

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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DeTeAssekuranz Deutsche Telekom
Assekuranz-Vermittlungsgesellschaft mbH
Monheim

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

Auditors' report

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from January 1, 2009, to December 31, 2009

Auditors' report

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

Management report for the 2009 financial year

Business developments

Business development in 2009 was comparable with the previous year. The goal of continual further expansion of the business areas continued to prove difficult. The overall targets – revenue and profit before taxes – set by the budget were once again slightly exceeded in this financial year. The existing group insurance programs were continued in 2009 according to the strategic specifications of Group Headquarters. DeTeAssekuranz Deutsche Telekom Assekuranz-Vermittlungsgesellschaft mbH supports all foreign and domestic companies of the Deutsche Telekom Group. The support of foreign companies through local partners with which there are corresponding contractual agreements was continued and further expanded in the 2009 financial year. For the pillars, there is separate, specific basic cover up to a maximum insured amount of EUR 25 million for the property insurance program, which is in turn an integral part of the Group-wide program. Individual insurance policies with an annual premium in excess of EUR 100 thousand are maintained as net basis contracts. The brokerage commissions are billed to the respective companies based on service agreements.

Insurance premiums decreased in the year under review as expected in particular in the areas of property/business interruption and terror and especially with respect to insurance for private automobiles, whereas premium levels in the areas of liability and D&O insurance only decreased slightly. Although its portfolio remained stable, there was a further decrease in premiums in the automobile line of the private insurance business compared to 2007 as a result of high competition among insurers. The trend appears to show that insurance premiums will reach bottom starting in 2010 and in some cases even begin to rise again. Following the conclusion of the renewal negotiations for the Group-wide programs, the development of premiums for the coming year can be presented as follows: premiums for property and business interruption insurance as well as terror coverage remain stable, because insurers agreed to long-term price stability until 2012 (until 2013 for the terror line of business). Moderate decreases in premiums of approximately 5 percent for D&O and liability insurance policies will mark these business lines' success in the coming year. In contrast, fidelity guarantee insurance policies will develop in the opposite direction. Premium increases of around EUR 200 thousand are expected as a result of striking loss experience. However, as a result of the introduction of deductibles for managing directors and senior management for D&O insurance, the general conditions will change starting in 2010, resulting in additional insurance to cover these deductibles. This will certainly have an influence on premiums in this line of business, the extent of which cannot be determined yet.

The remaining premium decreases and associated income losses can only be mitigated, but not be completely compensated in the policy contracts for 2010. Therefore, increases in revenue must be generated from new policies and the further expansion of coverage. The shareholding acquired by DTAG in the Greek company OTE (Hellenic Telecommunications Organization S.A.), which had become vacant in the current financial year, offers potential to generate further revenues even despite the hurdles which must still be overcome as a result of the Greek partners' mentality. Maintaining existing levels in the external corporate and private insurance businesses will also continue to be difficult in the next financial year. Presumably, the full effects of the current general economic recession will not be felt in the insurance business in the coming financial year. However, the insurers are expected to take a tougher stance in future renewal negotiations with an aim to realizing higher premiums.

Income from the supplementary health insurance in this financial year is comparable to 2008 and is contributing significantly to the successful development of the corporate business product group. The portion of revenue attributable to transactions for third parties was increased as a result of the sale of DeTelImmobilien to STRABAG (Austria). Budgeted revenue expected from transactions for third parties were once again exceeded in 2009 as a result of this positive development, among other things. In 2010, DKV will replace HUK-Coburg as a partner for supplementary health insurance. The Group expects potential savings of at least EUR 7 million over the next 3 years as a result of this change. The Company expects EUR 500 thousand in additional income from adjusted, ongoing portfolio management

commissions as well as additional initial commissions for up to 8,000 civil servants from new temporary leaves of absence to Deutschland AG (approximately 5,000) and the intended incorporation of civil servants granted special temporary leave status (*Insichbeurlaubung*) in the supplementary health insurance (approximately 3,000).

The CRP segment was also carried by the electronic insurance in 2009. This time, the intended budget target was far exceeded. The electronic and cell phone insurance which is offered in this product group and marketed over the T-Punkt outlets profited greatly from the success in selling premium iPhone devices. With over 51,000 units, the sale of this device more than doubled compared to the previous year. It is easier to broker an insurance policy for electronic equipment to customers for such a high-quality product than for a simple cell phone. With 95 percent of the concluded policies, the iPhone is the sole revenue driver of this segment. This level must be maintained and further expanded in the future. This goal can only be achieved, however, if the sales partners continue to expand their current and necessary level of engagement, and also promote this product to customers for other high-quality devices, such as laptops or telephone systems.

New capital life and pure pension insurance policies continue to be difficult to broker. The number of Riester policies concluded fell by nearly 50 percent year-on-year. As for the reason, we can only speculate that the acceptance of this type of old age pension still has not reached the necessary level. This product range continues to be affected by a generally poor market level. Health insurance products held steady with a number of contracts concluded comparable to the 2008 financial year. This was supported by specifically targeting potential customers and using the new broker software OASIS. Neither direct approaches by personnel in the branch offices and companies, nor the widespread distribution of informational material has so far generated a serious response.

In order to improve customer service and the quality of consultation, the Company restructured its private customer center (formerly PKC) from a pure inbound customer center (incoming questions were processed) to outbound sales (where the customer center will approach potential customers). The efficient use of resources with the available customer data (in accordance with the EU directive on insurance mediation) provides the product group Personnel with further momentum. The internal goal of 4,000 brokered private policies (excluding automobile policies) was far exceeded with around 4,760 policies concluded.

Development of net assets and results of operations

Total assets have decreased year-on-year. This can be attributed to a smaller number of trade receivables and trade payables recognized due to invoice timing and the reporting (cut-off) date as well as the invoicing of subsidiaries. As in the previous year, receivables from subsidiaries include mainly cash pool credits with Telekom, and liabilities to subsidiaries include almost exclusively liabilities from the transfer of net income.

Revenue planned for 2009 in the amount of EUR 11,030 thousand were exceeded with EUR 12,220 thousand.

Budgeted profit before taxes in the amount of EUR 4,300 thousand was exceeded with EUR 4,861 thousand.

Personnel expenses increased compared to 2008 financial year. This can be explained by the increase in personnel and the continually increasing provisions for old age pensions, including partial retirement, as well as for the MTIP program. The number of employees increased to 67 in the year under review (including part-time employees), 2 of which being managing directors. Wages were increased in the current financial year in accordance with the Telekom collective agreement. The Telekom wage settlement was also approved for the 2010 financial year.

The increase in expenditures within the total cost pool compared to 2008 with respect to advertising costs is based on the late invoicing of marketing support expenses on the part of T-Punkt and is to be regarded as a non-recurring effect, as well as the current support for marketing costs from the sale of insurance policies for electronic devices for the successful iPhone. However, these are offset by greater revenue in the CRP segment. The modernization of the Company's own intranet/Internet presence by T-Systems, which was supposed to have been implemented in the previous year, also impacts this cost item. Foreign travel expenses incurred were also higher as a result of necessary on-site attendance and difficult

consultations with regard to the consolidation of the new investment in Greece (OTE). A significant collapse in interest income was also recorded in the year under review. Only around EUR 90 thousand of the budget target of EUR 400 thousand was achieved due to the financial and economic crisis, to which the ECB reacted by drastically lowering key interest rates. Interest rates are expected to rise slightly again for 2010, but whether the budget target of EUR 150 thousand can be achieved depends on how much key interest rates are raised.

Deutsche Telekom maintains a Mid-Term Incentive Plan (MTIP). Those employees who occupy eligible positions and are specified for participation are eligible to participate in the plan. The payout to participants at the end of the plan as well as the costs for plan administration are charged to the respective company. The partners' meeting approved the Company's continuation of the Deutsche Telekom MTIP in 2009, since participation continues to be in the company's interest.

Outlook, opportunities and risks

With regard to ongoing transactions and transactions currently being prepared, there are no developments which could jeopardize the Company as a going concern. The Company is integrated in the Group-wide risk management system. The risks ensuing from brokerage activities and from the sale of financial services are sufficiently countered by internal control mechanisms and the existing pure financial loss/liability insurance policy.

Revenue should be generated in the amount of EUR 11,600 thousand in 2010, and EUR 11,700 thousand in 2011.

**Annual financial statements for the financial year
from January 1 to December 31, 2009**

Balance sheet as of December 31, 2009

Assets

	Dec. 31, 2009	Dec. 31, 2008
	€	€
A. NONCURRENT ASSETS		
I. Intangible assets		
Software	48,746.25	156,297.25
II. Property, plant and equipment		
Other equipment, plant and office equipment	164,787.75	147,414.75
	213,534.00	303,712.00
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	163,872.66	15,774.83
2. Receivables from subsidiaries (of which, from the shareholder € 8,293,954.16; prior year € 8,712,948.11)	8,293,954.16	8,712,948.11
3. Other assets	83,384.95	74,507.89
	8,541,211.77	8,803,230.83
II. Cash in hand	550.87	847.23
	8,541,762.64	8,804,078.06
C. Prepaid expenses	147.44	147.44
	8,755,444.08	9,107,937.50

	Liabilities and shareholders' equity	
	Dec. 31, 2009	Dec. 31, 2008
	€	€
A. SHAREHOLDERS' EQUITY	1,000,000.00	1,000,000.00
Capital stock		
B. Accruals	1,874,514.00	1,679,408.00
1. Pension accruals	660,249.18	662,986.20
2. Other accruals		
	2,534,763.18	2,342,394.20
C. Liabilities		
(All liabilities have a remaining term of up to one year)		
1. Trade accounts payable	4,122.99	160,807.91
2. Payables to subsidiaries (of which, to the shareholder € 4,860,535.34; (prior year: € 5,264,109.35)	4,863,091.71	5,268,213.55
3. Other liabilities (of which, from taxes € 173,941.04; prior year € 171,493.78)	174,476.93	172,204.05
	5,041,691.63	5,601,225.51
D. Deferred income	178,989.27	164,317.79
	8,755,444.08	9,107,937.50

Statement of noncurrent assets as of December 31, 2009

		Development of acquisition costs			
		Jan. 1, 2009	Additions	Disposals	Dec. 31, 2009
I.	Intangible assets Software	€ 447,025.61	€ 6,640.34	€ 0.00	€ 453,665.95
II.	Property, plant and equipment Other equipment, plant and office equipment	693,246.22	61,041.57	22,798.74	731,489.05
		1,140,271.83	67,681.91	22,798.74	1,185,155.00

Changes in depreciation, amortization and write-downs				Residual value
Jan. 1, 2009	Additions	Disposals	Dec. 31, 2009	Dec. 31, 2009
€	€	€	€	€
290,728.36	114,191.34	0.00	404,919.70	48,746.25
545,831.47	43,668.57	22,798.74	566,701.30	164,787.75
836,559.83	157,859.91	22,798.74	971,621.00	213,534.00

DeTeAssekuranz Deutsche Telekom
Assekuranz-Vermittlungsgesellschaft mbH, Monheim

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

	2009	2008
	€	€
1. Net revenue	12,220,489.62	11,754,526.13
2. Other operating income	54,649.59	49,606.92
	12,275,139.21	11,804,133.05
3. Personnel costs		
a) Wages and salaries	4,482,107.74	4,116,509.36
b) Social security and expenses for pension plans for employees (of which, for old age pensions €215,667.01; prior year €186,040.84)	685,324.43	623,863.11
	5,167,432.17	4,740,372.47
4. Depreciation, amortization and write-downs.	157,859.91	166,561.73
5. Other operating expenses	2,178,622.43	2,052,829.98
	7,503,914.51	6,959,764.18
6. Other interest and similar income (of which, from subsidiaries [shareholder] €89,518.59; prior year €417,087.01)	89,518.59	417,087.01
7. Interest and similar expenses (of which, to subsidiaries [shareholder] €207.95; prior year €335.01)	207.95	335.01
8. Results from ordinary business activities	4,860,535.34	5,261,120.87
9. Profit transferred under the terms of a profit and loss transfer agreement	4,860,535.34	5,261,120.87
10. Net profit/loss	0.00	0.00

Monheim, January 15, 2009

Andreas Mauerer

Gerhard Nelke

Auditors' report

We have audited the annual financial statements, consisting of the balance sheet and statement of income, together with the bookkeeping system, and the management report of DeTeAssekuranz Deutsche Telekom Assekuranz-Vermittlungsgesellschaft mbH, Monheim, for the financial year from January 1 to December 31, 2009. The bookkeeping and the preparation of the annual financial statements and the management report in accordance with German commercial law for stock corporations and with application of exemptions provided under § 264 (3) HGB (permitting the Company to forego preparation of notes to the financial statements) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the results of our audit, the annual financial statements correspond to statutory requirements. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

We were not able to assess conclusively at the completion of our audit whether the exemption provided under § 264 (3) HGB (waiver of notes to the annual financial statements) was properly applied, because the requirements under no. 3 (inclusion in the consolidated financial statements of the parent company) and no. 4 (disclosure of the exemption in the notes to the consolidated financial statements prepared and published by the parent company and announcement of the exemption in the electronic Federal Gazette), according to their nature, can only be fulfilled at a later date.

Düsseldorf, January 11, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Tandetzki
Wirtschaftsprüfer (German Public Auditor)

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