Auditor’s Report

PASM Power and Air Condition Solution Management
GmbH & Co. KG
München

Annual Financial Statements as of December 31, 2011

The English version of the report is a translation of the German version of the report. The German version of the report is legally binding.

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Annual Financial Statements as of December 31, 2011

PASM Power and Air Condition Solution Management GmbH & Co. KG, Munich
Balance sheet (HGB) as of December 31, 2011

Assets	Dec. 31, 2011 EUR	EUR	Dec. 31, 2010 TEUR
A. Fixed assets			
I. Intangible assets			
Software licenses	56.913,53		8
		56.913,53	8
II. Tangible assets			
1. Technical equipment, plant and machinery	450.743.862,48		423.637
2. Operational and office equipment	43.800,15		34
3. Construction in progress	18.909.307,24		27.350
		469.696.969,87	451.021
		469.753.883,40	451.029
B. Current assets			
I. Inventories			
1. Raw materials and supplies	6.433.826,53		6.434
2. Unfinished products/services	296.357,59		6373
		6.730.184,12	12.807
II. Receivables and other assets			
1. Trade accounts receivable	427.036,91		178
2. Accounts due from affiliated companies	35.291.011,32		32.846
3. Accounts due from partners	846.223,10		13.793
4. Other assets	3.401.180,04		11.196
		39.965.451,37	58.013
		46.695.635,49	70.820
C. Deferred charges and prepaid expenses	763.623,00		728
		763.623,00	728
		517.213.141,89	522.577

Equity and liabilities	Dec. 31, 2011 EUR	EUR	Dec. 31, 2010 TEUR
A. Equity			
I. Capital holdings			
Limited liability (Kommandit contributions) Fixed capital	10.025.000,00		10.025
II. Reserves	126.090.109,35		262.995
		136.115.109,35	273.020
B. Provisions			
1. Provisions for pensions and similar obligations	1.369.382,00		973
2. Tax provisions	4.232.517,17		1.367
3. Other provisions	108.107.863,65		90.181
		113.709.762,82	92.521
C. Liabilities			
1. Liabilities due to banks	1.055,00		0
2. Advance payments received on account of orders	6.421,65		5.739
3. Trade accounts payable	27.411.914,79		39.743
4. Accounts due to affiliated companies	118.846.147,19		101.093
5. Accounts due to partners	111.765.150,92		376
6. Other liabilities	6.112.300,57		5.113
Thereof: for taxes EUR 6,101,144.06 (prior year TEUR 5,113)			
Thereof: for social security EUR 0.00 (prior year TEUR 0)			
		264.142.990,12	152.064
D. Deferred income	3.245.279,60		4972
		3.245.279,60	4.972
		517.213.141,89	522.577

PASM Power and Air Condition Solution Management GmbH & Co. KG, Munich
Income statement (HGB) for the period January 1 through December 31, 2011

		2011 EUR	EUR	2010 EUR	EUR
1.	Revenues	811.792.155,08		718.142.096,84	
2.	Cost of sales	-737.581.849,59		-664.906.018,49	
3.	**Gross profit**		**74.210.305,49**		**53.236.078,35**
4.	Selling costs	-2.202.399,07		-2.181.911,27	
5.	General administrative expenses	-17.642.662,87		-21.243.094,70	
6.	Other operating income	18.281.644,29		31.250.460,95	
7.	Other operating expenses	-1.400.743,54		-115.074.593,28	
			-2.964.161,19		-107.249.138,30
8.	Other interest and similar income	64.999,41		17.124,75	
	Thereof: from affiliated companies TEUR	(19 TEUR)		(17 TEUR)	
9.	Interest and similar expenses	-4.581.462,92		-8.064.893,45	
	Thereof: to affiliated companies TEUR	(4.426 TEUR)		(6.453 TEUR)	
			-4.516.463,51		-8.047.768,70
10.	**Result of ordinary operations**		**66.729.680,79**		**-62.060.828,65**
11.	Exceptional income	0,00		71.047,10	
12.	Exceptional expenses	-32.917,00		-32.917,00	
			-32.917,00		38.130,10
13.	**Exceptional result**		**66.696.763,79**		**-62.022.698,55**
14.	Taxes on income	-3.601.726,36		-608.484,60	
			-3.601.726,36		-608.484,60
15.	**Net loss / net income**		**63.095.037,43**		**-62.631.183,15**
16.	Debit / credit in the reserve account		-63.095.037,43		62.631.183,15
17.	**Result after appropriation statement / cumulative profit**		**0,00**		**0,00**

PASM Power and Air Condition Solution Management GmbH & Co. KG, Munich

Notes to the Financial Statements for the Financial Year 2011

Principles and methods.

Description of the business activities.

PASM Power and Air Condition Solution Management GmbH & Co. KG (referred to in the following as PASM KG or the Company) provides electrical products within the Deutsche Telekom Group which are required by the divisions and individual companies of Deutsche Telekom AG, Bonn (referred to in the following as DTAG) for operating their technical facilities. At the same time, PASM KG is responsible for supplying all domestic Group entities with electrical power and other energy types, or for arranging such power and energy types to be delivered. DTAG transferred all facilities of secure energy supply (Gesicherte Energieversorgung (GEV) and air conditioning technology (Raumlufttechnik (RLT)), which are designed to supply technical premises, to PASM KG by way of singular succession in accordance with the terms of the contribution agreement of December 30, 2004.

On the basis of the application of September 16, 2004, the Hauptzollamt (Main Customs Office) Munich provided the Company with corresponding permission with letters dated October 22, 2004 for supplying power as a utility in accordance with Section 4 (1) and (2) Stromsteuergesetz (Electricity Tax Act) as well as the tax-privileged consumption of electricity as a manufacturing company in accordance with Section 9 Stromsteuergesetz.

When the compressed air monitoring facilities were transferred from DTAG to PASM KG in 2008, PASM KG assumed operator responsibility for these facilities and thus extended its product portfolio. In addition, with the expansion of its business objective in 2008, and in its capacity as a competent principal, the Company places orders with STRABAG Property and Facility Services GmbH for technical facility management services for further technical facilities from the portfolio of the Deutsche Telekom Group.

The Company belongs to the DTAG Group as a result of the partner position which existed as of the balance sheet date. DTAG and DeTe Immobilie, Deutsche Telekom Immobilie und Service GmbH (referred to in the following as DTI) founded the Company as of August 02, 2004. With the notarial purchase and assignation agreement of December 18, 2007 and with effect from the same date, DTI transferred its 100 % holding in the general partner (Komplementärin) PASM GmbH to DTAG. In addition to this indirect participation via the general partner, DTAG has also held a direct participation as a limited partner (Kommanditistin) since the original establishment of PASM KG.

The subscribed capital of the general partner PASM GmbH is stated as T€ 25. The registered offices of PASM GmbH are in Bonn.

Accounting principles.

The annual financial statements of PASM KG are prepared in accordance with the regulations of the German Commercial Code (HGB) and in the version of the BilMoG applicable for large corporations in accordance with Section 267 (3) HGB and the current version of the articles of incorporation.

The balance sheet and income statement comply with the structure regulations of Sections 266 and 275 HGB, whereby the income statement is structured using the cost of sales method in accordance with Section 275 (3) HGB. The financial year is defined as the calendar year.

If individual items in the balance sheet and income statement have been pooled in order to improve overall clarity and transparency, a separate explanation or a detailed description has been included in the notes to the financial statements. In line with standard international practice, reporting commences with the income statement.

The annual financial statements of PASM KG are included in the consolidated financial statements of Deutsche Telekom AG, Bonn, as the ultimate parent company. In accordance with Section 315a HGB, the consolidated financial statements and the Group management report of Deutsche Telekom AG, Bonn, (also referred to in the following as DTAG) are prepared using EU-compliant IFRS. The consolidated financial statements and the Group management report are published in the Federal Gazette and can also be accessed via the website of the corporate register of DTAG.

Accounting policies.

The revenues which are disclosed comprise all revenues that are generated in connection with the rendering of typical services for the Company and from the sale of products that are typical for the Company, and which thus result from the ordinary business activities of PASM KG. This essentially comprises revenues from providing availability products and delivering power in the DTAG Group.

The revenues are stated exclusive of turnover tax and are reduced by revenue reductions. In line with the principle of realization, revenues are recognized in the relevant period to which they relate.

The retirement benefit costs comprise costs incurred in connection with payments into the pension provisions for the employees. The pension obligations are established in accordance with the projected unit credit method (following modification by the BilMoG). The Company exercises the option provided in Art. 67 (1) Clause (1) EGHGB by accumulating at least 1/15th of the shortfall of the pension obligations resulting from the revaluation or reclassification in each financial year until no later than December 31, 2024.

The costs of taxes on income comprise the taxes on income which have to be paid directly, i.e. trade tax. PASM KG does not exercise its option for creating deferred tax assets in accordance with Section 274 (1) HGB (following modification by the BilMoG).

Purchased intangible assets are measured with their cost of purchase and are depreciated over their respective useful lives.

PASM KG does not exercise the option of capitalizing self-created intangible assets (Section 248 (2) HGB).

Tangible assets are measured at acquisition cost or production cost less depreciation. The costs of production comprise the directly attributable costs as well as proportionate material and production overheads. Interest on borrowings is not capitalized. If any reduction in value is probably of a permanent nature, impairments are recognized to reduce the value of the asset to its lower fair value.

Depreciation is recognized using the straight-line method. The underlying standard useful lives are based on an assessment of the individual operation, taking account of technical as well as financial factors; they are mainly ten years in the case of technical tangible assets.

As a result of the Accounting Law Modernization Act coming into force, it will no longer be permissible for deprecation which is allowed solely under tax law to be recognized in the commercial law financial statements. PASM KG exercises the option of retaining the previous figures in accordance with Section 67 (4) Clause 1 EGHGB. The residual carrying amount attained as of December 31, 2009 will subsequently, namely from January 1, 2010 onwards, be written down over the remaining useful life using the straight-line method.

The additions to movable tangible assets are depreciated on a pro-rata basis starting in the year in which the assets are acquired.

Assets of minor value (for tax purposes: Minor value assets) were, until December 31, 2007, written off in full in the year of acquisition and shown as a disposal. Since January 1, 2008, assets with costs of purchase or costs of production which do not exceed € 150 have been written off immediately in the year of acquisition. If the costs of purchase or costs of production are more than € 150 but not more than € 1,000, the assets are capitalized in annual collective items which overall are of minor significance and depreciated over a period of five years. At the point at which these assets are completely written down, they are recorded as disposals in the schedule of assets.

Fixed assets, when they are sold or otherwise disposed of, are derecognized with their respective carrying amounts (costs of purchase or costs of production less cumulative depreciation). A profit or loss arising from an asset disposal is recognized in the income statement for the difference between the proceeds of the sale and the carrying amount of the asset.

Raw materials and supplies are recognized with a fixed value. The most recent physical inventory was carried out in 2009. The work-in-progress is measured at costs of production. The costs of production, on the basis of scheduled capacity utilization, comprise the directly attributable individual costs such as material and wage costs as well as special individual costs of production plus reasonable proportionate material and production overheads as well as depreciation. The general administrative expenses and selling costs, interest on borrowings as well as costs of social facilities of the operation, for voluntary social services and the company pension scheme are not recognized in the costs of production.

In accordance with Section 240 (3) HGB, equivalent inventory assets which are regularly replaced and the value of which is of minor importance for the Company are shown with a fixed value. The size, value and composition of the inventories are subject to only minor changes.

Receivables, other assets, liquid assets, deferred charges and prepaid expenses are shown with their nominal amount. Appropriate allowances in relation to the receivables are recognized in order to take account of individual risks. A global allowance was not necessary.

For the sake of simplicity, foreign currency assets are converted using the spot mid-rate at the time at which the assets are acquired. The offer rate is used for conversion purposes only if the figure which results from the spot mid-rate being used for conversion purposes differs considerably from the figure which would result if the offer rate were to be used for conversion purposes. In accordance with Section 256 a HGB, subsequent measurement uses the spot mid-rate of the balance sheet reference date, with due consideration being given to the cost of purchase principle (Section 253 (1) Clause 1 HGB) and the principle of realization (Section 252 (1) No. 4 Semi-Clause 2 HGB). Short-term items with a remaining term of less than one year are always measured using the spot mid-rate.

In accordance with Section 266 (2) Letter C HGB, the deferred charges and prepaid expenses are shown as a separate item. They are recalculated as of every closing date.

Provisions for pensions and similar obligations are attributable to obligations to employees. They are calculated in accordance with actuarial principles using the projected unit credit method, with due consideration being given to the 2005 G mortality tables of Prof. Dr. Klaus Heubeck. Anticipated future increases in salaries and pensions are also taken into consideration for this purpose. The interest rate for establishing the present value of the pension obligations is equivalent to the average market rate of the previous seven years which is published by the Deutsche Bundesbank and which is applicable for an assumed remaining term of 15 years (Section 253 (2) Clause 2 HGB).

The Company exercises the option provided in Art. 67 (1) Clause (1) EGHGB by accumulating at least 1/15th of the shortfall of the pension obligations resulting from the revaluation or reclassification in each financial year until no later than December 31, 2024.

The semi-retirement provisions are measured with their present value in accordance with actuarial principles.

The tax provisions as well as the other provisions, including provisions for potential losses of pending transactions and provisions for environmental risks are shown with their settlement amount calculated in accordance with the principles of the judgment of a prudent businessman. Due consideration is given to all recognizable risks for determining the extent of these provisions. The price and cost increases which are likely to take place in the meantime are taken into consideration.

Provisions with a remaining term of more than one year are discounted as of the reference date using the rate announced by the Deutsche Bundesbank. The average market rate of the past seven financial years is used for this purpose.

If the introduction of the BilMoG and the resultant valuation changes mean that it becomes necessary for provisions to be reversed, the Company utilizes the option to retain a higher value if the amount to be reversed would have to be paid back into provisions by December 31, 2024 (Art. 67 (1) Clause 2 EGHGB). On the other hand, if the changed valuation resulted in an increase in the value of the provision which has been created, this additional amount was recognized as exceptional expense in the income statement in the year in which the BilMoG is initially applied in accordance with Art. 67 (7) EGHGB.

Liabilities are shown in the settlement amount.

For the sake of simplicity, foreign currency liabilities are converted using the spot mid-rate at the time at which the liabilities are taken on. The bid rate is used for conversion purposes only if the value resulting from liabilities being converted using the spot mid-rate differs significantly from the value which would result from the liabilities being converted with the bid rate. In accordance with Section 256a HGB, subsequent valuation is based on the spot mid-rate of the balance sheet date with due consideration being given to the principle of imparity (Section 252 (1) No. 4 Semi-Clause 2 HGB). Short-term items with a remaining term of less than one year are always measured using the spot mid-rate of the balance sheet date.

Scope for discretion.

When it prepares the financial statements, the Company must make assessments and assumptions which affect the figures shown for assets and liabilities, the disclosure of risks and uncertainty with regard to the assets and liabilities which are recognized as of the closing date as well as the costs and income items for the reporting period. The actual results may differ from these assessments.

Notes to the income statement.

1 Revenues.

Revenues broken down according to area of activity.

T€	2011	2010
Revenue product availability with utilization ratio and order value	590,675	519,676
Revenue from office electricity and other electricity deliveries	165,348	155,311
Revenues of other technology products	35,472	24,095
Revenues from electricity tax	20,297	19,060
Revenues total	811,792	718,142

In the course of the financial year, the revenues increased by T€ 93,650 compared with the prior year. This was due mainly to the onward charging of the premiums under the EEG (Erneuerbare Energien Gesetz; Renewable Energies Act) as well as an increase in volumes with Telekom Deutschland GmbH. The revenues are generated exclusively within Germany.

Revenues broken down according to customers.

T€	2011	2010
Deutsche Telekom AG	10,403	2,645
Abroad		
Telekom Deutschland GmbH (formerly T-Home, organizational entity of DTAG)	576,209	512,285
Telekom Deutschland GmbH (formerly T-Mobile)	29,198	26,524
DFMG, Deutsche Funkturm GmbH	74,479	66,844
GMG, Generalmietgesellschaft mbH	52,814	42,387
T-Systems International GmbH	62,269	57,760
I.T.E.N.O.S. International Telecom Network Operation Services GmbH	4,306	6,123
T-Systems DDM GmbH	344	941
Other Group companies	561	1,002
Other third parties	1,209	1,631
	811,792	718,142

2 Changes in inventories and other capitalized own work.

T€	2011	2010
Changes in work in progress	(6,077)	6,373
Other capitalized own work	403	382
	(5,674)	6,755

3 Cost of sales.

T€	2011	2010
Electricity costs incl. ancillary costs	454,035	393,764
Maintenance, repair and, in the broader sense of the term, operating facilities	175,045	180,295
Depreciation on tangible assets	92,161	86,932
Electricity controlling / energy management	5,636	6,203
Other	5,031	4,467
Less change in inventories (see 2.)	5,674	(6,755)
	737,582	664,906

The item electricity costs includes a figure of T€ 7,363 for electricity costs in prior years (2010: T€ 3,067).

4 Selling costs.

T€	2011	2010
Personnel expenses, sales	1,621	1,703
Other selling costs	581	479
	2,202	2,182

5 General administrative expenses.

T€	2011	2010
Finance and controlling	6,902	9,909
Management and communication	2,666	2,910
Other costs of general administration	8,075	8,424
	17,643	21,243
Thereof:		
Service agreements, accunting/personnel	*6,043*	*8,225*
Inventory costs	*292*	*392*
Insurance policies	*510*	*552*
Auditor's fees for preparing and auditing financial statements	*274*	*445*
Consultancy fees	*505*	*129*
Personnel expenses	*2,421*	*3,075*
IT expenses	*7,004*	*7,403*

6 Other operating income.

T€	2011	2010
Income from the reversal of provisions	4,044	13,012
Income from adjustments to provisions for deconstructioning obligations	0	2,650
Income due to derecognition of electricity tax liabilities for prior years	0	2,278
Income from refund of electricity tax 2009	0	793
Income from purchasing services	0	349
Income from sales of facilities	590	1,164
Income from credit notes for electricity billing attributable to other periods	11,429	8,290
Income from insurance claims	160	317
Income from cost refunds	165	888
Gross profit STRABAG	0	861
Subsequent capitalization DLÜA from 2010	482	0
Income from other energy types to GMG	388	0
Other operating income	1024	648
	18,282	31,250

The income from the reversal of provisions mainly comprises the reversal of the provision for potential losses for gross profit (T€ 2,655; 2010: T€ 0).

The figure of T€ 511 (2010: T€ 753) shown for income from asset disposals mainly comprises income from an asset sale of stand-by power systems.

In the year under review, a figure of T€ 11,429 included in other operating income relates to other periods (2010: T€ 11,360). This mainly comprises credit notes for electricity purchasing attributable to other periods.

7 Other operating expenses.

T€	2011	2010
Costs resulting from derecognition of electricity tax receivable	0	85,021
Electricity tax expense attributable to other periods	0	20,847
Addition to provisions for electricity tax prior years	0	2,912
Addition to provisions for deconstructioning obligation	615	2,248
Addition to provision for other risks	0	2,655
Losses from asset disposals	631	1,284
Other expenses	155	108
	1,401	115,075

Of the figure shown for other operating expenses in the year under review, a total of T€ 31 was attributable to other periods (2010: T€ 108,790).

8 Cost of materials.

T€	2011	2010
Costs of raw materials and supplies and of purchased products	452,631	392,309
Costs of purchased services	182,086	187,953
	634,717	580,262

9 Personnel expenses / employees.

T€	2011	2010
Wages and salaries	6,229	6,855
Social security, pension and other benefit costs		
Social security	555	537
Pension benefit costs of employees	599	670
Other benefit costs	23	185
	7,406	8,247

The reduction of personnel expenses was due to an excessive formed provision for variable compensation within the prior year.

The average number of employees (excl. managing directors) has developed as follows:

Number	2011	2010
Employees (excl. managing directors)	92.5	93
Thereof: Full time	*81.5*	*82.75*
Thereof: Part time	*11*	*10.25*

10 Depreciation on tangible assets and intangible assets.

T€	2011	2010
Depreciation		
Depreciation on intangible assets	11	6
Depreciation on tangible assets	91,278	86,928
	91,289	88,944
Impairments in accordance with		
Section (3) Clause 3 HGB	875	0
	875	0

In the year under review, the depreciation on tangible assets mainly related to technical equipment, plant and machinery, namely T€ 91,234 (2010: T€ 86,912) (in particular secure energy supply and air conditioning technology).

Of the figure shown for impairments in the year under review, T€ 875 (2010: T€ 0) was attributable to impairments recognized in order to reduce the value of assets in data centers of T-Systems to their lower fair value.

11 Financial result.

T€	2011	2010
Other interest and similar income	65	17
Thereof: From affiliated companies	*19*	*17*
Interest and similar expenses	4,581	8,065
Thereof: To affiliated companies	*4,426*	*6,453*
Thereof: From discounting provisions	*139*	*584*
	(4,516)	(8,048)

The negative net interest income was mainly attributable to interest expenses for financial liabilities (T€ 2,846; 2010: T€ 5,358) and within the framework of the Group's internal cash pooling arrangement (T€ 1,204; 2010:T€ 688) as well as the onward charging of guarantee commission (T€ 373; 2010: T€ 403).

12 Exceptional result.

An additional amount of € 32,917.00 (2010: T€ 33) was also recognized in exceptional expenses in the financial year 2011 in accordance with the transitional regulation for the introduction of the BilMoG and the changed valuation of the provisions for pensions.

13 Taxes.

T€	2011	2010
Taxes on income	3,602	608

The taxes on income mainly comprise the trade tax from the year 2011.

14 Appropriation of result.

In accordance with the terms of the articles of incorporation, the result of the current financial year, which shows a profit of T€ 63,095 (2010: loss of T€ 62,631), was netted against additional paid-in capital as a result of the prior year losses.

Notes to the balance sheet.

15 Fixed assets.

The increase of T€ 18,676 in **tangible assets** compared with December 31, 2010 is mainly attributable to additional construction expense of IP Core locations and the increased capitalization of new acquisitions of main consumer lines.

Investments in tangible assets in the financial year 2011 amounted to a total of T€ 112,191 (2010: T€ 82,632). The increase is mainly attributable to the increased capitalization of main consumer lines and the IP Core expansion program and new generation network. The investments focused particularly on the facilities of secure energy supply and the air conditioning technology.

Schedule of assets

		Acquisition and production costs					
	T€	As of Jan 1, 2011	Additions	Disposals	Disposals from transfers of group companies	Reclassifications	As of Dec 31, 2011
I.	Intangible assets						
	Software licenses	18	59	0	0	0	77
		18	59	0	0	0	77
II	Tangible assets						
1.	Technical equipment, plant and machinery	1,010,144	94,900	(5,462)	(2,678)	25,677	1,122,581
2.	Operational and office equipment	85	54	(17)	0	0	122
3.	Construction in progress	27,350	17,236	0	0	(25,677)	18,909
		1,037,579	112,190	(5,479)	(2,678)	0	1,141,612
Total fixed assets		1,037,597	112,249	(5,479)	(2,678)	0	1,141,689

		Depreciation			Carrying amounts	
As of Jan 1, 2011	Additions	Disposals	Disposals from transfers to group companies	As of Dec 31, 2011	As of Dec 31, 2011	As of Dec 31, 2010
9	11	0	0	20	57	8
9	11	0	0	20	57	8
586,507	92,109	(4,293)	(2,486)	671,837	450,744	423,637
51	44	(17)	0	78	44	34
0	0	0	0	0	18,909	27,350
586,558	92,153	(4,310)	(2,486)	671,915	469,697	451,021
586,567	92,164	(4,310)	(2,486)	671,935	469,754	451,029

16 Inventories.

T€	Dec 31, 2011	Dec 31, 2010
Raw materials and supplies	6,434	6,434
Unfinished products, unfinished services	296	6,373
	6,730	12,807

The raw materials and supplies consist exclusively of diesel and heating oil inventories for emergency stand-by power systems. The **unfinished services** mainly relate to building projects for data centers of T-Systems International GmbH.

17 Receivables.

T€	Dec 31, 2011	Dec 31, 2010
Trade accounts receivable	427	178
Thereof: With a remaining term of more than one year	0	0
Accounts due from affiliated companies	35,291	32,846
Thereof: WIth a remaining term of more than one year	0	0
Accounts due from partner	846	13.793
Thereof: With a remaining term of more than one year	0	0
Other assets	0	11,196
	36,564	58,013

The accounts due from affiliated companies **and partners** comprise trade accounts receivable.

18 Other assets.

T€	Dec 31, 2011	Dec 31, 2010
Receivables from taxes	510	819
Miscellanous other assets	2,891	10,377
	3,401	11,196

The decline in other assets compared with December 31, 2010 is mainly due to the decline in creditors with a debit balance (T€ 2,547; December 31, 2010: T€ 8,792). The other assets also include receivables of T€ 344 arising from security payments to third parties (2010: T€ 1,584).

The receivables of T€ 344 included in the other assets (December 31, 2010 T€ 1,585) all have a remaining term of less than one year.

19 Deferred charges and prepaid expenses.

This item of T€ 764 (December 31, 2010: T€ 728) comprises costs accrued for structured procurement of electricity.

20 Equity.

T€	Dec 31, 2011	Dec 31, 2010
Fixed capital	10,025	10,025
Reserves	126,090	262,995
Appropriation of profit/loss	63,095	*(62,631)*
Net loss/net income	63,095	*(62,631)*
	136,115	273,020

The equity declined by T€ 136,905 compared with 2010. The change is due to a capital reduction of T€ 200,000 (2010: T€ 0) and also to the result of the current financial year. The profit of T€ 63,095 (December 31, 2010: loss of T€ 62,631) was netted against the reserves.

Fixed capital.

The fixed capital of PASM KG amounted to T€ 10,025 as of December 31, 2011 (December 31, 2010: T€ 10,025), and corresponds to the limited partner’s capital contribution (Kommanditeinlage).

Reserves.

The reserves are attributable to non-cash contributions of the partner Deutsche Telekom AG to fixed assets in the financial year 2005 (T€ 327,762) less the capital repayment in 2011 (T€ 200,000), less the balance of prior year profits/losses (T€ 64,767) plus the profit for 2011).

21 Provisions for pensions and similar obligations.

A pension provision under commercial law was created in accordance with Section 6a EStG up to December 31, 2009. With the introduction of the Accounting Law Modernization Act as of January 1, 2010, the pension provisions have been measured since that time using the projected unit credit method. The additional amount resulting from the changed valuation of the pension provisions is spread over 15 years in accordance with the transitional regulations (Art. 67 (1) EGHGB) of the BilMoG.

The amount of pension provisions not shown in the balance sheet as a result of the transitional regulations of the BilMoG was T€ 428 as of December 31, 20101 (December 31, 2010: T€ 461).

The calculation was based on the following assumptions as of the respective reference date:

in %	Dec. 31, 2011	Dec. 31, 2010
Discount rate	5.13	5.16
Salary trend (outside collective bargaining / other)	2.75/2.75	3.5/3.25
Pension trend	1.5	1.5

The pension obligations are measured using the 2005 G Heubeck mortality tables.

The actuarial appraisals identified the following figures for the pension obligations shown in the balance sheet as of the respective closing date:

T€	Dec. 31, 2011	Dec. 31, 2010
Direct pension obligations	1,369	973
Indirect pension obligations	0	0
	1,369	973

The increase in the provisions compared with December 31, 2010 simply reflects the increased average age. The remaining additional payment in accordance with Art. 67 (1) EGHGB amounted to T€ 428 as of December 31, 2011 (December 31, 2010: T€ 461).

22 Tax provisions.

T€	Dec 31, 2011	Dec 31, 2010
Trade income tax	4,233	0
Other taxes	0	1,367
	4,233	1,367

The increase in the tax provisions compared with December 31, 2010 is mainly attributable to the payment into the provision for the tax.

23 Other provisions.

T€	Dec 31, 2011	Dec 31, 2010
Personnel provisions		
Semi-retirement	87	126
Miscellaneous obligations	1,541	1,943
Other obligations		

Outstanding invoices for electricity costs	54,965	41,489
Deconstructioning obligations on non-owned land	38,962	39,296
Compensation obligation gross profit guarantee for STRABAG PFS	0	2,655
Risk provision batteries	1,623	0
Failure to carry out maintenance, to be performed in Q1	109	171
Outstanding invoices building costs STRABAG PFS	7,041	557
Recalculation of electricity tax due to tax audit	3,421	3,421
Miscellaneous other provisions	359	523
	108,108	90,181

The semi-retirement provision declined as a result of the passive phase which had been attained.

The lower provisions for other personnel obligations compared with December 31, 2010 are mainly due to the excessively high provision created for variable compensation in 2010.

The provisions for outstanding invoices from electricity costs increased compared with the financial year 2010 mainly due to higher premiums under the EEG (Renewable Energies Act).

The other obligations also mainly comprise provisions for deconstructioning obligations. PASM KG takes advantage of the option of retaining the higher value shown for provisions within the provisional regulations of the BilMoG. If this option to retain the higher figure had not been utilized, there would have been a reversal for the miscellaneous other provisions of T€ 14,968 in 2011 (December 31, 2010: T€ 15,152).

A risk provision for batteries was also created. An increased explosion risk and thus a potential risk to personnel has resulted in connection with Aquagen plugs which were applied in batteries in order to achieve savings in terms of maintenance work in the years 2009/2010. These aquagen plugs will now have to be completely replaced in order to avoid this risk to personnel and also to assure availability.

24 Liabilities.

	Dec 31, 2011				Dec 31, 2010			
		Thereof with a remaining term				Thereof with a remaining term		
T€	Total	Less than 1 year	More than 1 year and up to 5 years	More than 5 years	Total	Less than 1 year	More than 1 year and up to 5 years	More than 5 years
Other liabilities								
Liabilities due to banks	1	1	0	0	0	0	0	0
Advance payments received on account of orders	6	6	0	0	5,739	5,739	0	0
Trade accounts payable	27,412	27,138	274	0	39,743	39,743	0	0
Accounts due to affiliated companies	118,847	18,847	100,000	0	101,093	1,093	100,000	0

Accounts due to partner	111,765	111,765	0	0	376	376	0	0
Other liabilities	6,112	6,112	0	0	5,113	5,113	0	0
Thereof: For taxes	*6,101*	*6,101*	*0*	*0*	*5,113*	*5,113*	*0*	*0*
Thereof: For social security	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
	264,143	163,869	100,274	0	152,064	52,064	100,000	0

The accounts due to affiliated companies mainly comprise the liabilities due to DeTeFinance (T€ 100,850; December 31, 2010: T€ 100,852) and are based on a loan of T€ 100,000.

The accounts due from the partner amounted to T€ 111,765 (December 31, 2010: T€ 376).

The liabilities from taxes comprise VAT liabilities of T€ 1,728 (December 31, 2010: T€ 1,443), electricity tax liabilities of T€ 4,275 (December 31, 2010: T€ 3,585) and income tax liabilities of T€ 99 (December 31,2010: T€ 85).

25 Deferred income.

This item of T€ 3,245 (December 31, 2010: T€ 4,972) consists entirely of a premium paid out in relation to the extended loan of DeTeFinance.

26 Deferred taxes.

In 2011, there is an asset overhang in the case of the deferred taxes. The Company has not used the resultant option for recognizing the deferred taxes as provided for in Section 274 (1) HGB.

The deferred tax assets are attributable to the following:

T€	Difference Dec 31, 2011	Deferred tax	Difference Dec 31, 2010	Deferred tax
Figures shown in balance sheet for				
Receivables due from third parties (impairment)	5	1	0	0
Liabilities from warranty retentions	48	8	47	7
Semi-retirement provisions (<= 1 year)	0	0	1	0
Provisions for failure to carry out maintenance	109	18	170	26
Provisions for pensions	64	10	74	12
Semi-retirement provisions (> 1 year)	4	1	10	2
Provisions for staff bonus programs	13	2	14	2
Provisions for deconstructioning obligations	18,550	2,992	18,001	2,824
Provisions for potential losses	0	0	2,655	417

Deferred tax assets in relation to loss carry-forwards				
Loss carry-forwards from current tax calculation	32,943	5,314	57,569	9,033
Loss carry-forwards for tax audit issues (tax audit risks)	0	0	9,239	1,450
Deferred tax assets, net	51,736	8,346	87,780	13,773

The calculation is based on a tax rate of 16.13 % (2010: 15.69%). Deferred tax assets have been recognized in relation to trade tax loss carry forwards of T€ 32,943 (December 31, 2010: T€ 57,569). Tax relief is expected within five years.

Other information.

27 Contingencies and other financial obligations.

T€	Dec 31, 2011	Dec 31, 2010
Contingencies	583,600	682,600
Thereof: Due to partners	*583,600*	*682,600*
Other financial obligations	374,022	382,999
Thereof: Due to affiliated companies	*457*	*461*

Under **contingencies,** the Company discloses a miscellaneous contingency with regard to the partner DTAG in the amount of € 583.6 (2010: 682.6 million). In the framework purchasing agreement DTAG – DTI (now STRABAG PFS), DTAG provided a gross profit guarantee which has to be settled internally within the Group on the basis of the agreement between DTAG and PASM KG.

Based on current planning, the risk of this gross profit guarantee being utilized for the years 2011 to 2013 is classified as being mostly unlikely. The provision created for these years has been reversed for this reason. On the other hand, the risk for the following years is considered to be minor.

There are also **other financial obligations** in the form of contractual obligations with regard to clients in the amount of T€ 374,022 (2010: T€ 382,999). These are spread over a period of three years, and relate to obligations for electricity products (T€ 336,900; 2010: T€ 373,819), obligations for purchasing tangible assets (T€ 36,665; 2010: T€ 8,719) and rent payments in the Group (T€ 457; 2010: T€ 461).

PASM KG has also entered into contract fulfillment guarantees for liabilities arising from electricity purchasing for the purpose of securing the payment claim. Group guarantees of T€ 105,600 (2010: T€ 163,600) have been issued. There is also a bank guarantee of T€ 310 (2010: T€ 310).

There are no off-balance-sheet transactions in accordance with Section 285 No. 3 HGB.

The Company has concluded forward transactions within the framework of structured electricity purchasing to cover its electricity requirement of subsequent years. Electricity products (forwards) concluded on the EEX (exchange) have been used as the basis for hedging a future purchasing value of T€ 322,517 (2010: T€ 324,263). In accordance with Section 285 No. 19 HGB, the fair value of the forwards on December 31, 2011 was calculated as T€ 306,143 (2010: T€ 284,163 on the basis of current market values.

28 Fees and services of the auditors.

In accordance with Section 285 No. 17 HGB, the total fee charged by the auditors for the financial year is included in the corresponding information in the notes to the consolidated financial statements.

29 Information concerning transactions with related parties.

Affiliated companies. PASM KG maintains business relations with numerous affiliated companies. The transactions are carried out on an arm's length basis.

Related companies and natural related persons. No major transactions have taken place with other related companies and natural related persons in 2011.

30 Executive bodies of the Company.

Management.

In its capacity as the general partner, PASM GmbH is authorized and obliged to manage the business of PASM KG.

Management of PASM GmbH consists of the following persons:

Dipl-Ing Univ. Götz Wolf, Chairman of management since September 08, 2004, commercial activities.

Dipl.-Ing. Willi Hoffmann, Managing director since June 13, 2005, technical activities, stepped down on February 28, 2011.

Dipl.-Ing. Peter Kaden, Managing director since March 1, 2011, technical activities.

The general partner (Komplementärin) alone is authorized and obliged to represent the Company.

In accordance with Section 286 (4) HGB, the emolument of management is not disclosed.

Supervisory Board.

The Company has a Supervisory Board consisting of three members, who waived any entitlement to emoluments - as was the case in 2010 - for 2011.

The Supervisory Board consists of the following members:

Dr. Bruno Jacobfeuerborn, Chairman of the Supervisory Board since March 9, 2010, member of the Supervisory Board since October 29, 2009, Director Technology, Telekom Deutschland GmbH

Albert Matheis, Deputy Chairman of the Supervisory Board since March 9, 2010, member of the Supervisory Board since October 29, 2009, Senior Vice President, Functional Controlling MT (F-CT), Telekom Deutschland GmbH

Wolf-Thilo Junkes, Member of the Supervisory Board since March 16, 2006, Senior Vice President, Corporate Real Estate Management, Deutsche Telekom AG

Dr. Volker Pyrtek, Member of the Supervisory Board since December 12, 2008, stepped down on September 30, 2011, Chief Procurement Officer Deutsche Telekom AG

Miscellaneous.

No advances or loans have been extended to members of the executive bodies as well as former members of the executive bodies. The Company has also not taken on any contingencies for the benefit of this group of persons (Section 285 No. 9c HGB).

Munich, February 16, 2012

Management

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of the PASM Power and Air Condition Solution Management GmbH & Co. KG, München, for the business year from January 1 to December 31 2011. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and supplementary articles of incorporation as well as the exemption in accordance with Section 264b HGB [Handelsgesetzbuch: German Commercial Code] are the responsibility of the Company's Managing Directors of the managing corporate general partner. 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 Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 (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 significant estimates made by the Company's Managing Directors of the managing corporate general partner, as well as 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 supplementary articles of incorporation 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.

At the point at which our audit was concluded, it was not possible to assess definitively whether the exemptions in accordance with Section 264b HGB had been properly utilized because it was only possible for the criteria of No. 2 (inclusion in the consolidated financial statements of the parent company) and No. 3a (disclosure of the exemption in the notes to the consolidated financial statements prepared and disclosed by the parent company), of their very nature, to be satisfied at a later date.

Munich, February 16, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Fell	ppa. Alexander Fiedler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Engagement Terms, Liability and Conditions of Use

We, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purpose only. It is not intended for any other purpose or to serve as a decision-making basis for third parties.

Our work is based on our engagement letter for the audit of these financial statements and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on January 1 2002.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have conducted a written agreement to the contrary with the respective third party.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – expecially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2)["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

Non-binding draft, subject to change and additions!

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgernent of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client

b) examination of tax assessments in relation to the taxes mentioned in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)

e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax

b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and

c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisities nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.