

T-Mobile Deutschland GmbH

Bonn

Annual financial statements, management report and statement of investment holdings according to § 285 HGB (German Commercial Code) for the 2006 financial year

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Short-Form Audit Report

T-Mobile Deutschland GmbH
Bonn

Annual Financial Statements as of December 31, 2006
and Management Report for Financial Year 2006

Auditors' Report

[Translation - the German text is authoritative]

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2006 Management Report

A. Development of Business

Strong growth of the German economy

According to preliminary calculations by the Federal Statistical Office, the German economy, adjusted for inflation, grew by a strong 2.5% in 2006. In contrast to the two prior years, however, domestic utilization contributed considerably more to growth in gross domestic product (+1.7 percentage points) than the external component did (+0.7 percentage points). Domestically, not only was there greater investment, but also more consumption. Following two years of virtual stagnation, private consumption increased by 0.6%.

T-Mobile remains the market leader

The slight shift in market shares on the mobile communications market to the benefit of E-Plus and O2 continued in 2006. The German mobile communications market showed growth of 8.3% to approximately 85.7 million cards (subscribers) in 2006. This equals a penetration rate of around 104 mobile subscribers per 100 residents (prior year 96).

T-Mobile Deutschland further expanded its customer base in 2006. Of the total of 1,435 thousand new customers gained net, 797 thousand signed a T-Mobile contract. Overall, the number of T-Mobile Deutschland customers rose from 29.5 million in 2005 to 31.4 million¹ at the end of 2006. With a market share of approx. 36.6%², T-Mobile Deutschland again maintained its leadership in the subscriber market and expanded its lead against its main competitor Vodafone D2.

¹ Number of customers includes M2M cards in 2006 for the first time – the historical value for 2005 was not adjusted.

² The final market data for O2 (Germany) was not yet available when the figures were being calculated – for T-Mobile Deutschland, this is based on the amount of customers incl. M2M cards (M2M – machine to machine).

New standards due to flat rates and fixed network substitution through mobile communications

On the network operator side, there were no structural changes to the German mobile communications market in 2006. Only in the service provider segment was there a consolidation trend (e.g., sale of Debitel light, sale of Telco). The established GSM and UMTS providers continue to define the mobile communications market from a technical standpoint. However, it is T-Mobile Deutschland's assumption that alternative mobile technologies, particularly WiMax, will not cause any relevant structural changes to the market over the medium term at least.

Although the mathematical penetration rate of 100% (incl. M2M) has been exceeded, the market in Germany has yet to be saturated with mobile communication cards. However, the value proposition of new cards on the market is declining sharply. In 2006, subscriber growth slowed considerably as compared to 2005. The mobile communications market in Germany thus has reached the final phase of maturity. This is closely linked to the current intensification of price competition apparent in all customer segments. Particularly noteworthy here is the development of the prepaid segment, which was characterized by low-price brands and became apparent in mid-2005. By the end of Q3 2006, the discount segment, with offers such as ALDI Talk, SIMYO, Tchibo, Blau.de, EASY, had already accounted for roughly 4 million cards, representing roughly 5% of the total SIM cards on the market, with an estimated 3% share of sales.

Another key development on the supply side is the rise of flat rates (such as fixed package prices for unlimited calls on the same network or to the fixed network and SMS). All network operators have since launched similar offerings on the market.

These new forms of offerings and further price reductions, in combination with regulatory intervention with regard to termination fees, resulted in stagnating sales. According to the Federal Statistical Office, prices in 2006 again declined by 11%.

T-Mobile Deutschland was only partially able to offset this decline by adding new subscribers, expanding utilization and offering new services (such as mobile data services).

In 2007, a considerably more positive trend on the side of increased utilization, sales shifts from the fixed network and data services are expected to counteract the further decline in prices. The trend towards substitution of the fixed network through cell phones is confirmed by, for example, the positive performance of T-Mobile@home. Since the market launch in January 2006, one million new customers have signed up as of early December. The successful marketing of T-Mobile's web'n'walk offering can be seen as an indication that the market for data services – other than the already established SMS/MMS services – is at the threshold of mass-market compatibility and has growth potential.

Greater quality for your money

A clear majority of the readers of connect magazine voted T-Mobile as number one in three categories of the "Network of the Year 2006" contest. T-Mobile took first place in the "Network operator of the year," "Mobile business service" and "Prepaid cards" categories. T-Mobile Deutschland was thus recognized for having the best mobile communications network for the seventh time in a row. The "TÜV Service Check Certificate" issued by TÜV Nord attests to the fact that T-Mobile offers the best network quality from the customers' standpoint.

T-Mobile was also ranked by Capital magazine as the best mobile communications network operator. The industry's best online shop is at "www.t-mobile.de". This was the result of a reader survey by the online magazine inside-handy.de. Surveys concluded that T-Mobile Deutschland is perceived by customers as service-oriented and is a step closer to its goal of becoming the most highly regarded service company.

T-Mobile commissions a renowned market research institute twice yearly to survey customer satisfaction as compared against the competitors. The results confirm the effectiveness of the measures introduced to improve customer satisfaction.

Simply closer

In 2006, T-Mobile was present at the major sports and music events in Germany – the 2006 FIFA World Cup, Robby Williams concerts and the T-Mobile Team at Tour de France.

The sporting event of the year in Germany in 2006 was the FIFA World Cup, where T-Mobile offered attractive services in connection with the soccer World Cup as part of the sponsorship by Deutsche Telekom AG (Deutsche Telekom). The global media attention underscored the brand's international claim.

The biggest musical highlight was Robbie Williams whom T-Mobile accompanied as a main sponsor on his Close Encounters tour comprising 13 concerts in Germany which drew a million excited fans. With exclusive Robbie Williams products, attractive promotions and events T-Mobile brought the star simply closer to his fans as well. An additional platform was music festivals such as "Rock am Ring", "Rock im Park", "Southside" and "Hurricane" which are considered Germany's largest and most famous festivals and were attended primarily by younger target groups. T-Mobile will continue to expand its position as a global player in the music market through successful music sponsorships in 2007 as well.

Savings targets met for "Save for Growth"

Another focus of 2006 was the two-year efficiency enhancement program "Save for Growth", one of the strategic Big 7 projects. The particular focus was to systematically continue the measures introduced in the prior year in terms of both content and the timeline.

The objective of the program – to save € 1 billion within the T-Mobile International Group – was reached earlier than planned. T-Mobile Deutschland also saved more than its share.

To date, more than half of the funds saved have been invested in significant growth areas such as web'n'walk. "Save for Growth" promoted cost awareness at T-Mobile Deutschland, reduced the financial burden, promoted market investment and was thus a major step in increasing subscriber growth and productivity.

Product highlights in the fiscal year

With the introduction of the convergence product T-Mobile@home, T-Mobile Deutschland merged the fixed network with mobile communication. With T-Mobile@home, customers can make calls from home or the office by cell phone around the clock for € 0.04 per minute to the German fixed network. The price applies not only at home or in the office but also within a radius of up to two kilometers. T-Mobile Deutschland is Germany's only provider to offer two product variations: one for individual users and one for groups such as families or people in shared apartments. If they like, customers can take existing fixed line telephone numbers with them and use them as mobile fixed network numbers for T-Mobile@home. Due to the large success, the offer is planned to be expanded in 2007 to include prepaid customers and MultiSIM users.

Since the fall of 2006, T-Mobile Deutschland has been using MultiSIM to market an innovative multi-card product that is characterized by ease of use and is therefore clearly distinguishable from similar competitor products. With a single phone number, one invoice and one contract for up to three SIM cards, MultiSIM supports customers' need to use more than one device and serves as a prerequisite for significantly increasing mobile data use not least thanks to the opportunity for using these SIM cards in parallel.

After setting the focus on marketing T-Mobile@home until fall 2006, the Telekom-Vorteil offering that covered both the fixed network and mobile communication was

launched at the beginning of November. Customers who combined one of the 3 x 3 all-around packages by T-Com with one of the current T-Mobile rates receive discounts of up to € 150 on their T-Mobile invoices for the entire term of their contracts. This product was also systematically further developed in 2007 and rolled out for additional customer segments and sales channels.

A cooperation with Lufthansa will enable T-Mobile Deutschland customers to surf the Internet in lounges using HotSpots starting in January 2007. The strategic partnership makes it possible for our customers to make greater use of products and services offered by both companies. T-Mobile Deutschland customers have the opportunity to collect Miles & More points when using their cell phones or booking web'n'walk options. For business customers and private customers who fly and use their telephone frequently this is a very attractive combination of advantages that promotes customer loyalty.

R@ilnet offers rolling HotSpots in ICE trains and train stations. In January 2007, the cooperation begun in 2005 with Deutsche Bahn will be increased with the addition of more HotSpots into ICE trains. More than 50 additional ICE trains will be equipped and coverage will be expanded to more than 1,300 km of tracks.

The decision to introduce EDGE to the entire network will enable T-Mobile Deutschland to offer its customers a GSM network with significantly greater speed everywhere in Germany. In recent years considerable investments have been made to improve the mobile network. In 2006, for example, approx. 1,200 new stations were built and an additional 450 were being planned in 2007. At the beginning of 2008, the launch of EDGE throughout the entire GSM network will be completed. The upgrade of the entire UMTS network with HSDPA in 2006 meant a considerable increase in its power, with downlink data rates of up to 1.8 Mbit/s. It also meant an increase in attractiveness for both mobile use on the go and for stationary use at home. At the end of 2006 the downlink data rates in portions of the UMTS network was again increased to 3.6 Mbit/s. For the last quarter of 2007, it is planned to increase the max. downlink data rates to 7.2 Mbit/s if only initially in small portions of the UMTS network.

The combination of HSDPA and EDGE results in an attractive comprehensive data offering for customers. Since none of the market competitors have EDGE and hence can only offer very low data rates by area, this results in a competitive advantage for T-Mobile Deutschland overall, which is particularly attractive for mobile users – including above all business customers.

In recent years the UMTS coverage has already been aimed at a coverage with high coverage quality in highly populated areas. In 2006, an additional 1,800 stations were put into operation for this purpose. An additional 250 stations are planned for 2007.

The data card for laptops and its systematic further development proved to be the core driver for the rapidly growing volume of data via the fast HSDPA, UMTS, EDGE and GPRS networks: the fully integrated HSDPA module in brand standard notebooks. The overall broadband network of T-Mobile Deutschland makes the Notebook a truly mobile workplace.

Majority stake acquired in PTC, Polska Telefonía Cyfrowa Sp.z o.o., Warsaw (PTC)

On October 2, 2006 a court of arbitration in Vienna confirmed its ruling dated June 6, 2006 that the exercise of the call option with Elektrim S.A. (Elektrim) for approx. 48% of shares in PTC on February 15, 2005 by T-Mobile Deutschland is legally effective. Additionally, the court also ruled in the same judgment that in order to secure its ownership of PTC T-Mobile Deutschland initially had to pay the carrying amount of PTC's equity as a first tranche of the overall purchase price, to be determined by the arbitration court. This payment was made to Elektrim on October 26, 2006. The payment on October 26, 2006 in accordance with the arbitration ruling on October 2, 2006 and the existing agreements legally secured the economic ownership of 48% of shares in PTC. As a result, PTC must henceforth be fully consolidated in the T-Mobile Group's subgroup financial statements under IFRS and US GAAP. The supreme court in Warsaw was supposed to rule on January 18, 2007 on the recognition in Poland of the arbitration ruling by the Vienna court on December 16,

2006. It returned the case to the court of original jurisdiction due to a procedural error on the part of the latter. The arbitration ruling itself is not affected by this ruling.

B. Report on the Company's situation

Sales and earnings

Sales at T-Mobile Deutschland in 2006 were € 8,208 million, € 439 million (5%) below the prior year. This lower figure is attributable mainly to lower sales in the voice business (particularly due to negative price development for MOC and decline in usage for MTC sales) and the non-voice business (incl. SMS). A decline in end device sales due to the sale of less expensive end devices also had an impact. The average number of customers rose in the same period by 2.3 million* (* beginning in 2006 reporting to include machine-to-machine).

Costs declined in the year under review by € 329 million to € 4,165 million. The main cause of this was lower costs for purchased services particularly in the area of roaming costs. In 2006, the IOT rebates were significantly higher than in the prior year. At the same time, interconnection costs were below the prior-year figure due to lower termination prices and lower usage. A further cause of this lower figure was lower materials expense, which resulted mainly from the sale of less expensive end devices. Selling expenses were at € 2,121 million, € 250 million or 13% above the prior year's level. The key reason for the increase was a change in the billing structure from the ABS transaction which also led to an increase in other operating income. Additionally, marketing expenses were greater, particularly in connection with the FIFA World Cup and due to increased media activities. General administrative expenses totaled € 211 million and were thus € 21 million (11%) above the prior year's figure. This was affected in part by higher provisions for partial and early retirement, an increase in rent expenses and an increase in additions to pension provisions.

The profit/loss on ordinary activities was € 1,980 million, a year-on-year decrease of € 213 million. EBITDA (earnings before interest, income from other long-term equity

investments, taxes, depreciation/amortization) decreased in 2006 to € 3,157 million (prior-year performance: € 3,373 million). Return on sales fell from 39% in the prior year to 38.5%

The financial loss deteriorated by € 18 million to € 252 million in the year under review due to greater interest expenses resulting from the tax audit.

A profit of € 1,979 million was transferred due to the profit transfer/loss assumption agreement concluded with T-Mobile International AG & Co. KG (T-Mobile International).

Assets and finances

Total assets rose by € 1,247 million to € 10,422 million. The main reason for this was the acquisition of a 48% interest on PTC for € 1,576 million. The total invested by T-Mobile Deutschland in intangible and tangible assets was € 456 million. As in prior years, the modernization of the GSM mobile communications network, the GPRS and WLAN expansion and the UMTS hardware investments were responsible for a large portion of this amount in 2006. The investments were offset by depreciation/amortization of € 926 million, of which € 418 million was amortization of the UMTS license. Receivables increased by € 313 million to € 1,324 million, and related to trade receivables from customers and from the shareholders and Group companies.

Liabilities increased year on year by € 1,235 million, with € 850 million resulting from liabilities from the purchase of the PTC stake and € 385 million due to the shareholder. Due to the profit transfer to T-Mobile International, shareholders' equity remained unchanged at € 1,447 million.

Cash flow from operating activities was € 2,804 million in the year under review. The opening balance of cash and cash equivalents of € 349 million was completely consumed by cash outflows for investing activities of € 1,125 million, the profit transfer of € 1,979 million to T-Mobile International, and the repayment of short-term loans of € 50 million.

An accurate assessment of the overall situation of T-Mobile Deutschland may only be made by taking into account the corporate integration with the parent company in the Group.

Employees

T-Mobile Deutschland and the unions have created the "Quality Leadership" package for the Customer Care management area. The core components include an agreement on the new wage scales and remuneration structures. In addition, new working time structures lead to increases in productivity while maintaining the greatest degree of employee flexibility possible. In contrast, for all locations of operational customer service a location commitment and a renunciation of layoffs until the end of May 2009 have been negotiated.

T-Mobile Deutschland continues to offer the option of early retirement. The corporate pension scheme is governed by a collective agreement for pay scale employees and in a Group bargaining agreement for non-wage scale salaried employees.

The number of employees fell from 7,607 at the end of 2005 to 7,380 as of December 31, 2006.

The average age of employees was 39.4 (prior year 38.8) and the percentage of women was 38.9% (prior year 39.1%). At 13%, the proportion of employees in part-time work was greater than the prior year's value (12.1%). The proportion of disabled employees was 3.2%, and was lower than in the prior year (3.5%).

Environmental awareness

T-Mobile Deutschland has offered disposal of end devices nationwide since 2003 through a voluntary take back system at the T-Punkt locations and retail partners. This system ensures orderly forwarding to certified recycling centers. T-Mobile Deutschland donates € 5 for every returned end device, including defective devices, to the German environmental group, Deutsche Umwelthilfe, regardless of a contract extension or a new contract. In May 2006, T-Mobile Deutschland was awarded the Green Electronics prize by Deutsche Umwelthilfe e.V. T-Mobile Deutschland has its

branded end devices inspected for dangerous materials in independent laboratories and requires manufacturers of other end devices to also fulfill statutory provisions. Our environmental management system pursuant to ISO 14001 was certified in 1998 and recertified in March 2006.

C. Risk management: Early recognition and consistent control and monitoring of risks to future development

Risk management is a key tool for rendering risks quantifiable and manageable and is viewed as a competitive necessity and an entrepreneurial challenge at T-Mobile Deutschland – in addition to the legal requirements specified by the German Act on Control and Transparency in Business (*KonTraG*).

It is integrated into Deutsche Telekom's risk management structure.

All relevant risks that could adversely impact the future development of T-Mobile Deutschland are systematically identified and measured at an early stage based on principles applicable throughout the Group, and appropriate measures for risk management are selected and implemented.

The management of risks arising out of financial positions is assured under Deutsche Telekom's Group-wide risk management apparatus.

From the totality of risks to which T-Mobile Deutschland is exposed, those risk areas are presented below, which T-Mobile Deutschland currently deems to be significant.

Decisions of the regulatory authorities and changes in the legal environment can have a negative impact on our business

The future development of regulatory risks will essentially depend on decisions by national regulatory authorities in connection with the conduct of market analysis procedures that are still outstanding or repeated based on the EU regulatory framework. Additional risks and negative consequences may arise through greater access regulation, a reduction of termination fees and for international roaming.

When analyzing the market for termination of individual mobile networks, the Federal Network Agency (*Bundesnetzagentur*) determined that T-Mobile Deutschland dominated the market and in a ruling dated August 30, 2006 imposed regulatory obligations in connection with ex ante cost regulations, including non-discrimination, the granting of collocation and standard offerings. By decision dated November 8, 2006 the Federal Network Agency reduced the rate as of November 23, 2006 to € 8.78 cents/min in connection with the rate approval proceedings. This new fee is to be implemented immediately despite ongoing legal proceedings against the regulatory order and the decision to approve the fee. T-Mobile Deutschland must reapply for an approval of termination fees on November 23, 2007.

A draft of the Federal Network Agency on the market analysis for the market "Access and establishing connections" was published in September 2006. In this draft, the Agency defined three submarkets but did not conclude that any of the mobile communications providers had a leading position on the market.

In 2005, the European Commission launched a market abuse case against T-Mobile Deutschland, among others. The Commission accuses T-Mobile Deutschland of setting excessive wholesale prices for international roaming for the period from 1997 to 2003. T-Mobile Deutschland was given the opportunity to comment on the accusations in writing and during an oral deposition. In the event the Commission maintains the accusations, it may possibly impose a fine. The Commission is expected to make its decision at the end of Q1 2007.

In July 2006, the European Commission presented a proposal for a regulation for international roaming. According to that proposal, the input prices should be oriented towards the average European termination fee. For calls within the member state being visited, twice the amount of this measure may be charged, and at most three times for calls in another member state. The regulation proposal also stipulates an upper limit for end customer prices. It cannot be expected for this regulation to enter into effect before mid-2007 due to the fact that approval on the part of the European Parliament and Council of Ministers is still pending. In June 2006, T-Mobile had already announced a comprehensive reduction in input prices for roaming services, corresponding to roughly half of the current average procurement prices.

The German Telecommunications Legislation Amendment Act (*Telekommunikationsänderungsgesetz*, "TKÄndG") entered into effect on February 1, 2007. Specifically, it will impose stricter consumer protection measures than in the German Telecommunications Act (*Telekommunikationsgesetz*, "TKG"), a result of which will be additional costs incurred by T-Mobile Deutschland. This includes, for example, rate disclosures for speed dialing voice and information services starting at € 2 per minute. In addition, regulations relating to numbering and emergency calling are expected to be issued in H1 2007. The regulations on criminal proceedings and the TKG are currently being adapted to meet the requirements of storage of all traffic and location data including subscriber and user data in mobile communications under the term "data retention". The Telecommunications Monitoring Ordinance (*Telekommunikations-Überwachungsverordnung*, "TKÜV") entered into force on November 4, 2005. The details as to the standards that must be upheld will be set forth in the Technical Guidelines, which will be revised in 2007. This and similar measures that are currently being developed may lead to an increase in the intensity of regulation.

At the end of 2005, the Federal Network Agency adopted and published a plan for the future of the GSM market, offering German mobile network operators the prospect of harmonizing their GSM frequency resources and their license terms by the end of 2016. The implementation of the plan started in the spring of 2006 with the respective allocation of 2x5 MHz of the E-GSM spectrum to E-Plus and to O2

Germany. In return, both companies will relinquish 2x5 MHz of their GSM 1800 spectrum by the end of January 2007. The extension of the term of T-Mobile Deutschland's GSM license is expected to be clarified in 2007. The more extensive issue of utilizing GSM frequencies with UMTS/IMT 2000 technology as well is to be decided upon at a later point in time.

Due to the switch from analog to digital radio broadcasting, the European radio broadcasting spectrum was reorganized in June 2006 at the Regional Radio Waves Conference to accommodate the use of digital broadcast technologies (DVB-T, etc.). Along with other mobile network operators, T-Mobile Deutschland is seeking the allocation of appropriate frequencies for a DVB-H-based mobile TV offering for Germany.

New, not yet foreseeable risks may arise from the pending review of the regulatory framework at the EU level. The communiqué of the European Commission dated June 2006 indicates that an expansion of regulation of mobile communications termination e.g. to SMS, is planned. An expansion of regulation to other previously unregulated markets, such as convergent markets for example, cannot be completely excluded. The consumer protection regulations that may be added to the new regulatory framework could also result in new, extensive obligations. Moreover, the European Commission demonstrates a tendency to centralize further competences in Brussels and in that way to intervene to a greater degree in decisions made by national regulatory authorities, or to make such decisions itself.

The liberalization of frequency policy that is planned in this framework holds both opportunities as well as risks for T-Mobile Deutschland. Opportunities may arise if it is possible in the future to flexibly implement any urgently needed or commercially interesting spectrum expansions via the release of resources from previously inefficient uses. In contrast, risks may emerge as a result of the negative implications of the liberalization on harmonization and standardization (reduction of economies of scale, etc.). The new EU legal framework is supposed to be transposed into national law beginning in 2009; however, the modifications to the market recommendations may already negatively affect T-Mobile Deutschland from 2007 onwards.

It is possible that alternative or new mobile communications technologies offered by companies that are not mobile communications providers place pressure on voice and data prices

Rapid technological advances mean that there is a possibility that new and established technologies not only complement each other but also substitute each other – at least partially. In addition to already existing technologies, new technologies are thus reviewed and, where applicable, integrated into T-Mobile Deutschland's multimedia product portfolio so that it is possible to offer customers an attractive and comprehensive multimedia communications program at any time. Despite technological advances, UMTS is still an innovation.

Stricter thresholds may increase need for investment

Although the public perceives mobile communications as a source of risk, its integration into everyday life remains high and is increasing. For T-Mobile Deutschland, the safety of all products, particularly mobile communications networks, is a decisive basis for business. For that reason, T-Mobile Deutschland has called for independent and neutral scientific research to detect early any potential effects caused by electromagnetic fields in order to expand the basis of verified scientific knowledge and to replace existing information deficits with neutral reporting. Furthermore, the independent Mobile Communications Information Center (*Informationszentrum Mobilfunk*, "IZMF") regularly kicks off initiatives relating to mobile communications and the environment. One of the objectives of these initiatives is to reduce existing uncertainties through transparency.

System outages can lead to reduced user traffic and to losses in sales and may damage our reputation.

Increasing competitive pressure in the mobile communications sector makes it absolutely essential for T-Mobile Deutschland to offer its customers outstanding services. A key service feature is the constantly high quality of the mobile communications network and the infrastructure of T-Mobile Deutschland. The

maintenance and safeguarding of high-quality availability and quality is therefore a top priority.

T-Mobile Deutschland has a powerful IT infrastructure as a basis for innovative multimedia services. The maintenance and provision of a high-quality network availability is essential in order to counter the increasing competition on the national mobile communications market. Moreover, it is vital that subscribers be protected from criminal access.

The availability and integrity of network and IT infrastructure can particularly be impaired by technical outages/disruptions, power outages, water damage, fire and intentional damage. T-Mobile Deutschland counters these risks with comprehensive quality assurance measures and reviews, as well as by a system of security measures that permanently monitors and ensures the quality of T-Mobile networks in Germany and in Europe.

Among other things, risk analyses are performed and regularly updated with the aid of insurance experts. The aim is to identify potential weaknesses and to generate appropriate remedies.

Litigation risk PTC, Polska Telefonia Cyfrowa Sp.z o.o. (PTC)

On May 3, 2005, Vivendi Universal SA (Vivendi) took legal action against Deutsche Telekom and T-Mobile International. Vivendi alleges that the defendants unlawfully broke off negotiations on the acquisition of a 48-percent stake in PTC in order to then obtain these shares at a lower price. The amount in dispute is approximately € 2,272 million. The action is pending before the Paris Commercial Court.

There are a number of related actions and arbitration proceedings in relation to the transfer of shares of PTC that are still pending and that relate to this action.

Among others, Vivendi filed an action for arbitration with the International Court of Arbitration in Geneva on April 13, 2006. The action is aimed at a declaratory judgment that a verbal agreement was reached between the parties on or before

March 29, 2006 to settle the legal dispute concerning the shares in PTC, as well as the performance of the contract or damages.

On October 24, 2006 Vivendi filed a suit against, *inter alia*, Deutsche Telekom, T-Mobile International and T-Mobile Deutschland GmbH with the US District Court in Seattle, Washington, claiming that the defendants had colluded illegally with Elektrim to cause Vivendi to lose its alleged interest in PTC. Vivendi is seeking damages of \$ 7,500 million in the lawsuit. Any concomitant costs have been accounted for at the corporate level.

D. Outlook

The challenge of the future is to generate an increase in sales while prices drop and to reduce costs, hence securing profitability. Compared with competitors on the mobile communications market, T-Mobile Deutschland has the best network and a focus on the best price/performance ratio, providing it with excellent opportunities of reaching this goal.

T-Mobile Deutschland's corporate policy is oriented on the changing demands of the market and customers, and aims to maintain its market leadership in terms of subscribers and to increase its market share in terms of sales. The customer stands at the center of this. T-Mobile Deutschland would like to systematically position itself as a most highly regarded service company by offering the best network perception and operational excellence.

The strategy is backed by a package of measures that centers its focus on maintaining and serving the existing customer base in the face of predatory competition.

Among those measures are increasing customer satisfaction in order to sustainably reduce the loss of customers in 2007 and 2008 and the further expansion of web'n'walk on the mass market. As a result, these measures are expected to lead to increases in use over the coming two years, which will lead to a positive sales

development despite the drop in prices and average sales per customer. The increasing substitution of the fixed network through mobile will also contribute to this. Moreover, the strategy also focuses on strengthening the company's own sales channel via the T-Punkt stores. Market investments will be necessary over the short term in order to accomplish this and will reduce operating earnings in the form of customer acquisition and loyalty costs. As a result, our EBITDA expectations for 2007 are lower than for 2006. For the following year, T-Mobile Deutschland expects a change in earnings trends. In addition to market and customer oriented goals, the focus is also still placed on increasing network quality.

Penetration (based on SIM cards) in the German mobile communications market will increase further in the coming two years. This increase is based primarily on the increase in second and third cards, in data cards (e.g. laptop cards), as well as additional marketing in niche segments. The positive penetration trend is not expected to be reflected 1:1 in a corresponding sales trend due to multi cards use. Due to the ongoing price war between the competitors and the additional expected regulatory interventions of the Federal Network Agency and the European Commission with regard to termination fees and roaming prices, service revenues in the overall market will stagnate or fall in the coming years. The current trend towards substitution of the fixed network through mobile communication and the increased marketing of budget and flatrates will continue to have a positive effect. However, this positive effect will not completely offset the negative price trend.

The Group accounts for the constantly rising customer needs for individual package solutions by increasing the coordination of product development. New products are thus coordinated to a greater degree at a central level and designed together with the individual units of the Group.

In 2006, T-Mobile Deutschland was more closely dovetailed with the other Group companies in Germany in order to more quickly identify and leverage synergy potential. For example, executives of T-Mobile Deutschland occupy key functions at T-Com, which sells fixed network, broadband and mobile communications products.

E. Events after the balance sheet date

There were no additional events after the balance sheet date of significance to the net assets, financial position, and results of operations.

**Annual Financial Statements for the Financial Year
from January 1 to December 31, 2006**

T-Mobile Deutschland GmbH, Bonn

Income Statement for the Period from January 1 through December 31, 2006

	2006	2005
	€ million	€ million
1. Sales	8.208,2	8.646,9
2. Cost of sales	4.165,2	4.494,4
3. Gross profit on sales	4.043,0	4.152,5
4. Selling expenses	2.120,8	1.871,3
5. General administrative expenses	210,8	190,4
6. Other operating income	571,9	375,7
7. Other operating expenses	51,8	39,2
8. Income from other long-term equity investments (of which from affiliated companies € 7.1 million; prior year € 7.4 million)	7,1	7,4
9. Other interest and similar income (of which from affiliated companies € 9.0 million; prior year € 14.7 million)	15,2	18,2
10. Interest and similar expenses (of which to affiliated companies € 268.8 million; prior year € 255.8 million)	274,1	259,7
11. Profit/loss on ordinary activities	1.979,7	2.193,2
12. Taxes on income	0,9	-23,8
13. Profit to be transferred due to a profit transfer agreement	1.978,8	2.217,0
14. Net income for the year	0,0	0,0

T-Mobile Deutschland GmbH, Bonn**Balance Sheet as of December 31, 2006****Assets**

	12/31/2006	12/31/2005
	€ million	€ million
A. Fixed assets		
I. Intangible assets		
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	6.047,9	6.438,8
2. Prepayments	14,0	16,0
	6.061,9	6.454,8
II. Tangible assets		
1. Buildings on leasehold land	128,7	116,0
2. Technical equipment and machinery	835,4	901,0
3. Other equipment, factory and office equipment	52,0	62,7
4. Prepayments and construction in process	78,0	100,4
	1.094,1	1.180,1
III. Financial assets		
1. Shares in affiliated companies	1.699,1	177,1
2. Other long-term equity investments	0,0	51,5
	1.699,1	228,6
	8.855,1	7.863,5
B. Current assets		
I. Inventories		
1. Supplies	24,6	23,3
2. Merchandise	110,4	202,4
	135,0	225,7
II. Receivables and other assets		
1. Trade receivables	261,0	214,8
2. Receivables from shareholders	549,9	409,9
3. Receivables from affiliated companies	347,1	235,2
4. Receivables from other long-term investees and investors	0,0	0,1
5. Other assets	166,1	151,4
	1.324,1	1.011,4
III. Cash and cash equivalents	0,6	0,7
	1.459,7	1.237,8
C. Prepaid expenses and deferred charges	106,9	73,2
	10.421,7	9.174,5

**Shareholder
s' Equity
and**

	12/31/2006	12/31/2005
	€ million	€ million
A. Shareholders' equity		
I. Subscribed capital	520,0	520,0
II. Capital reserve	927,0	927,0
	1.447,0	1.447,0
B. Provisions		
1. Provisions for pensions	68,4	58,0
2. Tax provisions	44,0	42,0
3. Other provisions	712,3	687,7
	824,7	787,7
C. Liabilities		
1. Trade payables	212,7	331,8
2. Payables to shareholders	6.588,3	6.119,5
3. Payables to affiliated companies	247,4	248,5
4. Other liabilities	979,3	93,2
(of which taxes € 7.9 million; prior year € 7.8 million)		
(of which social security contributions € 0.0 million; prior year € 8.0 million)		
	8.027,7	6.793,0
D. Deferred income	122,3	146,8
	10.421,7	9.174,5

Notes to the 2006 Financial Statements

A. General disclosures

The annual financial statements for fiscal year 2006 were prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*, "HGB") applying to large corporations and the requirements of the German Limited Liability Companies Act (*GmbH-Gesetz*, "GmbHG"). The classification of the balance sheet and of the income statement complies with the provisions relating to classification set out in §§ 266 and 275 HGB.

There is no statutory duty to prepare consolidated financial statements and a group management report for the T-Mobile Deutschland subgroup in accordance with § 291 HGB, since the Company and its subsidiaries are included in the consolidated financial statements of Deutsche Telekom AG. The consolidated financial statements of Deutsche Telekom AG are lodged with the commercial register at the company's headquarters in Bonn and are published in the electronic Federal Gazette. The consolidated financial statements and the group management report of Deutsche Telekom AG are prepared in accordance with § 315a HGB, applying International Financial Reporting Standards (IFRSs) in conformity with the requirements of the EU, and exempt T-Mobile Deutschland from the need to prepare its own consolidated financial statements.

B. Accounting policies

Purchased **intangible assets** are measured at cost and amortized on a straight-line basis over the expected useful life.

Tangible assets are recognized at cost. up to December 31, 2005 inclusive tangible assets were depreciated on a straight-line basis. In the case of movable items of

fixed assets, acquisitions arising since January 1, 2006 have been depreciated on a declining-balance basis due to the change from the straight-line method of depreciation to the declining-balance method of depreciation in 2006. In accordance with Section 7 (2) German Income Tax Act (*Einkommensteuergesetz*, "EStG"), the rate of depreciation on a declining-balance basis is equal to three times the straight-line rate of depreciation, subject to a maximum rate of 30%. Low-value assets were written off in full in the year of acquisition.

The UMTS license acquired in August 2000 is amortized on a straight-line basis pro rata over its term of 20 years and 5 months.

Unscheduled amortization/depreciation is recognized if the market value at the balance sheet date is lower than the carrying amount and the reduction in value is expected to be permanent.

Financial assets are measured at cost or, if lower, at the market value at the balance sheet date.

Inventories are measured at cost or, if lower, at the market value at the balance sheet date. Valuation allowances are recognized as appropriate to take account of inventory risks arising from the inventory turnover rate or reduced marketability. Spare assemblies are recognized at a fixed value.

Receivables and other assets are measured at the nominal amount net of any allowances for default risks. A collective valuation allowance is recognized to take account of general credit risk.

Provisions for pensions based on **direct commitments** are measured using the entry age normal method in accordance with Section 6a EStG on the basis of the 2005 G mortality tables published by Dr. Klaus Heubeck. **Indirect commitments** are measured using the 2005 G mortality tables after deducting the assets held by the pension fund.

Provisions for taxes and other provisions are recognized for identifiable risks and uncertain obligations on the basis of prudent business judgment.

Liabilities are measured at the repayment amounts.

All **assets and liabilities in foreign currencies** with short maturities are measured at the closing rate.

C. Disclosures and Notes to Items in the Balance Sheet and the Income Statement

I. Notes to the Balance Sheet

1. Fixed Assets

The development of fixed assets and of amortization and depreciation is presented in the following fixed-asset movement schedule:

T-Mobile Deutschland GmbH

Fixed-Asset Movement Schedule as of December 31, 2006

	12/31/2005			12/31/2006			12/31/2006			12/31/2005		12/31/2006		
	€	€	€	€	€	€	€	€	€	€	€	€	€	
	12/31/2005	Additions	Disposals	Retransfer	12/31/2006	12/31/2005	Additions	Disposals	Retransfer	12/31/2006	12/31/2005	Disposals	Retransfer	12/31/2006
Intangible assets														
Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	9.142.218.308,95	115.105.415,00	-143.450.634,17	41.996.880,68	9.155.869.970,46	-2.703.401.909,95	-547.144.755,13	142.502.244,17	0,00	-3.108.044.420,91	6.438.816.399,00	0,00	0,00	6.047.825.549,55
Prepayments	15.965.155,31	8.677.461,07	-467.997,20	-10.152.935,25	14.021.683,93	0,00	0,00	0,00	0,00	0,00	15.965.155,31	0,00	0,00	14.021.683,93
	9.158.183.464,26	123.782.876,07	-143.918.631,37	31.843.945,43	9.169.951.654,39	-2.703.401.909,95	-547.144.755,13	142.502.244,17	0,00	-3.108.044.420,91	6.454.781.554,31	0,00	0,00	6.061.847.233,48
Tangible assets														
Buildings on leasehold land	171.883.671,25	23.133.922,85	-1.061.456,45	3.576.065,28	197.532.202,93	-55.861.470,25	-13.743.081,79	736.997,59	252,52	-68.867.301,93	116.022.201,00	0,00	0,00	128.664.901,00
Technical equipment and machinery	2.925.636.238,34	236.859.701,11	-286.209.230,37	43.999.822,97	2.920.286.532,05	-2.024.683.980,34	-345.227.735,16	283.675.320,40	1.353.795,05	-2.084.882.600,05	900.952.258,00	0,00	0,00	835.403.932,00
Other equipment, factory and office equipment	199.234.789,18	10.691.705,20	-18.683.976,34	2.398.482,06	193.641.014,10	-136.537.449,18	-19.680.323,69	15.954.772,34	-1.354.047,57	-141.617.048,10	62.687.340,00	0,00	0,00	52.023.966,00
Prepayments and construction in process	100.399.256,67	61.669.987,85	-2.233.886,13	-81.818.325,74	78.017.032,65	0,00	0,00	0,00	0,00	0,00	100.399.256,67	0,00	0,00	78.017.032,65
	3.397.153.955,44	332.355.321,01	-308.188.549,29	-31.843.945,43	3.389.476.781,73	-2.217.082.899,77	-378.651.140,64	300.367.090,33	0,00	-2.295.366.950,08	1.180.071.055,67	0,00	0,00	1.094.109.831,65
Financial assets														
Shares in affiliated companies	177.170.125,02	1.575.492.861,23	-105.000.000,00	51.474.538,60	1.699.137.524,85	0,00	0,00	0,00	0,00	0,00	177.170.125,02	0,00	0,00	1.699.137.524,85
Other long-term equity investments	51.474.538,60	0,00	0,00	-51.474.538,60	0,00	0,00	0,00	0,00	0,00	0,00	51.474.538,60	0,00	0,00	0,00
	228.644.663,62	1.575.492.861,23	-105.000.000,00	0,00	1.699.137.524,85	0,00	0,00	0,00	0,00	0,00	228.644.663,62	0,00	0,00	1.699.137.524,85
Total	12.763.982.083,32	2.031.631.058,31	-557.107.180,66	0,00	14.258.505.960,97	-4.920.484.809,72	-925.795.895,77	442.869.334,50	0,00	-5.403.411.370,98	7.863.497.273,60	0,00	0,00	8.855.094.589,98

[Translation - the German text is authoritative]

2. Financial Assets

The principle **shares in affiliated companies** (€ 1,699.1 million) are listed under D.2.. In 2006, DFMG Deutsche Funkturm Vermögens-GmbH & Co. KG reduced the capital reserve in the amount of € 105,0 million. The partner's contribution (100 % in the limited liability capital) and the liability amount are not affected by this withdrawal. On the basis of the contractual agreement concluded on October 26, 2006 and the covenant included in the Master Agreement as of September 6, 2006 for the acquisition of additional shares in PTC, Polska Telefonica Cyfrowa Sp.z o.o. (48 %), the contractually agreed minimum purchase price including incidental costs (€ 1,575.5 million) has been recorded. In 2006, € 725.5 million of this amount has been paid.

3. Inventories

Inventories declined compared with the prior year to € 135.0 million as a result of a variety of sales measures.

4. Receivables and Other Assets

Trade receivables of € 261.0 million (prior year € 214.8 million) mostly consisted of receivables arising from billings in the mobile communications business. Of the total amount of other assets (€ 166.1 million), € 0.7 million had a remaining maturity of more than one year (prior year € 0.7 million).

Receivables from shareholder (€ 549.9 million) and **receivables from affiliated companies** (€ 347.0 million) related mainly to monetary receivables and trade receivables.

5. Prepaid Expenses and Deferred Charges

Prepaid expenses and deferred charges (€ 106.9 million) mainly comprised one-time payments to DFMG Deutsche Funkturm GmbH.

6. Subscribed Capital

The subscribed capital of € 520.0 million is held in its entirety by T-Mobile International AG headquartered in Bonn.

7. Capital Reserve

The capital reserve of € 927.0 million created in accordance with Section 272 (2) No. 4 HGB is the result of the contribution to the Company of mobile communications activities of Deutsche Telekom AG.

8. Provisions

Other Provisions (€ 712.3 million) mainly related to the personnel area (incl. performance pay and social security risks), goods and services not yet billed, prepaid credit balances not yet utilized, sales promotion measures not yet billed, reinstatement obligations and other risks related to current business activities.

At the balance sheet date December 31, 2006, the Company had entered into forward currency purchase agreements with Deutsche Telekom AG for amounts of USD 6.0 million and CHF 2.0 million maturing on January 16, 2007 and January 19, 2007, respectively, and a currency purchase agreement for the amount of GBP 0.6 million maturing on January 16, 2007. The fair values are equal to the market values of T€ - 4.1 (of which T€ 7.7 represents unrealized gains); an amount of T€ 11.8 was recognized in other provisions.

9. Liabilities

The remaining maturities of the liabilities are presented in the following overview:

	Total amount	of which with a remaining maturity of			Of which with a remaining maturity of up to 1 year
		12/31/2006	up to 1 year	1 to 5 years	more than 5 years
	€ million	€ million	€ million	€ million	€ million
Trade payables	212,7	212,7	0,0	0,0	331,8
Payables to shareholder	6.588,3	3.788,3	0,0	2.800,0	3.319,5
Payables to affiliated companies	247,4	247,4	0,0	0,0	248,5
Other liabilities	979,3	979,3	0,0	0,0	93,2
Total	8.027,7	5.227,7	0,0	2.800,0	3.993,0

The **payables to shareholder** are the result from interest-bearing shareholder loans, profit transfer and current business activities.

10. Deferred Income

Deferred income (€ 122.3 million) mostly comprises payments from another mobile communications operator.

11. Other Financial Obligations and Other Contingent Liabilities

Other financial obligations as of December 31, 2006 amounted to € 72.1 million in respect of investments in fixed assets and € 575.6 million resulting from pending legal transactions within the mobile communications business. € 177.7 million of this amount is due in the following year, of which € 52.0 million relates to affiliated companies.

The annual obligations from lease and similar agreements amounted to € 763.9 million, of which € 760.4 million relates to affiliated companies.

The contingent liability in respect of MNP Deutschland Gesellschaft bürgerlichen Rechts (MNP GbR), Düsseldorf, is explained under D.3..

Further payments are to be expected depending on the arbitration proceedings relating to the purchase of a shareholding in PTC, Polska Telefonica Cyfrowa Sp.z o.o. The amount of the payments is not yet known.

12. Contingent Liabilities

At the reporting date, the Company had contingent liabilities from warranties amounting to € 679.5 million.

II. Notes to the Income Statement

The income statement was prepared in accordance with the function of expense method.

1. Sales

Sales of € 8,208.2 million were generated in the following areas of activity:

	Mio. €
Mobile phone business	7,734.6
Terminal equipment business	422.6
Other revenues	51.0
Total	8,208.2

2. Cost of Sales

Of the total cost of sales € 54.4 million relates to prior years.

3. Amortization/Depreciation

The change from the straight-line method to the declining method of depreciation for moveable tangible assets acquired after January 1, 2006 amounted to an increase in amortization/depreciation of € 13.4 million in the financial year.

4. Selling Expenses

Selling expenses of € 29.5 million relate to prior years.

5. Other Operating Income

The amount of € 571.9 million for this item mainly comprised income in connection with the sale of receivables, cost reimbursements from Deutsche Telekom AG and T-Mobile International AG & Co. KG, marketing subsidies received from suppliers, insurance compensation, exchange rate gains from current payment transactions as well as income from the reversal of provisions. Of the total amount of other operating income, € 99.2 million related to prior years.

6. Other Operating Expenses

Other operating expenses of € 0.7 million relate to prior periods.

7. Cost of Materials

The expenses under the nature of expense method for supplies and purchased merchandise amounting to € 942.4 million related mainly to goods held for trading. The cost of purchased services (€ 1,644.0 million) included expenses for the utilization of the fixed network in wired communications, expenses for the use of fixed lines, and other services of Deutsche Telekom AG.

8. Personnel Expenses

Personnel expenses (€ 492.9 million) in accordance with the nature of expense method included € 398.4 million for wages and salaries and € 94.5 million for social security contributions and expenses for pension plans and employee benefits, of which € 31.1 million related to pension plans.

9. Other Interest and Similar Income

Other interest and similar income of € 0.4 million relate to prior years.

10. Interest and Similar Expenses

Interest and similar expenses relate entirely to the current year.

11. Taxes on Income

Taxes on income (€ 0.9 million) related to prior year's payments and related entirely to the profit/loss on ordinary activities.

As a result of the tax group arrangement (*Organschaft*) for trade tax and corporate income tax purposes, the net income before corporate income tax and trade tax is transferred to the parent company.

12. Net Income for the Year

The annual financial statements as of December 31, 2006 reported zero net income after the transfer of profits of € 1,978.8 million to the parent company as a consequence of the profit transfer agreement in force since January 4, 2001.

D. Other Disclosures

1. Average Number of Employees

During the year under review, the Company employed an average (based on the monthly headcount) of 7,409 people, of which 7,350 were salaried employees and 59 were executives.

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<p>This short-form audit report exclusively serves the purpose provided for in Section 325 et seq. HGB.</p>

2. Significant Shareholdings

Name and location of the Company	Share- holding %	Shareholder's equity	Profit for the year
Shares in affiliated companies			
Zweite DFMG Deutsche Funkturm Vermögens-GmbH & Co. KG Münster / Germany	100	Mio. EUR 177,2*	Mio. EUR 7,1*
PTC, Polska Telefonía Cyfrowa Sp.z o.o. Warsaw / Poland	70,5	Mio. PLN 4.242,0**	Mio. PLN 1.203,0**
DFMG Deutsche Funkturm GmbH (Verbund über Deutsche Telekom AG (83,33 %)) Münster / Germany	16,67	Mio. EUR 7,7*	Mio. EUR 0,0*

* HGB annual financial statements as of Dec. 31, 2005; DFMG GmbH is subject to a profit transfer agreement

** (Local GAAP) PAS annual financial statements as of Dec. 31, 2005

3. Equity Investment as Partner with Unlimited Liability

In connection with the introduction of network operator portability in mobile communications networks, the Company, together with other network providers, founded MNP Deutschland Gesellschaft bürgerlichen Rechts (MNP GbR), Düsseldorf, in 2002. Because MNP GbR has the legal form of a partnership, this equity investment could in principle give rise to unlimited liability. There are no indications that such an instance of unlimited liability is likely to occur.

4. Disclosures Relating to Management Bodies

The remuneration of the members of the Company's Managing Board amounted to € 2.8 million in the year under review. Payments to members of the Supervisory Board amounted to T€ 74.6 in financial year 2006.

- **Executive Bodies of the Company**
- **Supervisory Board**

Shareholder representatives

René Obermann - Chairman - (until December 31, 2006)

- Chairman of the Board, Deutsche Telekom AG

Hamid Akhavan (from January 1, 2007), - Chairman of the Board - (from January 15, 2007)

- Board member responsible for T-Mobile, Product Technology and Product Innovation, Deutsche Telekom AG

- Chairman of the Board, T-Mobile International AG

Achim Berg (until November 15, 2006)

- Member of the Section Board T-Com, Distribution and Customer Services, Deutsche Telekom AG

Burkhard Graßmann (from January 1, 2007 to January 31, 2007)

- Member of the Section Board T-Com, Marketing, Deutsche Telekom AG

Ulli Gritzuhn (until December 31, 2006)

- Board member responsible for Marketing (M), T-Mobile International AG

Michael Günther (from December 6, 2006)

- Board member responsible for Joint Venture Management (JV), T-Mobile International AG

Lothar A. Harings

- Board member responsible for Human Resources (HR), T-Mobile International AG

Timotheus Höttges

- Board member responsible for T-Com, Sales & Service Deutschland, Deutsche Telekom AG

Thomas G. Winkler (until January 31, 2007)

- Chief Financial Officer, T-Mobile International AG

Employee Representatives

Lothar Schröder - Vice-Chairman -

- National Head of Section for Telecommunications, Information Technology,
Data Procession (Section 9) ver.di, Berlin

Anke Bardenhagen

- Chairwoman of the Works Council, Bonn Headquarters, T-Mobile Deutschland
GmbH

Stefan Pilar

- Senior Executive, T-Mobile Deutschland GmbH

Igor Pissarewsky

- Chairman of the Central Works Council, T-Mobile Deutschland GmbH

Wolfgang Teitge

- Technician, T-Mobile Deutschland GmbH

Ado Wilhelm

- Head of Section for Mobile Communications, verd.di

- **Managing Board**

Philipp Humm

- Spokesman of the Managing Board

- Managing Director of Sales

- Managing Director of Marketing (until May 31, 2006 he held these offices simulta-
neously)

Thomas Berlemann

- Managing Director of Customer Services

Stefan Homeister (from June 1, 2006)

- Managing Director of Marketing

Joachim Horn

- Managing Director of Technology

- Chief Technical Officer (CTO), T-Mobile International AG

Holger Kranzusch

- Managing Director of Human Resources and Legal Issues

Dr. Raphael Kübler

- Managing Director of Finance and Controlling

Dr. Steffen Roehn

- Managing Director of Information Technology

Auditors' Report**Auditors' Report**

We have audited the annual financial statements, comprising the income statement, the balance sheet and the notes to the financial statements, together with the bookkeeping system, and the management report of T-Mobile Deutschland GmbH, Bonn, for the business year from January 1 to December 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB [Handelsgesetzbuch - German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [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 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, 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 management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report 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.

Düsseldorf, February 7, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Menke)
Wirtschaftsprüfer

(Haas)
Wirtschaftsprüfer