
GERMAN PUBLIC SECTOR FINANCE B.V.

Amsterdam, the Netherlands

ANNUAL REPORT 2006

GERMAN PUBLIC SECTOR FINANCE B.V.

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GERMAN PUBLIC SECTOR FINANCE B.V.

Responsibility Statement

The Management of German Public Sector Finance B.V. (hereinafter "the Company") wishes to state that to our knowledge:

1. The 2006 financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company.
2. The 2006 financial statements give a true and fair view of the Company's position as per 31 December 2006 and the developments during the financial year 2006 of the Company, together with a description of principal risks it faces.

Amsterdam, 29 April 2009

Signed by:


Johan Smit
Managing Director


Equity Trust Co. N.V.
Managing Director

GERMAN PUBLIC SECTOR FINANCE B.V.

Management Report

The Management herewith submits its annual accounts of German Public Sector Finance B.V. (hereinafter "the Company") for the financial year ended 31 December 2006.

General information

The Company is a limited liability company incorporated under the laws of the Netherlands and has its corporate seat in Rotterdam and its business seat in Amsterdam, the Netherlands.

The principal activities of the Company consist of acquiring funds on behalf of institutions belonging to the public sector in Germany. During the year under review the Company realised a profit before taxation of EUR 22,689, which is similar to the result of last year (2005: EUR 22,689).

Financial risk management

The Company's activities expose it primarily to market risks. Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company manages market risk by stratifying the portfolio and imposing limits.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect the Company's financial position and cash flows. The Company does not run any currency risk, as the Company does not use any other currency than euros.

Interest risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rates will affect the Company's financial position and cash flows. Interest rate exposure on the debt is fully mitigated by the on lending of these amounts to Deutsche Telekom A.G. with matching terms.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's credit risk is predominantly with Deutsche Telekom AG, the largest telecommunication company in Germany. The Company has not entered into any other transactions that might generate credit risk.

Future outlook

It is the intention of ABN AMRO Bank N.V. (Amsterdam, the Netherlands) to sell all of its shares in the Company in the near future.

GERMAN PUBLIC SECTOR FINANCE B.V.

Management Report

Board of Management

On the 22 June 2006 EQ Management Services B.V. (formerly named ABN Amro Trust Company (Nederland) B.V.), was replaced by Equity Trust Co. N.V. due to a merger of the trust offices.

Post-balance sheet events

With effective date 1 April 2009, Mr. Bernd Armlung has resigned as Managing Director of the Company. On the same date, Mr. Johan Smit has been appointed as Managing Director of the Company.

Amsterdam, 29 April 2009

The Management


Johan Smit


Equity Trust Co. N.V.

GERMAN PUBLIC SECTOR FINANCE B.V.

Balance Sheet as at 31 December 2006
(before appropriation of results and expressed in euros)

	<u>Notes</u>	<u>31 Dec 2006</u>	<u>31 Dec 2005</u>
FIXED ASSETS			
Financial fixed assets			
Loan	(3)	102,258,376	102,258,376
		<u>102,258,376</u>	<u>102,258,376</u>
CURRENT ASSETS			
Accrued interest	(4)	3,522,311	4,183,485
Amount due from group entity		101,088	77,402
Cash at banks		21,159	30,736
		<u>3,644,558</u>	<u>4,291,623</u>
CURRENT LIABILITIES			
Accrued interest	(4)	3,522,311	4,183,485
Interest payable		20,335	30,068
Creditors		34,253	27,316
		<u>3,576,899</u>	<u>4,240,869</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>67,659</u>	<u>50,754</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>102,326,035</u>	<u>102,309,130</u>
Bond liability	(5)	102,258,376	102,258,376
		<u>67,659</u>	<u>50,754</u>
CAPITAL AND RESERVES			
Issued share capital	(6)	18,151	18,151
Retained earnings		32,603	16,111
Result for the year		16,905	16,492
		<u>67,659</u>	<u>50,754</u>

The notes on page 7 to page 10 are an integral part of the financial statements.

GERMAN PUBLIC SECTOR FINANCE B.V.

Profit and Loss account for the year ended 31 December 2006
(expressed in euros)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
Interest on loan and bond			
Interest income	(7)	6,030,046	6,007,680
Interest expense	(7)	<u>(6,030,046)</u>	<u>(6,007,680)</u>
Net income from financial activities		0	0
Expenses			
General and administrative expenses		(41,022)	(19,087)
Interest income		<u>26</u>	<u>9</u>
		(40,996)	(19,078)
Allowance	(8)	<u>63,685</u>	<u>41,767</u>
PROFIT BEFORE TAXATION		22,689	22,689
Taxation	(9)	<u>(5,784)</u>	<u>(6,197)</u>
RESULT FOR THE YEAR		<u><u>16,905</u></u>	<u><u>16,492</u></u>

The notes on page 7 to page 10 are an integral part of the financial statements.

GERMAN PUBLIC SECTOR FINANCE B.V.

Cash Flow Statement for the year ended 31 December 2006 *(expressed in euros)*

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Allowance received		40,000	15,000
Payments to creditors		<u>(34,060)</u>	<u>(21,898)</u>
Cash generated from operations		5,940	(6,898)
Income tax paid	(9)	<u>(5,784)</u>	<u>(6,067)</u>
Net cash generated from operating activities		<u>156</u>	<u>(12,965)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received on loan		6,007,680	6,007,680
Interest paid on bonds		<u>(6,017,413)</u>	<u>(6,057,664)</u>
Net cash used in financing activities		<u>(9,733)</u>	<u>(49,984)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,577)	(62,949)
Balance at 1 January		<u>30,736</u>	<u>93,686</u>
Balance at 31 December		<u>21,159</u>	<u>30,736</u>

The notes on page 7 to page 10 are an integral part of the financial statements.

GERMAN PUBLIC SECTOR FINANCE B.V.

Notes to the accounts as at 31 December 2006

1. General

The Company, a corporation with limited liability, having its statutory seat in Rotterdam, The Netherlands and its business seat in Amsterdam, The Netherlands, was incorporated on 22 May 1986.

The principal activities of the Company consist of acquiring funds on behalf of institutions belonging to the public sector in Germany. The Company's ultimate parent companies are both ABN AMRO Bank N.V. (Amsterdam, The Netherlands) and Deutsche Bank A.G. (Frankfurt, Germany) each for 50%.

2. Summary of principal accounting policies

(a) General

The accompanying accounts have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code.

(b) Assets and liabilities

All assets and liabilities are stated at face value, unless otherwise stated in the notes thereon.

(c) Foreign currencies

Any assets and liabilities expressed in currencies other than euros are translated into euros at the rates of exchange prevailing at the balance sheet date. Any transactions in foreign currencies are translated into euros at rates of exchange approximating to those ruling at the date of the transactions. Resulting exchange differences, if any, are recognised in the profit and loss account.

(d) Determination of income

All income and expenses are calculated on the accrual basis.

(e) Cash Flow Statement

The cash flow statement has been prepared using the direct method. The cash and cash equivalents disclosed in the cash flow statement are comprised of cash and cash equivalents and bank overdrafts included in current liabilities. Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in net cash from operating activities. Dividends paid are included in net cash used in financing activities.

(f) Corporation tax

Corporation tax is calculated on the basis of the profit before taxation shown in the Profit and Loss account, taking into account tax allowances as agreed with the Dutch tax authorities.

(g) Use of estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

GERMAN PUBLIC SECTOR FINANCE B.V.

Notes to the accounts as at 31 December 2006

3. Financial fixed assets

This item represents a loan granted to Deutsche Telekom (formerly named Deutsche Bundespost), Germany, originally amounting to DEM 500,000,000, due on 30 May 2016 and bearing interest at the rate of 5 7/8%.

The original amount due from Deutsche Telekom AG has been reduced. The reductions have been the result of assigning a part of the receivable balance to Deutsche Bank AG. As a result of the reductions, the amount receivable at 31 December 2006 and 31 December 2005 was DEM 200,000,000 (EUR 102,258,376).

<u>Loan to Deutsche Telekom AG (unchanged)</u>	<u>2006</u>	<u>2005</u>
<i>(expressed in euros)</i>	102,258,376	102,258,376

This loan receivable from Deutsche Telekom has been pledged as security to the holders of the bond liability (see note 5). As at 31 December 2006, the fair value of the loan amounted to EUR 113,506,797 (2005: EUR 120,664,884).

4. Accrued interest

This item represents accrued interest on the loan receivable and bond liability.

5. Bond liability

This item relates to a bond issued on the Frankfurt stock exchange which originally amounted to DEM 500,000,000 (EUR 255,645,941), due on 30 May 2016 and bearing interest at the rate of 5 7/8%. The amount due on the bond was reduced as a result of the Company assigning part of its receivable to the bondholder. As at 31 December 2006 and 31 December 2005, the Bond liability amounted to DEM 200,000,000 (EUR 102,258,376). The bond liability is not guaranteed. See further note 3 above.

<u>Bond liability (unchanged)</u>	<u>2006</u>	<u>2005</u>
<i>(expressed in euros)</i>	102,258,376	102,258,376

As at 31 December 2006, the fair value of the Bond amounted to EUR 113,506,797 (2005: EUR 120,664,884).

GERMAN PUBLIC SECTOR FINANCE B.V.

Notes to the accounts as at 31 December 2006

6. Capital and reserves

The authorised share capital consists of 200 ordinary shares. According to the Company's articles of association the shares are denominated in Dutch guilders at NLG 1,000 (EUR 453.78) each. As per balance sheet date 40 shares (2005: 40) are issued and fully paid-up.

The movements in capital and reserves can be summarised as follows (*expressed in euros*):

	<u>2006</u>	<u>2005</u>
Share capital (unchanged)	<u>18,151</u>	<u>18,151</u>
Retained earnings		
Beginning of year	16,111	0
Appropriation prior year result	16,492	16,111
End of year	<u>32,603</u>	<u>16,111</u>
Result for the year		
Beginning of year	16,492	16,111
Appropriation to retained earnings	(16,492)	(16,111)
Undistributed result	16,905	16,492
End of year	<u>16,905</u>	<u>16,492</u>
Total capital and reserves	<u>67,659</u>	<u>50,754</u>

7. Interest income and expense

This item relates to the interest income on the loan granted to Deutsche Telekom, Germany (see note 3), and the interest expenses on the issued bond (see note 5). At the moment of reducing the issued bonds, the interest receivable was waived for that part of the loan. Simultaneously, the interest to be paid for the bond liability was waived as well. There is no margin between the interest received and paid.

8. Allowance

The Company receives a service fee from Deutsche Bank AG, Germany, which has agreed to bear all expenses incurred by the Company.

9. Taxation

The Company abides by certain conditions agreed to with the Netherlands Tax Authorities by which corporation tax is charged on a minimum fixed profit per annum.

GERMAN PUBLIC SECTOR FINANCE B.V.

Notes to the accounts as at 31 December 2006

10. Employees

The Company has no employees and hence incurred no wages, salaries and related social security charges during the year under review or the previous year.

11. Directors

The Company has two directors (2005: two), whom did not receive any remuneration for their activities during the year under review or the previous year.

12. Related parties

The Company has relationships with three related parties.

Deutsche Bank A.G., Frankfurt, Germany, who owns 50% of the shares of the Company. *Deutsche Bank A.G.* during the year under review *Deutsche Bank A.G.* paid a service fee for the amount of EUR 63,685 (2005: EUR 41,767).

ABN AMRO Bank N.V., Amsterdam, the Netherlands, who owns 50% of the shares of the Company, had no transactions with the Company during the year under review.

Equity Trust Co. N.V., Amsterdam, the Netherlands, a trust office, who provides corporate services to the Company, and who is also one of the Company's statutory directors. During the year under review *Equity Trust Co. N.V.* charged the Company EUR 19,940 (2005: EUR 9,721) for their services.

13. Audit fees

The audit fees for the year 2006 amount to EUR 9,520 (2005: EUR 5,500).

Amsterdam, 29 April 2009

The Management

Johan Smits

Equity Trust Co. N.V.

GERMAN PUBLIC SECTOR FINANCE B.V.

Other information

Retained earnings

Article 19 of the Articles of Association provides that the result established shall be at the disposal of the General Meeting of Shareholders. If and to the extent that a loss sustained in any fiscal year is not recovered from a reserve or made up in some other way, no distribution of profit shall be made in subsequent years as long as such loss has not been recovered. Article 19 of the Articles of Association provides that, insofar as there is a profit in the Company, The Board of Directors may declare an interim dividend.

Appropriation of result

The result for the year will be appropriated to the retained earnings.

Auditor's report

The auditor's report is set forth on the following pages.



To: the Management and Shareholders of German Public Sector Finance B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of German Public Sector Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2006, the profit and loss account and cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of German Public Sector Finance B.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 29 April 2009

KPMG ACCOUNTANTS N.V.

E. Michels RA