of DT Shared Services by DeTeAccounting. The carrying amount of the investment was EUR 127 thousand as of December 31, 2010.

2. Areas of activity/business mandate

DeTeAccounting provides operational financial accounting services to the Deutsche Telekom Group on the basis of national and international accounting and statutory regulations. DeTeAccounting is a Group-wide service provider with the aim of efficiently consolidating and automating the tasks associated with operational financial accounting.

With respect to operational financial accounting DeTeAccounting, as a shared service center, pursues the goal of developing and providing customer- and industry-specific solutions and standards. This includes the processes associated with accounts receivable (not subject to general terms and conditions), accounts payable, asset accounting, general ledger accounting and inventories. This also includes services in the area of information and data processing as well the complete provision of information management as a service package within the aforementioned areas of operational financial accounting.

3. Development of business

Business activity continues to be influenced primarily by the organizational and procedural amalgamation of all those Group units transferred to DeTeAccounting in 2008 and 2009. Since DeTeAccounting did not take over the transaction bulk accounting function of the CCC F&A organizational unit of T-Systems International GmbH (hereinafter referred to as “TSI”) until mid-2009, a full year-on-year comparison is not possible.

At the year-end, in addition to providing services to Deutsche Telekom, the Company served a large proportion of DTAG's subsidiaries in Germany. These included, in particular, Telekom Deutschland GmbH, DFMG Deutsche Funkturm GmbH, PASM Power and Air Condition Solution Management GmbH & Co. KG, DeTeFleetServices GmbH, Vivento Customer Services GmbH, Deutsche Telekom Technischer Service GmbH, Deutsche Telekom Netzproduktion GmbH, Deutsche Telekom Kundenservice GmbH, Telekom Shop Vertriebsgesellschaft mbH and T-Systems International GmbH. The Company also provides services to various foreign companies within the T-Systems Group. The Company had two external customers, namely Nokia Siemens Networks Services Deutschland GmbH & Co. KG (formerly Vivento Technical Services GmbH) and Strabag Property and Facility Services GmbH (formerly DeTe Immobilien, Deutsche Telekom Immobilien und Services GmbH), both of which were subsidiaries of Deutsche Telekom until sold in the 2008 financial year. The agreements with these companies were terminated by DeTeAccounting in 2010. As of the 2011 financial year, DeTeAccounting will no longer provide services to external customers. Individual agreements regarding the volume of business in 2010 were concluded with customers. The service agreement with Telekom Deutschland GmbH also covers services to be provided to the following companies: Deutsche Telekom Kundenservice GmbH, Deutsche Telekom Technischer Service GmbH, Deutsche Telekom Netzproduktion GmbH and Telekom Shop Vertriebsgesellschaft mbH.

3.1 Results of operations

The factors affecting the development of the results of operations are explained briefly below:

Thousands of €	2010	2009	Change
Revenues	103,127	97,377	5,750
Other operating income	1,675	7,184	-5,509
Goods and services purchased	-40,211	-41,147	936
Personnel costs	-42,130	-45,236	3,106
Depreciation, amortization and writedowns	-63	-56	-7
Other operating expenses	-33,269	-39,607	6,338
Operating result	-10,871	-21,485	10,615
Net interest expense	-1,199	286	-1,485
Result of ordinary business activities	-12,070	-21,199	9,130
Extraordinary income/expense	-146	0	-146
Net loss before the transfer of loss	-12,216	-21,199	8,984

DeTeAccounting recorded **revenue** of EUR 103,127 thousand in 2010. The biggest customer is Telekom Deutschland GmbH (including subsidiaries under Telekom Deutschland GmbH). The increase in revenue is due a rise in entry volumes from 30.9 million in 2009 to

34.1 million in 2010. External revenue from business with Nokia Siemens Networks Services Deutschland GmbH & Co. KG and Strabag Property and Facility Services GmbH amounted to EUR 1,537 thousand in 2010 (2009: EUR 2,753 thousand). Revenue in the financial year is mainly calculated according to a quantity and complexity-based model.

Other operating income amounting to EUR 1,675 thousand largely relates to income from the transfer of personnel costs (EUR 1,277 thousand) and income from the reversal of accruals (EUR 226 thousand). In the 2009 financial year, other operating income also includes income from the utilization of the accruals for contingent losses (EUR 6,070 thousand). Because it was unnecessary to recognize an accrual for contingency losses as of December 31, 2009, no corresponding income was received in the 2010 financial year.

Costs of goods and services purchased primarily include costs arising from the use of hardware and software owned by DTAG (2010: EUR 37,741 thousand; 2009: EUR 39,415 thousand), financial reporting services purchased from Accounting, Controlling, IT Finance, Financial Statements GHS Entities (hereinafter referred to as "RCI/AGG") (2010: EUR 1,055 thousand; 2009: EUR 1,080 thousand) and accounting services purchased from DT Shared Services s.r.o. Bratislava (2010: EUR 1,414 thousand; 2009: EUR 430 thousand).

Amounting to EUR 42,130 thousand, **personnel costs** mainly comprise wages and salaries totaling EUR 35,365 thousand (2009: EUR 36,931 thousand) and social security contributions and expenses for social security contributions and pension plans of EUR 6,765 thousand (2009: EUR 8,305 thousand). The 7-percent decrease in personnel costs is partly attributable to reductions in staff numbers. Furthermore, as a result of the application of the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz* – BilMoG) since the 2010 financial year, interest expenses relating to pension accruals and the accrual for partial retirement have been included under net interest expense.

Other operating expenses, at EUR 33,269 thousand, primarily include expenses arising from the assignment of civil servants from Deutsche Telekom as well as costs associated with loan and temporary staff (2010: EUR 16,431 thousand; 2009: EUR 20,271 thousand). This decrease results from the lower number of civil servants transferred (-97 FTEs). Because the employment contracts of the civil servants transferred from the accounting units to DeTeAccounting cannot be transferred pursuant to § 613a BGB, this group works for DeTeAccounting according to the "assignment model", with the parent company remaining the employer. Other operating expenses also include rental and leasing expenses (2010: EUR 6,608 thousand; 2009: EUR 7,819 thousand) and the cost of maintaining workstation systems (2010: EUR 2,218 thousand; 2009: EUR 2,822 thousand). The cost of scanning services from Vivento Customer Services GmbH (2010: EUR 1,318 thousand; 2009: EUR 1,955 thousand), training and development services (2010: EUR 1,278 thousand; 2009: EUR 1,599 thousand), costs relating to personnel administration (2010:

EUR 1,556 thousand; 2009: EUR 1,401 thousand) and travel expenses (2010: EUR 1,100 thousand; 2009: EUR 934 thousand) are also included.

The reduction in the **net interest expense** from EUR 286 thousand in the 2009 financial year to EUR -1,199 thousand in 2010 is primarily due to the fact that, owing to the application of the BilMoG, interest expenses relating to pension and partial retirement accruals (EUR 1,307 thousand) are now reported under net interest expense. Interest income from cash management also fell by EUR 62 thousand to EUR 48 thousand due to a reduction in receivables in the year.

Taking account of **extraordinary expenses** of EUR 146 thousand owing to the application of the BilMoG, a net loss of EUR 12.216 thousand was recorded for the 2010 financial year, which was transferred to Deutsche Telekom under the profit transfer agreement in place.

3.2 Net worth and financial position

The asset balance was especially influenced by receivables from subsidiaries (2010: EUR 33,730 thousand; 2009: EUR 31,461 thousand). These items represent 97 percent of the balance sheet total (2009: 87 percent). Receivables from subsidiaries largely comprise receivables from cash pooling with the parent company (2010: EUR 32,644 thousand; 2009: EUR 30,373 thousand). There was a reduction in other assets, in particular. In 2009, these contained receivables from inpayments to the Hessische Landesbank (EUR 3,871 thousand) for insolvency protection for partial retirement obligations. Due to a change in the provisions of the BilMoG, the accrual for partial retirement obligations was offset against the plan assets in 2010.

Liabilities mainly comprise accruals of EUR 29,122 thousand (2009: EUR 32,724 thousand) and liabilities to subsidiaries of EUR 3,230 thousand (2009: EUR 1,270 thousand). The reduction in accruals chiefly relates to the accrual for partial retirement obligations, which decreased from EUR 7,332 thousand as of December 31, 2009 to EUR 2,622 thousand due, in particular, to the offsetting of plan assets. Accruals of EUR 400 thousand were recognized for severance payments in 2010.

The equity ratio as of December 31, 2010 was 0.3 percent (2009: 0.3 percent).

DeTeAccounting has concluded a framework agreement with DTAG for its inclusion in the Deutsche Telekom Group's cash concentration system, meaning that liquidity is ensured at all times.

3.3 Personnel situation

The Company employed 990 FTEs (including assigned civil servants: 282 FTEs) as of December 31, 2009.

After taking account of personnel outflows during the financial year owing to various reduction and transition instruments, such as early retirement, severance payments, external transfers and transfers within the Group, the number of FTEs decreased to 857 as of December 31, 2010. This figure includes 185 civil servants, who were assigned from the parent company. The reduction of 133 FTEs equals a percentage decrease of -13.4 percent.

4. Future development of business

4.1 Outlook

In subsequent years, revenue in current core business is expected to decrease slightly compared with 2010. In the 2011 financial year, customers will continue to be charged using a quantity and complexity-based billing model.

The aim of the Company is still to increase productivity through the steady automation and harmonization of business processes. One example is the increase in the entry volume. In 2009, an average of 30,554 entries was processed by each FTE. In 2010, this number increased to 40,284, an increase of 24 percent. In this context, the standardization of IT structures and the reduction of manual accounting procedures are of particular importance.

The number of sites has been reduced from 45 when DeTeAccounting began operations to 11 regular sites at present. By the end of 2012, the aim is to have seven sites for financial accounting processes and 14 sites for inventories. Owing to the integration of TSI CCC F&A, the target number of sites has been increased from the original six to seven.

Parallel to the standardization, automation and consolidation of sites, there are also plans to reduce the number of employees, whereby this aim is to be achieved through various reduction and transition instruments such as early retirement arrangements, severance payments, external transfers and transfers within the Group.

As a result, the main cost items such as personnel costs, IT support costs and rental expenses are expected to fall steadily. This will improve the operating result, with customers shouldering only part of the cost.

Nevertheless, the Company expects to continue to record a loss in the coming years as a result of migration costs and the wage and salary levels of employees, which are relatively

high compared with market levels. Neither of these disadvantages will be passed on to the customer in full.

Reducing process diversity and complexity in accounting will make a significant contribution to the introduction of an enterprise resource planning (ERP) platform, which will play a major part in improving Group management and significantly reducing IT costs.

With a view to improving quality and transparency and ensuring deadline requirements are met optimally and changes within the Group are reflected in the accounting system, accounting functions will be managed from a single source in future.

Starting in 2011, the functions of consolidation, financial statement preparation, financial accounting and IT requirements management throughout Germany will be rolled into one and provided under the auspices of DeTeAccounting.

Improvements will be made by standardizing guidelines and procedures, applying the specialist knowledge that exists throughout the Group, concentrating the same tasks in one place, bridging process gaps and creating clear responsibility structures.

This will lead to increased revenues in the coming years due to the broader business mandate. At the same time, DeTeAccounting's operational loss will rise by a further EUR 70 million in 2011 owing to the takeover of new business areas. This loss will fall dramatically in years to come as a result of optimization measures.

4.2. Opportunities and risks

DeTeAccounting is integrated into the risk management system of Deutsche Telekom AG.

During the migration phase through 2012 there continues to be a slight risk with regard to the timely restructuring of target sites, the loss of know-how from people leaving the Company unexpectedly as a result of functions being transferred to other locations, as well as with regard to the quality of accounting and financial reporting activities during the centralization and harmonization of processes.

The pending reorganization and harmonization measures are, however, necessary to increase productivity with the aim of establishing a high-performance accounting function in the Telekom Group while, at the same time, reducing costs.

As DeTeAccounting is not dependent on external customers, functioning as an internal service provider, there is no risk with regard to the continuation of customer relationships or the loss of significant business.

As part of the One Company Project (OCP), the fixed-network business of Deutsche Telekom AG and the mobile communications business of T-Mobile Deutschland GmbH were merged into one entity (Telekom Deutschland GmbH). The associated legal procedures will also be mapped in the ERP systems. The consolidation and modification of systems will require a number of process changes at DeTeAccounting, too. Possible risks include reductions in quality and efficiency. Furthermore, the new business model may result in additional entry volumes.

4.3 Risks to continued existence

As a result of the successful establishment of DeTeAccounting in the previous financial year including all customer relationships and business processes, and owing to the control and profit and loss transfer agreement in place with Deutsche Telekom AG, there are currently no risks endangering the continued existence of DeTeAccounting.

Annual financial statements for the financial year

from January 1 to December 31, 2010

Deutsche Telekom Accounting GmbH, Bonn

Balance sheet as of December 31, 2010

Assets

	Dec. 31, 2010	Dec. 31, 2009
	€	€
A. Noncurrent assets		
I. Intangible assets		
Software licenses	9.656,00	18.348,00
II. Property, plant and equipment		
Operating and office equipment	128.400,00	121.148,00
III. Financial assets		
Investments in subsidiaries	127.140,56	108.180,56
	265.196,56	247.676,56
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	417.980,36	238.489,09
2. Receivables from subsidiaries (of which: from the shareholder € 32,652,038.16; Dec. 31, 2009 € 30,662,532.63)	33.729.910,90	31.460.661,76
3. Other assets	140.556,95	4.092.768,52
	34.288.448,21	35.791.919,37
C. Prepaid expenses and deferred charges	31.018,68	78.653,19
D. Difference between plan assets and partial retirement liabilities	169.686,70	0,00
	34.754.350,15	36.118.249,12

Shareholders' equity and liabilities

	Dec. 31, 2010	Dec. 31, 2009
	€	€
A. Shareholders' equity		
I. Capital stock	100.000,00	100.000,00
B. Accruals		
1. Accruals for pensions and similar obligations	19.665.444,00	18.696.686,23
2. Other accruals	9.456.369,22	14.027.286,24
	29.121.813,22	32.723.972,47
C. Liabilities		
1. Trade accounts payable	455.507,65	218.966,60
2. Payables to subsidiaries (of which: to the shareholder € 2,728,435.45; Dec. 31, 2009: € 863,277.08)	3.230.134,86	1.269.857,99
3. Other liabilities (of which: from taxes € 435,978.22; Dec. 31, 2009: € 537,751.60) (of which: from social security € 1,028,636.34; Dec. 31, 2009: € 876,996.26)	1.846.894,42	1.805.452,06
	5.532.536,93	3.294.276,65
	34.754.350,15	36.118.249,12

Deutsche Telekom Accounting GmbH, Bonn

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

	2010	2009
	€	€
1. Net revenue	103.127.340,90	97.376.875,13
2. Other operating income	1.675.342,65	7.184.092,26
	104.802.683,55	104.560.967,39
3. Goods and services purchased Expenses relating to goods and services purchased	-40.211.093,67	-41.147.456,59
4. Personnel costs		
a) Wages and salaries	-35.365.179,81	-36.931.145,21
b) Social security contributions and expenses for pension plans and benefits (of which: for old age pensions € 1,920,427.16; prior year € 3,084,702.40)	-6.765.211,43	-8.305.048,92
5. Depreciation, amortization and write-downs	-62.755,98	-55.785,94
6. Other operating expenses	-33.269.096,57	-39.606.859,13
7. Other interest and similar income (of which: from subsidiaries € 48,065.99; prior year € 110,189.63)	108.212,41	287.903,06
8. Interest and similar expenses (of which: to subsidiaries € 450,72; prior year € 1,302.32)	-1.307.563,72	-1.384,69
9. Results from ordinary business activities	-12.070.005,22	-21.198.810,03
10. Extraordinary expenses	-146.440,00	0,00
11. Loss transferred under the terms of a profit and loss transfer agreement	12.216.445,22	21.198.810,03
12. Net income	0,00	0,00

Notes to the financial statements

Summary of accounting policies

Description of business activities

Deutsche Telekom Accounting GmbH (hereinafter referred to as "DeTeAccounting") provides accounting services. The object of the Company is to develop, operate and market customer and industry-specific solutions in the field of operational financial accounting (asset accounting, accounts receivable, accounts payable, inventories, etc.). This also includes services in the area of information and data processing as well the complete provision of information management as a service package within the aforementioned areas of operational financial accounting.

The Company's sole shareholder is Deutsche Telekom AG, Bonn. Its capital stock amounts to EUR 100,000.

The Company 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 DeTeAccounting and Deutsche Telekom AG.

DeTeAccounting and Deutsche Telekom AG form a consolidated tax group for VAT and income tax purposes.

Together with T-Systems Beteiligungsverwaltungsgesellschaft mbH, Frankfurt/Main, DeTeAccounting is a shareholder of Deutsche Telekom Shared Services s.r.o., Bratislava (hereinafter also referred to as "DeTe Shared Services"). DeTeAccounting owns a EUR 19,250 stake in the company, or 96.25 percent of its capital stock.

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.

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 first-time adoption of the German Accounting Law Modernization Act are significant and necessary for a better understanding of the figures, these transactions are presented separately in the notes to the individual items in the balance sheet and the statement of income.

Summary of significant accounting principles

The annual financial statements and the management report of DeTeAccounting 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*) and the current articles of association.

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 euros (EUR/€). The financial year is the calendar year.

Certain items have been combined in the balance sheet and the statement of income in order to make the financial statements more informative and understandable. These items are presented separately or described in detail in the notes. In conformity with international practice, reporting begins with the statement of income.

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

No separate consolidated financial statements have been prepared, in accordance with § 291 (1) and (2) HGB.

Accounting policies

Net revenue includes all revenues from the rendering of services that are typical for DeTeAccounting and thus result from the ordinary business activities of DeTeAccounting. This largely includes revenue from the area of operational financial accounting (assets accounting, accounts receivable, accounts payable, inventories, etc.).

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.

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

DeTeAccounting does not exercise its option to recognize internally generated intangible assets (§248 (2) HGB).

Property, plant and equipment is valued at acquisition or production cost, less depreciation. Write-downs to the lower of cost or market value are charged if an impairment of assets is assumed to be permanent.

The following table shows the main depreciation, amortization and write-down periods used for noncurrent assets:

	Years
Intangible assets	3 to 7
Property, plant and equipment	
Other equipment	5 to 30
Operating and office equipment	3 to 20

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.

Additions to movable items of property, plant and equipment are depreciated ratably from 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.

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. Write-downs are charged only if the impairment of financial assets is assumed to be permanent.

Receivables, other assets, and prepaid expenses and deferred charges are carried at their nominal value. Individual risks are accounted for through appropriate valuation adjustments.

Accruals for pensions and similar obligations are based on obligations to employees. 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). 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 15th in each reporting year up to December 31, 2024 at the latest.

The **accruals for partial retirement obligations** are 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). These plan assets 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 outstanding settlement amount for partial retirement obligations is offset against the plan assets. Any excess of plan assets over the outstanding settlement amount 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 distribution in accordance with § 268 (8) HGB.

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

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.

Any obligations arising from participation in the mid-term incentive plans (MTIP) of the parent company are recognized as cash-settled plans in the statement of income from the time of their implementation. The amount recognized as an accrual to be expensed is calculated according to the Monte Carlo model. The MTIP is tied to two equally weighted, stock-based performance parameters – one absolute and one relative. If both performance targets are achieved, then the total amount of the award is paid out to plan participants; if only one performance target is achieved, 50 percent of the amount is paid out; and if neither performance target is achieved, no payment is made.

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

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.

Notes to the statement of income

1 Net revenue

Revenue by geographic area

thousands of €	2010	2009
Domestic		
Deutsche Telekom AG*	18,879	69,615
PASM Power and Air Condition Solution Management GmbH & Co KG	7,911	4,456
T-Systems International GmbH	7,086	9,697
Telekom Deutschland GmbH*	60,749	3,185
Telekom Shop Vertriebsgesellschaft mbH	2,100	2,131
DFMG Deutsche Funkturm GmbH	1,952	2,385
DeTeFleet Services GmbH	1,800	1,388
T-Systems GEI GmbH	642	325
Vivento Customer Services GmbH	590	1,018
T-Systems Solutions for Research GmbH	84	42
operational services GmbH & Co.KG	84	41
T-Systems DDM GmbH	37	0
Other	109	72
	101,023	94,355
International		
T-Systems Austria GmbH	120	60
T-Systems Schweiz AG	92	56
T-Systems France SAS	90	45
T-Systems Limited	84	42
T-Systems ITC Iberia S.A.	84	42
T-Systems Czech Republic a.s.	44	0
T-Systems Nederland B.V.	30	15
T-Systems Slovakia s.r.o.	18	9
Other	5	0
	567	269
Group-internal customers	101,590	94,624
External customers	1,537	2,753
Total net revenue	103,127	97,377

*The T-Home business area of Deutsche Telekom AG was transferred to T-Mobile Deutschland GmbH by way of a spin-off with accounting effect as of January 1, 2010. Since March 30, 2010, it has operated as Telekom Deutschland GmbH.

Net revenue in the 2010 financial year increased by EUR 5,750 thousand on the prior year. Revenue in the financial year is mainly calculated according to a quantity and complexity-based model.

Revenue was generated in Germany and abroad.

2 Other operating income

thousands of €	2010	2009
Transfer of personnel costs	1,277	640
Income from the reversal of accruals	226	376
Other income	172	98
Income from the use of accruals for contingent losses	0	6,070
	1,675	7,184

There was no need to recognize an accrual for contingency losses as of December 31, 2010. Thus, no income from the utilization of these accruals was recorded in 2010. As a result, other operating income fell by EUR 6,070 thousand. By contrast, other operating income from the transfer of personnel costs increased as more employee leasing (totaling EUR 482 thousand) was billed and EUR 154 thousand more was paid to DeTeAccounting GmbH for assistance funds for partial retirement agreements.

In the reporting year, income from the reversal of accruals largely included income from the reversal of accruals for outstanding invoices (EUR 56 thousand) and income from the reversal of vacation accruals from 2009 (EUR 149 thousand).

Other operating income includes EUR 226 thousand from the reversal of accruals from other accounting periods and EUR 8 thousand from the write-off of liabilities.

3 Goods and services purchased

thousands of €	2010	2009
Services purchased		
IT services framework agreement	37,741	39,415
Accounting services for Deutsche Telekom Shared Services s.r.o.	1,414	430
Financial reporting services	1,055	1,080
Other services	1	222
	40,211	41,147

In the reporting year, the cost of goods and services purchased decreased by a total of EUR 936 thousand to EUR 40,211 thousand. This was largely the result of lower IT costs. Conversely, accounting services purchased from Deutsche Telekom Shared Services s.r.o. increased.

The IT service agreement between DeTeAccounting and Deutsche Telekom's RCI unit covers, among other things, the provision of services in the areas of process management, project management, system operations and application management for selected financial accounting systems.

DeTeAccounting provides operational financial accounting services and some financial reporting services for its customers. As such, DeTeAccounting is solely responsible for operational financial accounting activities. Financial reporting services, by contrast, are performed by Deutsche Telekom's RCI/AGG unit, which acts as a subcontractor of DeTeAccounting.

4 Personnel costs/employees

thousands of €	2010	2009
Wages and salaries	35,365	36,931
Social security contributions and expenses for pension plans and benefits	6,765	8,305
Social security contributions	4,594	4,941
Expenses for pension plans and benefits	2,171	3,364
	42,130	45,236

Personnel costs decreased by a total of EUR 3,106 thousand year-on-year. This was predominantly due to a decrease in employee numbers and to the appointment of new staff on lower salaries. Additionally as of the reporting year, interest expenses relating to pension accruals are no longer included under expenses for pension plans and benefits and is instead included under interest expense due to the application of the BilMoG.

Personnel costs include costs attributable to other accounting periods totaling EUR 118 thousand.

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

	2010	2009
Non-civil servants	637	597
Employees on temporary leave from civil servant status	94	96
Trainees and student interns	0	0

5 Depreciation, amortization and write-downs.

thousands of €	2010	2009
Depreciation and amortization		
Amortization of intangible assets	18	11
Depreciation of property, plant and equipment	45	45
	63	56

EUR 18 thousand of the amortization of intangible assets related to the amortization of software products (2009: EUR 11 thousand).

Depreciation of property, plant and equipment amounted to EUR 45 thousand (2009: EUR 45 thousand) and was attributable to the depreciation of operating and office equipment.

6 Other operating expenses

thousands of €	2010	2009
Loan and temporary staff	16,431	20,271
Rental and leasing expenses	6,608	7,819
IT support	3,972	5,215
Other personnel costs	3,432	3,670
Cost of personnel administration and personnel management	1,556	1,401
Training and development	1,278	1,599
Other personnel costs	304	375
Expenses for events and conferences	294	295
Travel expenses	1,100	934
Telephony costs	319	304
Year-end closing and audit costs	287	304
Legal and consulting fees	269	460
Office material	170	297
Insurances	75	76
Maintenance and repair costs	43	206
Other expenses	563	51
	33,269	39,607

Costs arising from loan and temporary staff decreased by EUR 3,840 year-on-year, largely due to the return to employment of assigned civil servants.

The decrease in rental and leasing expenses resulted primarily from the reduction in the number of office locations and the number of employees.

IT support expenses relate chiefly to the cost of providing and maintaining workstation systems (EUR 2,218 thousand) and the cost of scanning services from Vivento Customer Services GmbH (EUR 1,318 thousand).

7 Financial income (expense), net

thousands of €	2010	2009
Other interest and similar income	108	288
of which: excess arising from the difference between plan assets and partial retirement liabilities	48	0
of which: from subsidiaries	48	110
Interest and similar expenses	1,307	1
of which: to subsidiaries	-	1
of which: from interest added back to accruals	1,307	0
Net interest expense	1,199	287

Interest income totaling EUR 108 thousand chiefly includes interest income from the cash management account with Deutsche Telekom AG (EUR 48 thousand; prior year: EUR 110 thousand) as well as the excess arising from the difference between plan assets and partial retirement liabilities (EUR 48 thousand).

Interest expense was attributable to interest added back to accruals totaling EUR 1,307 thousand. €.

8 Extraordinary income (expense)

In the 2010 financial year, an addition of EUR 146 thousand was recognized under extraordinary expenses in accordance with the transitional provision for the introduction of the BilMoG and the change in the measurement of pension accruals.

10 Appropriation of income

The Company's loss before loss transfers amounted to EUR 12,216 thousand and was transferred to Deutsche Telekom AG under the profit and loss transfer agreement in place.

Notes to the balance sheet

11 Noncurrent assets

The year-on-year increase in **intangible assets** of EUR 9 thousand was mainly due to the purchase of software modules for general ledger accounting.

As of the balance sheet date, **financial assets** had risen by EUR 15 thousand compared with December 31, 2009 (capital increase at Deutsche Telekom Shared Services s.r.o., Bratislava, in February 2010).

Statement of noncurrent assets

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

12 Receivables and other assets

thousands of €	Dec. 31, 2010	Dec. 31, 2009
Trade receivables from third parties	418	238
Receivables from subsidiaries	33,730	31,461
of which: receivables from the shareholder	32,652	30,663
of which: from cash pooling	32,644	30,373
of which: trade receivables	8	290
of which: trade receivables from other subsidiaries	1,057	798
of which: other receivables from other subsidiaries	21	0
Other assets	141	4,093
	34,289	35,792

Receivables from subsidiaries largely comprise receivables from Group-internal cash pooling (EUR 32,644 thousand; December 31, 2009: EUR 30,373 thousand), and Group-internal trade receivables (EUR 1,065 thousand; December 31, 2009: EUR 1,088 thousand).

The year-on-year reduction in other assets (EUR 3,952 thousand) chiefly relates to the offsetting of plan assets for insolvency protection against accruals for partial retirement (introduction of the BilMoG).

13 Prepaid expenses and deferred charges

Prepaid expenses and deferred charges of EUR 31 thousand (December 31, 2009: EUR 79 thousand) primarily included deferred costs amounting to EUR 30 thousand for external training measures.

14 Difference between plan assets and partial retirement liabilities

The difference between plan assets and partial retirement liabilities results from the offsetting of assets that were transferred to a trust to protect claims from partial retirement obligations under the Contractual Trust Agreement (CTA) against the corresponding liabilities. The fair value of the CTA assets invested in securities (EUR 4,095 thousand) and the CTA balances yet to be invested in securities (EUR 13 thousand) fully covered DeTeAccounting's discounted outstanding settlement amounts to employees on partial retirement arrangements of EUR 3,938 thousand as of the balance sheet date of December 31, 2010.

The amount of expenses and income netted in the income statement in the 2010 reporting year in connection with fluctuations in the value of the CTA assets and the interest added back to the netted outstanding settlement amounts comprises interest expenses of EUR 92 thousand from interest on outstanding settlement amounts and write-ups of CTA assets of EUR 140 thousand.

The historical cost of the CTA assets already invested in securities is EUR 3,955 thousand.

15 Capital stock

The capital stock of DeTeAccounting GmbH remained unchanged at EUR 100,000.00 as of December 31, 2010. All shares are held by Deutsche Telekom AG.

16 Restriction on distribution pursuant to § 268 (8) HGB

The distribution and transfer restriction amount is set out in the following table:

€	Dec 31, 2010
Plan assets	
CTA assets	
Costs of purchase	3,954,607.92
Fair value	4,095,027.20
Fair value excess	140,419.28
Distribution and transfer restriction amount	140,419.28

17 Pensions and similar obligations

For the purposes of commercial law, pension accruals were recognized in accordance with § 6a 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) EGHGB) of BilMoG.

Pension accruals not included in the balance sheet as a consequence of the transitional provisions of BilMoG amounted to EUR 1,121,474 as of December 31, 2010.

The calculation was based on the following assumptions at the respective reporting date:

%	Dec. 31, 2010
Notional interest rate	5.16 p.a.
Projected salary increase for employees outside collective agreements	3,5 p.a.
Projected salary increase, other	3.25 p.a.
Projected pension increase	1.5% p.a.
Fluctuation	4.0% p.a.

Pension obligations are recognized using the 2005 G life expectancy tables published by Dr. 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:

thousands of €	Dec. 31, 2010	Dec. 31, 2009
Direct pension obligations	19,665	18,697
	19,665	18,697

18 Other accruals

thousands of €	Dec. 31, 2010	Dec. 31, 2009
Employee benefits		
Management bonuses	4,782	4,687
Partial retirement arrangement	2,622	7,332
Accruals for leave entitlements	638	642
Vacation accruals	410	584
Severance payments	400	0
Anniversary accruals	110	115
Other personnel costs	62	215
	9,014	13,575
Other obligations		
Outstanding invoices	275	332
Audit and consulting fees	66	90
Litigation risks	50	0
Miscellaneous other accruals	51	30
	442	452

The accrual for partial retirement decreased due to the offsetting of CTA assets amounting to EUR 3,938 thousand. The accrual originally amounted to EUR 6,560 thousand.

DeTeAccounting made use of the option to retain the higher carrying amount of the accrual under the transitional provision of BilMoG. If the option to retain the higher carrying amount is waived, the excess of other accruals amounts to EUR 16 thousand.

19 Liabilities

thousands of €	Dec. 31 2010				Dec. 31, 2009			
	Total	of which: with a remaining maturity of			Total	of which: with a remaining maturity of		
		≤ 1 year	> 1 ≤ 5 years	> 5 years		≤ 1 year	> 1 ≤ 5 years	> 5 years
Trade accounts payable	456	456			219	219		
Payables to subsidiaries	3,230	3,230			1,270	1,270		
of which: to the shareholder	2,728	2,728			863	863		
Other liabilities	1,847	1,016	738	93	1,805	1,087	553	165
of which: from taxes	436	436			538	538		
of which: from social security	1,029	198	738	93	877	159	553	165
Total liabilities	5,533	4,702	738	93	3,294	2,576	553	165

The increase in **payables to subsidiaries** of EUR 1,960 thousand was primarily due to the fact that internal cost charging was stopped early. Liabilities to subsidiaries amounting to EUR 3,230 thousand are made up entirely of trade accounts payable.

Tax liabilities contain wage tax liabilities for December 2010.

Other disclosures

20 Guarantees and commitments, and other financial obligations

Other financial obligations (pursuant to § 285 No. 3 HGB) to subsidiaries amounted to EUR 53,073 thousand (prior year EUR 54,279). They relate, above all, to obligations from the IT service framework agreements and rental costs for real estate and IT equipment (workstation systems). Of the total obligations, EUR 47,239 thousand is due within one year (prior year EUR 48,420 thousand).

Year	Framework agreement IT services	Rental costs and PABXs	Flat rates for workstation systems
2011	39,115	5,797	2,327
2012	0	1,503	4,331
2013	0	0	0
2014	0	0	0
2016	0	0	0
2016 and after	0	0	0
	39,115	7,300	6,658

In accordance with the framework agreement with DTAG regarding the leasing of premises, DeTeAccounting is entitled to return premises that are no longer needed to DTAG subject to a notice period of six weeks to the end of the quarter. The obligations from rental costs for real estate are reported for a full year under other financial obligations as the Company assumes it will continue to use the rented premises beyond this time.

No disclosure requirements exist pursuant to § 285 No. 3 HGB.

21 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.

22 Disclosures on related-party transactions

Subsidiaries. DeTeAccounting GmbH conducts transactions with many subsidiaries. These transactions are carried out under normal market conditions.

Related individuals No major transactions took place.

23 Statement of investment holdings in accordance with § 285 No.11 and 11a HGB

Name and registered office	Direct %	Total nominal value	Curr- ency	Shareholders' equity*	Net income/net loss (-)*	Curr- ency
1. Subsidiaries						
Deutsche Telekom Shared Services s.r.o., Bratislava	96.25	20,000	EUR	161,871.28	40,705.02	EUR

*IFRS values for the 2010 financial year

24 Executive bodies of the Company

Board of Directors

1. Guido Jonen, Director, Chairman of the Board of Directors, Director of Finance and Human Resources
2. Arne Freund, Director of Operations

In accordance with § 286 (4) HGB, management remuneration need not be disclosed.

Supervisory Board

The following persons are members of the Supervisory Board of DeTeAccounting:

Dr. Guillaume Maisondieu, Chairman; Senior Vice President, Group Accounting & Customer Finance, Deutsche Telekom AG, Bonn

Dieter Cazzonelli, Senior Vice President, Taxes, Deutsche Telekom AG, Bonn

Ernst-Heinrich Theilmann, Deputy Chairman (employee representative); member of the Works Council of DeTeAccounting, Bonn, released from active duty for works council purposes

Bonn, February 7, 2011

Deutsche Telekom Accounting GmbH

Guido Jonen

Arne Freund

Statement of noncurrent assets

	Acquisition costs				Depreciation, amortization and write-downs				Net carrying amounts	Net carrying amounts
	Dec. 1, 2010	Additions	Disposals	Dec. 31, 2010	Jan. 1, 2010	Additions	Disposals	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009
	€	€	€	€	€	€	€	€	€	€
I. Intangible assets										
Software licenses	84.912,90	9.205,00	0,00	94.117,90	66.564,90	17.897,00	0,00	84.461,90	9.656,00	18.348,00
II. Property, plant and equipment										
Operating and office equipment	293.410,87	52.110,98	3.514,13	342.007,72	172.262,87	44.858,98	3.514,13	213.607,72	128.400,00	121.148,00
III. Financial assets										
Investments in subsidiaries	108.180,56	18.960,00	0,00	127.140,56	0,00	0,00	0,00	0,00	127.140,56	108.180,56
	486.504,33	80.275,98	3.514,13	563.266,18	238.827,77	62.755,98	3.514,13	298.069,62	265.196,56	247.676,56

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 Deutsche Telekom Accounting GmbH, Bonn for the financial year January 1 to December 31, 2010. 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

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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 of the German Commercial Code (*Handelsgesetzbuch* – HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland

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(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 account-

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ing-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 an assessment of the accounting

principles used and significant estimates made by the Company's management, as well as an evalu-

ation of the overall presentation of the annual financial statements and the management report. We

believe that our audit provides a reasonable basis for our opinion.

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Our audit has not led to any reservations.

In our opinion, based on our findings from our audit, the annual financial statements are in line

with statutory requirements and give a true and fair view of the net assets, financial position, and

results of operations of the Company in accordance with German principles of proper accounting.

The management report is consistent with the annual financial statements and as a whole provides

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a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 8, 2011

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

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Verena Heineke

ppa. Melanie Züнкler

Wirtschaftsprüferin

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