

Deutsche Telekom AG
Annual financial statements
and management report as
of December 31, 2009



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Deutsche Telekom AG's single-entity financial statements and management report for the 2009 financial year are published in the electronic Federal Gazette (elektronischer Bundesanzeiger) and can also be accessed on the website of the register of companies.

Management report of Deutsche Telekom AG

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Management report of Deutsche Telekom AG.

Organizational structure and business activities.

Legal and organizational structure.

Deutsche Telekom AG, Bonn, (hereinafter also referred to as Deutsche Telekom or Company) is the parent of the Deutsche Telekom Group. The annual financial statements are prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktien-gesetz – AktG) and the German version is published in the electronic Federal Gazette (elektronischer Bundesanzeiger)¹.

The shares of Deutsche Telekom are traded on several stock exchanges, including Frankfurt, New York, and Tokyo. Information on the capital stock in accordance with § 289 (4) No. 1 HGB can be found in Note 20 of the notes to the financial statements.

Voting rights are restricted in relation to the treasury shares (around 2 million as of December 31, 2009) and the trust shares (around 19 million as of December 31, 2009). The trust shares are connected with the acquisitions of Voice-Stream and Powertel in 2001. As part of these acquisitions, Deutsche Telekom AG issued new shares from authorized capital to trustees for the benefit of holders of warrants, options, and conversion rights, among others. As regards the shares issued to trusts, the trustees in question waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts' existence. The shares issued to the trusts can be sold on the stock exchange on the instruction of Deutsche Telekom if the beneficiaries do not exercise their options or conversion rights or if these expire. The proceeds from the sale accrue to Deutsche Telekom.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 2,176,000,000 by issuing up to 850,000,000 no par value registered shares against non-cash capital contributions in the period ending April 29, 2014. This authorization may be exercised either in full or in one or several partial amounts. The Board of Management is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' preemptive rights when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. The Board of Management is also authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares (2009/I authorized capital).

The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 38,400,000 by issuing up to 15,000,000 no par value registered shares against cash and/or non-cash contributions in the period ending April 29, 2014. This authorization may be exercised either in full or in one or several partial amounts. Shareholders' preemptive rights are disappplied. The new shares may only be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier companies (employee shares). The new shares can also be issued to a bank or another company meeting the requirements of § 186 (5), sentence 1 AktG that assumes the obligation to use these shares for the sole purpose of granting employee shares. Where permitted by law, the employee shares may also be issued in such a way that the contribution to be paid in return is taken from the part of the income after taxes that the Board of Management and the Supervisory Board may transfer to other retained earnings in accordance with § 58 (2) AktG. The shares to be issued as employee shares can also be acquired in the form of a securities loan from a bank or some other company meeting the requirements of § 186 (5), sentence 1 AktG and the new shares used to repay this securities loan. The Board of Management is authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares (2009/II authorized capital).

The 2004 and 2006 authorized capital that existed as of December 31, 2008, were canceled in favor of the aforementioned 2009/I and 2009/II authorized capital with effect from May 26, 2009, the date of entry in the commercial register.

The capital stock has been contingently increased by up to EUR 31,813,089.28 as of December 31, 2009, composed of up to 12,426,988 new no par value registered shares (contingent capital II). The contingent capital increase is exclusively for the purpose of meeting preemptive rights to shares from stock options granted in the period until December 31, 2003 on the basis of the authorization for a 2001 Stock Option Plan granted by resolution of the shareholders' meeting on May 29, 2001. It will be implemented only to the extent that the holders of stock options exercise these options. The capital stock has been contingently increased by EUR 600,000,000 as of December 31, 2009, composed of up to 234,375,000 no par value registered shares (contingent capital IV). The contingent capital increase shall only be implemented to the extent that it is needed to service convertible bonds or bonds with warrants issued or guaranteed on or before April 25, 2010.

¹ The financial statements are available upon request from Deutsche Telekom AG, Investor Relations, Postfach 2000, D-53105 Bonn, Germany, fax +49 (0) 228 181 88899.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to purchase up to 436,131,999 no par value shares in the Company by October 29, 2010, with the amount of capital stock accounted for by these shares totaling up to EUR 1,116,497,917.44, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which it has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of the Company's capital stock.

This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The purchase takes place without prejudice to the principle of equal treatment through the stock exchange or a public purchase offer addressed to all shareholders. By resolution of the shareholders' meeting of April 30, 2009, the Board of Management is authorized to redeem Deutsche Telekom AG's shares purchased on the basis of the aforementioned authorization, without such redemption or its implementation requiring a further resolution of the shareholders' meeting.

The main agreements entered into by Deutsche Telekom AG, which include a **clause in the event of a change of control**, principally relate to bilateral credit lines and several loan agreements. In the event of a takeover, the individual lenders have the right to terminate the credit line and, if necessary, serve notice or demand repayment of the loans. A takeover is assumed when a third party, which can also be a group acting jointly, acquires control over Deutsche Telekom AG.

In addition, the other members of the Toll Collect consortium (Daimler Financial Services AG and Cofiroute S.A.) have a call option in the event that the ownership structure of Deutsche Telekom AG changes such that over 50 percent of its share capital or voting rights are held by a new shareholder and this change was not approved by the other members of the consortium. § 22 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) similarly applies to the allocation of voting rights.

Should Deutsche Telekom AG be taken over by another company that is not a telecommunications company based in the European Union or the United States of a similar size and stature to Deutsche Telekom AG, the Hellenic Republic shall have the right to purchase from Deutsche Telekom AG all the shares Deutsche Telekom AG owns in the Greek company Hellenic

Telecommunications Organization S.A., Athens (OTE). For this purpose, Deutsche Telekom shall be deemed to have been taken over if one or several entities, with the exception of the Federal Republic of Germany, directly or indirectly acquires 35 percent of the voting rights in Deutsche Telekom AG.

Organizational changes at subsidiaries.

In the 2009 financial year Deutsche Telekom AG and France Télécom S.A. agreed to merge their British companies, T-Mobile UK and Orange UK, in a 50:50 joint venture. Under the terms of the joint venture agreement, if a third party were to take a controlling stake in Deutsche Telekom, for a period of one year France Télécom would be relieved of all restrictions imposed on the shareholders relating to the transfer of their shares. Transferring shares to competitors would remain prohibited even in this situation, however.

In the 2008 financial year, Deutsche Telekom acquired 25 percent plus one share in OTE. In May 2008, the Greek government and Deutsche Telekom signed a shareholders' agreement regarding an investment in the telecommunications company. Together, the two shareholders hold a majority of 50 percent plus two votes in OTE, with Deutsche Telekom being granted the possibility of controlling OTE's financial and operating policies once all necessary steps of the transaction have been completed. The changes to OTE's Articles of Incorporation necessary for full implementation of the shareholders' agreement were approved at the extraordinary shareholders' meeting of OTE on February 6, 2009. Upon implementation of the shareholders' agreement on February 6, 2009, OTE was integrated into the Southern and Eastern Europe operating segment. Under the share purchase agreement, Deutsche Telekom has additionally granted the Hellenic Republic two put options for an additional 5 percent (put option I) and 10 percent (put option II) of the shares. The Hellenic Republic exercised the put option I on July 31, 2009. As a result of the aforementioned transactions, Deutsche Telekom holds a stake in OTE of 30 percent plus one share.

On November 5, 2009, Deutsche Telekom AG and France Télécom S.A. signed the agreement for the merger of their British companies, T-Mobile UK and Orange UK, in a 50:50 joint venture. The transaction is subject to approval by the responsible authorities.

On November 19, 2009, Deutsche Telekom signed an agreement with Freenet AG to take over 100 percent of the shares in the Web hosting provider Strato AG, Berlin and Strato Rechenzentrum AG, Berlin. The transaction will make Deutsche Telekom a leading provider of Web hosting products, especially for consumers and small business customers in the German market. The companies' supervisory boards already approved the planned transaction.

Organizational changes at Deutsche Telekom AG.

During the reporting year, after the corporate customers unit had been split off and merged into T-Systems Enterprise Services GmbH (TS ES), T-Systems Business Services GmbH (TS BS) was merged into Deutsche Telekom AG with economic effect as of January 1, 2009.

During the reporting year, after T-Mobile Global Holding GmbH (TMGH) had been split off and merged into T-Mobile Global Zwischenholding GmbH (TMGZ), T-Mobile International AG (TMI) was also merged into Deutsche Telekom AG with economic effect as of January 1, 2009.

The extraordinary shareholders' meeting on November 19, 2009 approved the spin-off and takeover agreement under which Deutsche Telekom AG transferred the T-Home business area to T-Mobile Deutschland GmbH (TMD) by way of a spin-off with accounting effect as of January 1, 2010. Fixed-network and mobile communications business will be bundled in the future company for Germany to increase competitiveness.

Management and supervision.

Corporate Governance Statement in accordance with § 289 a HGB which is also the Corporate Governance Report pursuant to Section 3.10 of the Corporate Governance Code.

Sound, systematic corporate governance is particularly important for Deutsche Telekom as the parent company of an international group with its numerous subsidiaries and associated companies. The Company adheres to national provisions such as the recommendations of the Government Commission for a German Corporate Governance Code as well as international standards applicable to listings on international stock exchanges such as the New York Stock Exchange. The regulations of the United States, including the Sarbanes-Oxley Act which also applies to Deutsche Telekom, are of particular relevance in this context. The Supervisory Board and the Board of Management are convinced that sound corporate governance, taking company and industry-specific issues into account, is an important building block for the future success of Deutsche Telekom. Accordingly, responsibility for compliance with the principles of sound corporate governance is vested in senior management.

In the 2009 financial year, the Board of Management and Supervisory Board once again carefully examined the corporate governance of Deutsche Telekom AG and the Deutsche Telekom Group as well as the contents of the Corporate Governance Code. During the reporting period just ended, Deutsche Telekom AG once again fulfilled all of the Code's recommendations. The Supervisory

Board and Board of Management of Deutsche Telekom AG therefore released unqualified declarations of conformity with the German Corporate Governance Code on August 28, 2009 and January 5, 2010.

Declarations of conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG).

Declaration dated August 28, 2009:

- I. The Supervisory Board and Board of Management of Deutsche Telekom AG hereby declare that, in the period since submission of the most recent declaration of conformity pursuant to § 161 AktG on December 4, 2008, Deutsche Telekom AG has complied with the recommendations of the Government Commission for a German Corporate Governance Code announced by the Federal Ministry of Justice on August 8, 2008 in the official section of the electronic Federal Gazette (elektronischer Bundesanzeiger), without exception.
- II. The Supervisory Board and Board of Management of Deutsche Telekom AG hereby declare further that Deutsche Telekom AG complies with the recommendations of the Government Commission for a German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (elektronischer Bundesanzeiger) on August 5, 2009, without exception.

Declaration dated January 5, 2010:

- I. The Supervisory Board and Board of Management of Deutsche Telekom AG hereby declare that, in the period since submission of the most recent declaration of conformity pursuant to § 161 AktG on August 28, 2009, Deutsche Telekom AG has complied with the recommendations of the Government Commission for a German Corporate Governance Code announced by the Federal Ministry of Justice on August 5, 2009 in the official section of the electronic Federal Gazette (elektronischer Bundesanzeiger), without exception.
- II. The Supervisory Board and Board of Management of Deutsche Telekom AG hereby declare further that Deutsche Telekom AG complies with the recommendations of the Government Commission for a German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (elektronischer Bundesanzeiger) on August 5, 2009, without exception.

These declarations of conformity can be found on the Deutsche Telekom website². This website also provides access to the superseded declarations of conformity from previous years.

Corporate governance practices beyond statutory requirements.

Deutsche Telekom has a Group-wide compliance organization that is continuously being expanded (also published in the 2009 Corporate Responsibility Report³). The first element to be introduced was a Compliance Committee that supports the Board of Management in setting up and developing the framework for an effective compliance management system. The members of the Compliance Committee are experienced managers in the areas of compliance, legal affairs, data privacy, corporate auditing, corporate security, and human resources. The Chief Compliance Officer, appointed by the Board of Management, is the chairman of the Compliance Committee. He reports to the Board of Management and directly to the Audit Committee and the Supervisory Board. A compliance officer has been appointed in each of the strategic business areas. There are compliance officers/contacts in the business units depending on their size and the risk exposure. The significance of compliance was underlined once again by the pooling of compliance activities in the Data Privacy, Legal Affairs and Compliance Board of Management department.

The compliance program includes the Code of Conduct and the Code of Ethics. The Code of Conduct defines how employees and management should practice value-based and legally compliant conduct in their daily business activities. The Code of Ethics addresses the members of the Board of Management and persons who carry special responsibility for financial reporting. The Code obliges the above individuals to comply with the principles of honesty, integrity, transparency and ethical conduct and is expressly acknowledged once a year by those concerned by way of signature. The Code of Conduct and the Code of Ethics are published on Deutsche Telekom's website⁴.

Deutsche Telekom operates the Ask me! portal that Deutsche Telekom employees can use to ask compliance-related questions whenever they are uncertain of how to behave. Deutsche Telekom also operates the Tell me!⁵ portal which can be used to give anonymous tip-offs regarding potential or actual misconduct by telephone, by letter, or electronically. Compliance is monitored by the Audit Committee of the Supervisory Board.

Deutsche Telekom's annual compliance program is developed on the basis of a standardized risk assessment process and implemented via the compliance organization. The focus in 2010 is on the risk-oriented further development of the existing compliance program as part of which the compliance training sessions will be carried out in the form of classroom training and E-Learning campaigns.

Deutsche Telekom has set up a Data Privacy Advisory Council, an independent advisory body to Deutsche Telekom AG's Board of Management. It ensures a constructive exchange of information with leading data privacy experts and specialists from the political, university and business arenas and other institutions, and gives advice on important issues relevant to data privacy. Lothar Schröder is the chairman of the Data Privacy Advisory Council. The Advisory Council can make recommendations to Deutsche Telekom AG. The recommendations are submitted to the Audit Committee of Deutsche Telekom AG.

Working methods of the Board of Management and the Supervisory Board as well as composition and working methods of committees.

Cooperation between the Supervisory Board and the Board of Management.

The Board of Management and the Supervisory Board work closely together for the good of the Company and maintain regular contact. The Supervisory Board of Deutsche Telekom AG holds four regular meetings a year. In 2009 there were also two extraordinary meetings and one in-depth conference on the strategic alignment of the Company. The Board of Management keeps the Supervisory Board fully and regularly informed in good time of all relevant business developments, plans, potential risks, risk management, compliance, as well as of any deviations from original business plans. The Board of Management regularly submits written reports. The reporting obligations of the Board of Management have been specified by the Supervisory Board and go beyond statutory requirements. The activities of the Board of Management and the Supervisory Board are specified in separate Rules of Procedure. The Rules of Procedure of the Board of Management provide guidance in particular with regard to the departmental responsibilities of its individual members, matters reserved for the Board of Management as a whole, and the majorities required for resolutions. The Chairman of the Board of Management regularly exchanges information with the Chairman of the Supervisory Board.

Working methods of the Board of Management. The Board of Management normally meets on a weekly basis. As a rule, its resolutions are adopted by simple majority. In accordance with the Board of Management's schedule of responsibilities, there are eight Board departments: the Chairman of the Board of Management, the Member of the Board of Management for Finance, the Member of the Board of Management for Human Resources, the Member of the Board of Management for Data Privacy, Legal Affairs and Compliance, the Member of the Board of Management for T-Systems, the Member of the Board of Management for Germany, the Member of the Board of Management, Chief Operating Officer, and the Member of the Board of Management for Southern and Eastern Europe. Each Board of Management member is authorized to manage the spheres of responsibility allocated to him. Certain matters are subject to approval by the full Board of Management. Furthermore, every Board mem-

² www.telekom.com via the following path: English/Investor Relations/Corporate Governance/Declaration of Conformity

³ www.cr-report.telekom.de

⁴ www.telekom.com

⁵ <http://www.telekom.com/dtag/cms/content/dt/en/83040>

ber has the opportunity to submit relevant matters to the full Board of Management for decision. As a rule, members of the Board of Management should not be older than 62 years of age.

Working methods of the Supervisory Board. The Supervisory Board advises the Board of Management on issues concerning the governance of the Company and supervises and reviews its activities. The Supervisory Board is directly involved in all decisions of strategic importance to the Company. The work of the Supervisory Board is specified in the Rules of Procedure. To clarify the reporting requirements on the part of the Board of Management, the Supervisory Board has defined a catalog of transactions subject to approval. This catalog forms an integral part of the Rules of Procedure for the Supervisory Board and the Board of Management, respectively. The Supervisory Board of Deutsche Telekom AG consists of twenty members, ten representing the shareholders and ten representing the employees. The Supervisory Board members representing the shareholders are elected by the shareholders' meeting by simple majority. As in previous years, the elections to the Supervisory Board were held on an individual basis at the last shareholders' meeting on April 30, 2009. The terms of office of the individual Supervisory Board members representing the shareholders end on different dates. This makes it possible to adjust the composition of the Supervisory Board of Deutsche Telekom AG to respond rapidly to any changes in requirements. The Supervisory Board members representing employees were most recently elected by the employees at the delegates' assembly on December 4, 2008 according to the provisions of the German Code-termination Act (Mitbestimmungsgesetz - MitbestG). For details about replacements of Supervisory Board members during the reporting period, please refer to Note 35 of the notes to the financial statements. The Supervisory Board is convinced that – in accordance with a recommendation by the German Corporate Governance Code – it has a sufficient number of independent members to provide impartial advice to and to monitor the Board of Management.

The Supervisory Board once again carried out an examination of its efficiency in the 2009 financial year. The Supervisory Board carried out its self-assessment based on a comprehensive questionnaire and individual discussions with the Chairman of the Supervisory Board.

The Supervisory Board has set an age limit according to which, as a rule, no person shall be proposed to the shareholders' meeting for election to the Supervisory Board if during his or her term of office that person would reach 72 years of age.

To the extent permitted by law, the Supervisory Board makes use of modern communication media to expedite its work and accelerate decision-making process in the interests of the Company.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and presides over its meetings. Over and above his organizational

duties in the Supervisory Board, the Chairman of the Supervisory Board maintains regular contact with the Chairman of the Board of Management and with the Board of Management as a whole, in order to stay informed about the Company's strategy, business developments, risk management policy and management measures, and to discuss these with the Board of Management. In this context, the Chairman of the Board of Management advises the Chairman of the Supervisory Board of all events that are significant to the situation, development, and governance of the Company.

Working methods and composition of the Board of Management and Supervisory Board committees.

The **Board of Management** has set up two permanent committees to perform its tasks efficiently. First, the **Board of Management Capital Expenditure Committee**. This committee is responsible for the optimum allocation of resources from a business and strategic perspective, and supports the Board of Management in setting the capital expenditure and project budgets. The Board of Management is represented on this committee by the Chief Financial Officer (committee chairman until March 2009) and the Chief Operating Officer (committee chairman from April 2009). The remaining members are the Financial Directors of Southern and Eastern Europe, United States, COO / Europe, Germany and T-Systems, and the Heads of Group Controlling and Group Strategy. The second committee is the **Mergers and Acquisitions Committee**. Working on behalf of the Board of Management, this committee decides on the execution of transactions, within value thresholds, and monitors integration once the transactions have been executed. The members of this committee are the Chairman of the Board of Management (committee chairman), the Chief Financial Officer, the Chief Human Resources Officer, and the Heads of Mergers & Acquisitions, Group Strategy, and Global Business Development.

To increase the efficiency of its work, and taking into consideration the specific requirements placed on the **Supervisory Board** of Deutsche Telekom AG, the Supervisory Board established the following committees (which all have equal representation of shareholders' and employees' interests):

The **General Committee** is responsible for preparing the meetings and major decisions of the Supervisory Board, as well as for preparing matters relating to the individual members of the Board of Management. Members: Prof. Dr. Ulrich Lehner (chairman), Jörg Asmussen, Waltraud Litzenberger, Lothar Schröder.

The **Finance Committee** deals with complex corporate activities in the areas of finance and business management, which are assigned to it by the Chairman of the Supervisory Board or the Supervisory Board as a whole for review and advice. Members: Dr. h. c. Bernhard Walter (Chairman), Hermann Josef Becker, Hans Martin Bury, Lawrence H. Guffey, Lothar Holzwarth, Waltraud Litzenberger.

The topics dealt with by the **Audit Committee** include those allocated to it in accordance with German legislation and the German Corporate Governance Code. These include in particular the monitoring of accounting and the monitoring of the effectiveness of the internal control system, the risk management system, and the internal auditing system. The Audit Committee also deals with auditing, in particular with the independence of the external auditors and the additional services provided by the auditors, compliance and data privacy issues. Furthermore, within the scope of mandatory German law, the Audit Committee also deals with all those duties which are allocated to an audit committee under applicable U.S. law with respect to listed companies with their registered office outside the United States. In consideration of the changes ensuing from the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG), the Audit Committee has extended and detailed its competencies in respect of the duties assigned to it by the Supervisory Board.

The members of the Audit Committee are the same as those of the Finance Committee. Dr. h. c. Bernhard Walter, Chairman of the Audit Committee, as an independent member is knowledgeable in the areas of accounting and auditing (§ 100 (5) AktG).

The Audit Committee successfully underwent an external examination of efficiency in the 2009 financial year.

The **Staff Committee** deals with personnel matters at Deutsche Telekom, in particular the Company's staff structure and human resources development and planning. The Staff Committee dealt in particular with matters relating to headcount levels and requirement planning in preparation for resolutions by the Supervisory Board on budgets and medium-term planning. Members: Lothar Schröder (chairman), Dr. Hubertus von Grünberg, Prof. Dr. Ulrich Lehner, Waltraud Litzenberger.

The **Nomination Committee** is responsible for proposing to the Supervisory Board suitable candidates for recommendation to the shareholders' meeting for election. In 2009, in observation of statutory requirements and the provisions of the German Corporate Governance Code, the Nomination Committee dealt with the filling of the Supervisory Board seats left vacant by the departure of Prof. Dr. Reitzle and Prof. Dr. von Schimmelmann effective January 1, 2010 and agreed with the Board of Management on the Board's application for the appointment of Dr. Bernotat and Prof. Dr. Middelmann by court order. In accordance with the recommendation outlined in the German Corporate Governance Code, this committee consists exclusively of shareholder representatives. Members: Prof. Dr. Ulrich Lehner, Jörg Asmussen.

The **Mediation Committee** required pursuant to § 27 (3) MitbestG performs the duties incumbent on it under the law. It did not meet in the 2009 financial year. Members: Prof. Dr. Ulrich Lehner (Chairman), Dr. Hubertus von Grünberg, Waltraud Litzenberger, Lothar Schröder.

A **special committee** has been established as of January 1, 2010 to monitor the Company's participation in the spectrum auction for the fourth generation of mobile communications in Germany. Members: Prof. Dr. Ulrich Lehner (Chairman), Waltraud Litzenberger, Lothar Schröder, Dr. h. c. Bernhard Walter.

The committee chairpersons report to the Supervisory Board on a regular basis on the work of the committees. The Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, is particularly knowledgeable and experienced in the use of accounting standards and internal control procedures. He is also a financial expert within the meaning of the Sarbanes-Oxley Act. Dr. h. c. Bernhard Walter is not a former member of the Board of Management of the Company.

For further details of the members of the Supervisory Board and any seats they hold on the supervisory boards of other companies, please refer to Note 35 of the notes to the financial statements.

Avoiding conflicts of interest. Board of Management members and Supervisory Board members are obliged to disclose immediately any conflicts of interest to the Supervisory Board. Any functions assumed by members of the Board of Management that are not covered by the Board of Management mandate are subject to approval by the General Committee of the Supervisory Board.

Risk and opportunity management. The management of opportunities and risks arising in connection with the Company's business activities is of fundamental importance to the Board of Management and the Supervisory Board for professional corporate governance. The Board of Management receives regular reports from the Risk Management department of the Company concerning current risks and their development. In turn, it reports to the Supervisory Board on the risk exposure and the risk management system. The risk management system in place at Deutsche Telekom is evaluated by the external auditors and Internal Audit, and is constantly being expanded and improved. The Audit Committee deals with risk management, including monitoring the effectiveness of the internal risk management system. In addition to financial risks, risk management also includes risks to the Company's reputation. For more information, please refer to the section entitled "Risk and opportunity management" in the management report.

Internal controls over financial reporting. Deutsche Telekom meets the strict requirements of the U.S. capital markets, specifically Section 404 of the Sarbanes-Oxley Act (S-OX404). To this end, Deutsche Telekom implemented a process to systematically assess the effectiveness of its internal controls over financial reporting. Evidence of its effectiveness throughout the Group has again been provided for the 2009 financial year. The Audit Committee assumes the task of monitoring the accounting and financial reporting processes on behalf of the Supervisory Board. The system of internal controls over financial reporting is updated on an ongoing basis and monitored separately by Internal Audit and external auditors.

The Audit Committee also monitors the effectiveness of the internal control system, which goes beyond financial reporting and therefore fulfills the requirements of the Accounting Law Modernization Act which came into force in May 2009. For a description of the main features of the accounting-related internal control system, please refer to “Accounting-related internal control system” in this section.

Accounting and audit of financial statements. An agreement has been reached with the external auditors that the Chairman of the Supervisory Board / the Audit Committee shall be advised immediately of any issues uncovered during the audit that might give rise to statements of exclusion or reservation in the auditors’ report, unless these issues can be resolved forthwith. Moreover it has been agreed that the auditors shall immediately report any findings and issues which emerge during the audit and which have a direct bearing upon the tasks of the Supervisory Board. According to this agreement, the auditors undertake to inform the Supervisory Board or make a note in their report of any facts discovered during the audit which might indicate a discrepancy in the Declaration of Conformity with the German Corporate Governance Code submitted by the Board of Management and Supervisory Board. The Audit Committee assesses the independence of the auditors.

Remuneration report – fundamentals of the compensation system for members of the Board of Management and the Supervisory Board.

Report on the compensation of the Board of Management.

The compensation of each member of the Board of Management is reported in the notes to the financial statements, broken down in accordance with statutory requirements into fixed and performance-related components and long-term incentives. For details, please refer to Note 36 of the notes to the financial statements under “Compensation of the Board of Management and the Supervisory Board.” These disclosures in the notes to the financial statements are also an integral part of the Corporate Governance Report and Corporate Governance Statement. A summary of the structure and main features of Board of Management compensation is given below.

The compensation system for the Board of Management⁶, including the main elements of their service contracts, is defined and regularly reviewed by the Supervisory Board. Since the introduction of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) and the update of the Deutsche Corporate Governance Code in 2009, the entire Supervisory Board approves the individual provisions of the Board of Management members’ service contracts. Since then, the General Committee has the function of preparing the resolution for the Supervisory Board. The compensation of the Board of Management members is comprised of several elements. It includes fixed as well as short- and longer-term variable components, various fringe benefits that are also detailed

for each Board member in the notes and which are generally payable in the form of benefits in kind, insurance contributions, or taxable non-cash benefits, as well as Board of Management pension entitlements.

The variable components include both components tied to the annual business results and long-term incentives containing risk elements.

The **annual variable component** is based on the extent to which each member of the Board of Management achieves the targets assigned to him by the Supervisory Board before the beginning of each financial year. If the targets associated with the variable elements of remuneration are achieved in full, around two thirds of the remuneration will be variable and one third fixed.

Benefits based on the Mid-Term Incentive Plan are offered as **long-term incentives containing risk elements**. There are also entitlements from stock option plans (see below for details of the 2001 Stock Option Plan). The **Mid-Term Incentive Plan** of Deutsche Telekom AG (MTIP) is a Group-wide long-term compensation instrument for senior executives. The members of the Board of Management have participated in it since the 2004 financial year. The plan has a term of three years and will be issued annually on a rolling basis. It consists of two share-based, additive and equally weighted performance parameters. For the 2009 financial year – as for 2007 and 2008 – one absolute and one relative plan target have been set. The absolute plan target is related to the increase in value of the Deutsche Telekom share. The relative plan target requires the total return of the Deutsche Telekom share to outperform the Dow Jones Euro STOXX Total Return Index. The tranche of the 2007 MTIP achieved the relative share price development target but not the absolute share price development target. This means 50 percent of the award amount can be paid out for the 2007 tranche. For further details, please refer to Notes 23 and 36 of the notes to the financial statements.

The **2001 Stock Option Plan** was closed for the Board of Management in 2004. Options granted to current and former members of the Board of Management from tranches of the 2001 Stock Option Plan can still be exercised, provided the necessary conditions are met. For further details, please refer to Notes 23 and 36 of the notes to the financial statements. These disclosures in the notes to the financial statements are also an integral part of the Corporate Governance Report and Corporate Governance Statement.

The terms of the service contracts of the Board of Management members are linked to the term of appointment as a member of the Board of Management. To account for the Company’s entitlement to terminate the appointment without this constituting cause for the simultaneous termination of the service contracts, the contracts of all the members of the Board of Management of Deutsche Telekom AG contain a clause specifying the maximum severance amount payable to the Board members in the event of their departure in such circumstances.

⁶ The compensation system for the Board of Management will be revised in 2010.

As a rule, the Board member's agreements stipulate a clause prohibiting them from joining a competitor after their departure.

Service contracts for members of the Board of Management include a provision in case of premature termination without good cause allowing a compensation payment which, in line with the recommendations of the Corporate Governance Code, is restricted to a maximum of two years' remuneration (severance cap) and may not exceed the remuneration due for the remaining term of the service contract.

The members of the Board of Management are in principle entitled to a company pension. Its structure depends on the final salary received which means that Board of Management members receive a company pension based on a fixed percentage (between 5 and 6 percent) of their last fixed annual salary for each year of service rendered prior to their date of retirement. The maximum pension entitlement, attainable after ten years of Board of Management membership, is 50 (or 60) percent of the last fixed annual salary. The rights to benefits are generally vested in accordance with statutory provisions (or contractually vested immediately, in specific cases). Benefits are paid in the form of a lifelong old-age pension, an early-retirement pension, disability pension, and widow and orphans' pension. For further details to be disclosed, please refer to Note 36 of the notes to the financial statements. These disclosures in the notes to the financial statements are also an integral part of the Corporate Governance Report and Corporate Governance Statement.

Members of the Board of Management receive no third-party remuneration for their activity as Board members.

For details of the compensation system and a specification of the long-term incentives containing risk elements, please refer to Note 36 of the notes to the financial statements and the Internet⁷. These disclosures in the notes to the financial statements are an integral part of the Corporate Governance Report and Corporate Governance Statement.

Report on the compensation of the Supervisory Board.

The compensation of the members of the Supervisory Board⁸ is specified in § 13 of the Articles of Incorporation. It is designed to take account of the responsibilities and scope of activity of the members of the Supervisory Board, as well as the financial position and success of the Company. In addition to fixed compensation, the members of the Supervisory Board receive performance-related compensation based on the development of net profit per share. Performance-related compensation also includes variable components linked to the long-term performance of the Company. Special functions such as that of Chairman or Deputy Chairman of the Supervisory Board and chair or member of any of its committees are taken into account. The compensation of each member

of the Supervisory Board is reported in Note 36 of the notes to the financial statements under "Compensation of the Supervisory Board," broken down in accordance with statutory requirements into its individual components. These disclosures in the notes to the financial statements are also an integral part of the Corporate Governance Report and Corporate Governance Statement.

No other remuneration was paid by the Company to the members of the Supervisory Board, or advantages extended for services provided individually, in particular advisory services or agency services. Lothar Schröder received attendance fees for his function as chairman of the Data Privacy Advisory Council.

Share ownership by members of the Board of Management and the Supervisory Board.

Total direct or indirect holdings of shares in the Company or associated financial instruments by members of the Board of Management and the Supervisory Board do not exceed 1 percent of the shares issued by the Company.

Securities-based incentive systems.

For specific disclosures on security-based incentive systems, please refer to Note 23 of the notes to the financial statements. These disclosures in the notes to the financial statements are also an integral part of the Corporate Governance Report and Corporate Governance Statement.

Changes in the composition of the Board of Management.

In agreement with the Supervisory Board, Dr. Karl-Gerhard Eick resigned from the Board of Management with effect from midnight on February 28, 2009.

At the Supervisory Board meeting on February 26, 2009, the Supervisory Board appointed Timotheus Höttges as the new member of the Board of Management for Finance effective March 1, 2009 and Niek Jan van Damme as the new member of the Board of Management for T-Home and Sales & Service, also effective March 1, 2009. The establishment of a new Board of Management department for Southern and Eastern Europe with effect from March 1, 2009 was also approved at the meeting on February 26, 2009 to account for the growing significance of the Southern and Eastern European region and to combine responsibility for the existing, integrated operations in the region following the takeover of management control of the Greek company OTE. The new department is headed by Guido Kerkhoff, who was appointed to the Board of Management effective March 1, 2009. On April 29, 2009, the Supervisory Board decided to merge responsibility for standard fixed-network and mobile communications business for consumers and business customers in Germany

⁷ www.telekom.com via the path: English/Investor Relations/Corporate Governance/Incentive plans

⁸ The compensation system for the Supervisory Board will be revised in 2010.

into a single Board of Management department – Germany – effective July 1, 2009. This department is headed by Niek Jan van Damme. Reinhard Clemens retains responsibility for the ICT solution business with corporate customers – T-Systems. In addition, the position of Chief Operating Officer was established effective July 1, 2009. The new department, headed by Hamid Akhavan, brings together the Group-wide responsibility for technology, IT, procurement, products and innovations for standard business for consumers and business customers. Hamid Akhavan is also responsible for the Group's mobile communications subsidiaries in the United Kingdom, the Netherlands, Austria, the Czech Republic and Poland.

The Deutsche Telekom Supervisory Board agreed to Hamid Akhavan's request to resign on February 15, 2010 at its meeting on December 17, 2009. On January 29, 2010, the Supervisory Board approved the proposal by the Board of Management to reassign Hamid Akhavan's responsibilities on a temporary basis. Board of Management members Guido Kerkhoff and Reinhard Clemens will assume Hamid Akhavan's responsibilities in an acting capacity. Effective February 15, 2010, Guido Kerkhoff will assume temporary responsibility for the Europe region (United Kingdom, Netherlands, Austria, Poland and Czech Republic) and International Sales & Service. Reinhard Clemens will, also in an acting capacity, assume Group-wide responsibility for the remaining COO units, such as Products & Innovation, Technology, IT and Procurement effective the same date.

Accounting-related internal control system.

Deutsche Telekom AG's internal control system (ICS) is based on the internationally recognized COSO framework (The Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework. The effectiveness of the ICS is monitored by the Audit Committee of Deutsche Telekom AG in accordance with the provisions of the Accounting Law Modernization Act, which entered into force in May 2009. The Board of Management determines and assumes responsibility for the scope and form of the specific requirements for Deutsche Telekom. Internal Audit is responsible for independently reviewing the effectiveness of the ICS at Deutsche Telekom and its subsidiaries, and to this end has comprehensive information, audit and access rights. It is generally true of any ICS that regardless of its specific structure there can be no absolute guarantee that it will achieve its objectives. Regarding the accounting-related ICS, there can only ever be relative certainty, rather than absolute certainty, that material accounting misstatements can be prevented or detected.

The accounting-related ICS, which is continuously refined, comprises the principles, methods, and measures used to ensure compliant (Group) accounting.

At Deutsche Telekom AG, the Group Accounting department is responsible for managing the processes of (Group) accounting and the preparation of the management report. Laws, accounting standards, and other pronouncements are continuously analyzed for their relevance to and impact on the consolidated financial statements and the annual financial statements. The relevant requirements are defined in the Group Accounting Manual, for example, communicated to the relevant units and, together with the financial reporting calendar that is binding throughout the Group, forms the basis of the financial reporting process. In addition, supplementary process directives, standardized reporting formats, IT systems, as well as IT-based reporting and consolidation processes support the process of uniform and compliant (Group) accounting. Deutsche Telekom AG draws on the services of external service providers as needed, e.g., for measuring pension obligations. Group Accounting establishes appropriate processes to ensure that these requirements are implemented uniformly in all areas of the Group. The staff involved in the (Group) accounting process receive regular training. Deutsche Telekom and its subsidiaries are responsible for complying with the Group policies and procedures and for the compliant, timely execution of their accounting-related processes and systems, and are supported and monitored in these activities by Group Accounting.

Internal controls are embedded in the accounting process depending on risk levels. The accounting-related ICS comprises both preventive and detective controls, which include IT-based and manual agreements, the segregation of functions, double-checking, general IT controls such as access regulations in IT systems or change management, and the monitoring of such controls.

In 2006 Deutsche Telekom introduced a standardized process across the Group for monitoring the effectiveness of the accounting-related ICS. The process systematically addresses the risks of possible misstatements in the consolidated financial statements and annual financial statements, and meets the strict capital market requirements of Section 404 of the Sarbanes-Oxley Act in the United States. In order to ensure a high-quality accounting-related ICS, Internal Audit is closely involved in all stages of the process. The effectiveness of the accounting-related ICS is measured by analyzing selected high-risk elements in cascaded self-assessments that are performed by all parties involved in the process, including those with lead responsibility for the accounting process through to the Board of Management. Internal Audit performs independent spot-checks on the self-assessments.

Business background.

The legal entity Deutsche Telekom AG, which has various branch offices in the Federal Republic of Germany, only accounts for some of the Group's business areas, most significant among them the domestic fixed-network business, including business with small- and medium-sized enterprises in Germany. Fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers. The Company provides small and medium-sized enterprises in Germany with a portfolio of information and communication technology (ICT) products and solutions. The Company's International Carrier Sales and Solutions unit primarily provides telecommunications wholesale services for Deutsche Telekom's subsidiaries.

Group Headquarters is responsible for strategic and cross-segment management functions. The Shared Services of the Company are responsible for all other operating functions that are not directly related to Deutsche Telekom's and its subsidiaries' core business. These include that part of Vivento that is organized within Deutsche Telekom AG, which provides employees with new employment opportunities as part of the staff restructuring program, as well as the Products & Innovation unit, which is responsible for products and innovation within the Group, further technology-, IT- and mobile-related Group-wide functions that are assigned to the Chief Operating Officer as well as those parts of the Real Estate unit that are organized within the Group and whose activities include managing Deutsche Telekom AG's real estate portfolio. Real estate activities have been bundled within Deutsche Telekom since the 2009 financial year. Floor space is rented and sub-let to domestic subsidiaries after facility management services have been performed. Previously, the subsidiaries had each signed separate contracts with facility management providers inside and outside the Group. Shared Services is primarily active in Germany.

Deutsche Telekom AG also employs part of its workforce in its subsidiaries, where civil servants can be assigned work under legal provisions. The instrument of assignment has been used to a significant extent since the transfer of operations to the three service companies Deutsche Telekom Kundenservice GmbH (DT KS), Deutsche Telekom Netzproduktion GmbH (DT NP) and Deutsche Telekom Technischer Service GmbH (DT TS) in the 2007 financial year. The personnel costs incurred in this regard are borne by the respective subsidiaries.

The financial position of Deutsche Telekom AG is not only determined by its own operations and its function as a holding company. As the parent company of the Group it is also impacted in particular by the financial position and results of operation of its subsidiaries, associated and related companies, which are described in greater detail below.

Since July 1, 2009, the Deutsche Telekom Group's organizational structure has reflected the realigned management structure approved by the Supervisory Board on April 29, 2009. The new structure increases regional market responsibility in the combined fixed-network and mobile communications business. The realignment also resulted in a change to the structure of the operating segments from July 1, 2009. Since July 1, 2009, the Deutsche Telekom Group has reported on the five operating segments Germany, United States, Europe, Southern and Eastern Europe, and Systems Solutions as well as on Group Headquarters & Shared Services.

The mobile communications business is run by subsidiaries and offers mobile voice and data services to consumers and business customers. Mobile terminals and other hardware are sold in connection with the services offered. In addition, T-Mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (MVNOs).

The business activities in four of these five operating segments are assigned by regions and in the fifth by customers and products. The **Germany operating segment** comprises all fixed-network and mobile activities in Germany. In addition, the operating segment provides wholesale telecommunications services for the Group's other operating segments.

The business run by subsidiaries in the **United States operating segment** (T-Mobile USA) comprises all of Deutsche Telekom's wireless activities in the U.S. market and offers mobile voice and data services to consumers and business customers. Mobile devices and accessories are usually sold in connection with the services offered. In addition, T-Mobile USA offers its customers a number of service options, including rate plans with and without contracts, the ability to pay in advance or subsequent to service, and rate plans with and without subsidized handsets. T-Mobile USA uses a mix of direct and indirect distribution channels to market its mobile voice and mobile data products and services. T-Mobile USA services are also sold to wholesale entities such as MVNOs and machine-to-machine operators and are a growing distribution channel for T-Mobile USA unbranded products and services.

The **Europe operating segment** covers all activities of the mobile communications companies in the United Kingdom, Poland, the Netherlands, the Czech Republic and Austria.

The **Southern and Eastern Europe operating segment** comprises all fixed-network and mobile communications operations of the national companies in Hungary, Croatia, Slovakia, Greece, Romania, Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro.

The **Systems Solutions operating segment** bundles the business of subsidiaries to offer products and solutions for major public-sector institutions and large multinational corporations (corporate customers) under the T-Systems brand. The operating segment offers its customers information and communication technology (ICT) from a single source. It develops and operates infrastructure and industry solutions for corporate customers. Drawing on a global infrastructure of computing centers and networks, T-Systems operates ICT systems and provides integrated solutions for the networked future of business and society.

Shared Services comprises all subsidiaries, associated and related companies that cannot be allocated directly to one of the operating segments. The Shared Services unit is responsible for all other operating functions not directly related to the aforementioned segments' core business. The main subsidiaries in Shared Services are GMG Generalmietgesellschaft mbH, Bonn; DeTeFleetServices GmbH, Bonn, a full-service provider of fleet management and mobility services; and Vivento Customer Services GmbH, Bonn.

For a description of the Group's structure and the development of business at major subsidiaries, associated and related companies, please refer to the Group management report⁹.

Corporate strategy and management.

Corporate strategy.

Telecommunications is an industry marked by constant change in fixed-network business, mobile communications, and the Internet, a momentum that even economic upheaval is unable to suppress. This affects key areas of the macroeconomy, technology, consumers, the markets, and our competitors. At the same time, the boundaries to related industries – IT, the media, entertainment, and software – are becoming blurred, creating new competitive constellations and increasingly requiring strategic partnerships.

Deutsche Telekom's and its subsidiaries' aim is to position themselves successfully in this complex environment and become a market leader in connected life and work in the long term. In the 2009 financial year, the Deutsche Telekom Group continued to systematically implement its "Focus, fix and grow" strategy successfully with the following four strategic areas of action:

- Improve competitiveness in Germany and in Southern and Eastern Europe.
- Grow abroad.
- Mobilize the Internet.
- Roll out network-centric ICT.

As only parts of the Group's operating segments are organized within the legal entity Deutsche Telekom AG, the main components of the Group strategy relevant to these units are described below. For a detailed description of the Group strategy, please refer to the Group management report.

Improve competitiveness.

Markets in Germany and in Southern and Eastern Europe are becoming saturated, particularly in the fixed-network area, and competition is intense. In this challenging environment, Deutsche Telekom holds its own by focusing capital expenditure on the broadband infrastructure, first-rate products and excellent service, and continuously streamlining its cost base. Deutsche Telekom expects its integrated market strategy to make the Group more competitive.

Focused network expansion. As Deutsche Telekom aims to retain its broadband and innovation leadership it is focusing its investments on network expansion. In the German fixed network, Deutsche Telekom already supplies around 1,000 towns and cities with ADSL2+ and 50 towns and cities with VDSL. As it continues to expand the broadband network, Deutsche Telekom has not only launched cooperation projects with local authorities but is also entering into partnerships with competitors.

Innovative entertainment products. Since 2009, Entertain customers in Germany have been able to link up several media receivers using the "connected video recorder," share photos with friends and relatives, and subscribe to LIGA total! to watch Bundesliga soccer games on TV or while on the move.

⁹ The Annual Report is available upon request from Deutsche Telekom AG, Investor Relations, Postfach 2000, D-53105 Bonn, Germany, fax +49 (0) 228 181 88899.

Service and quality. Entertain has received several awards from customers and neutral experts. The readers of “connect” magazine (May 2009 issue) named Entertain the best triple-play provider in 2009. Deutsche Telekom also beat the competition in a ranking published in the September 2009 issue of “Computer Bild.” Furthermore, the Company topped the one-million mark with the marketing of Entertain, the Apple iPhone, and the terminal equipment service package, demonstrating that with excellent service and high-quality products Deutsche Telekom can make a lasting impression on customers even in saturated markets. In the 2010 financial year the Company will introduce the ACCI/ICCA (After Customer Contact Interview; International Customer Contact Analysis) study to measure customer perception in other national companies and customer contact channels and improve customer service further.

Fixed-mobile convergence. The Company is also improving competitiveness by integrating fixed-network and mobile operations. As part of the One Company project, Deutsche Telekom intends to boost its presence in the market as an integrated provider offering convergent products from a single source. To this end, Deutsche Telekom is currently realigning its activities in Germany as well as in Croatia and Slovakia with a new organization and strategy. This move will improve customer service, safeguard jobs, and unlock potential for more innovation, additional revenue, and cost synergies at Deutsche Telekom and subsidiaries.

Improved cost base. In addition to tapping growth potential, Deutsche Telekom needs to work steadily on improving its cost base. To this effect, the Save for Service program was launched in 2006. The 2010 target was already exceeded by the end of the 2009 financial year. Deutsche Telekom will usher in the next phase of Save for Service in early 2010 and bring its international activities into the program’s scope, too.

Operational strength. To enhance customer satisfaction, quality and efficiency, in 2006 Deutsche Telekom began applying the methods of Six Sigma and Lean Management/Office Lean. Several hundred improvement projects have since been carried out, with many business processes optimized long-term across business units, and additional revenue and cost cutting in the high triple-digit millions realized.

The Deutsche Telekom Group will continue to hold its own in the dynamic competitive environment in the 2010 financial year and concentrate on achieving its long-term vision of becoming a global leader in connected life and work. Nevertheless, Deutsche Telekom is using its success in implementing the “Focus, fix

and grow” corporate and Group strategy with its four strategic areas of action and, not least, its more integrated structure acquired under the One Company approach as an opportunity to review and refine its strategy in the first quarter of 2010.

Corporate management.

The financial management is oriented toward the Group and its operating segments. For this purpose, the legal entity Deutsche Telekom AG is not considered as separate. Group management focuses on the expectations Deutsche Telekom’s **four groups of stakeholders** (shareholders, providers of debt capital, employees, and the Group’s “entrepreneurs within the enterprise”) have of the Group:

1. Shareholders expect an appropriate, reliable return on their capital employed.
2. Providers of debt capital and banks expect an appropriate return and that Deutsche Telekom is able to repay its debts.
3. Employees expect long-term, secure jobs with prospects for the future and that any staff restructuring that may be necessary will be done in a socially responsible manner.
4. “Entrepreneurs within the enterprise” expect to be given sufficient investment funding to be able to shape Deutsche Telekom’s future business and to develop products, innovations, and services for the customer.

The purpose of Group management is to strike a balance between these contrasting stakeholder expectations and interests so that sufficient funding is available for investment, socially responsible staff restructuring, debt repayment, and an attractive dividend policy.

The key performance indicators (KPIs) of the Deutsche Telekom Group for **operational management** are revenue, EBIT, EBITDA, free cash flow, and the return on capital employed (ROCE).

The development of Deutsche Telekom’s **revenue** is essential to ensuring its success and programs to improve the top line are a fundamental building block of the Company’s future.

EBITDA corresponds to **EBIT** (profit/loss from operations) before depreciation, amortization and impairment losses. The Group uses the development of EBIT and EBITDA to measure its short-term operational performance and the success of its individual operations. The Group also uses the EBIT and EBITDA margins to show how these indicators develop in relation to revenue. These relative indicators make it possible to compare the earnings performance of profit-oriented units of different sizes. The goal is to reach or exceed competitors' EBIT or EBITDA margins.

The Deutsche Telekom Group defines **free cash flow** as net cash from operating activities less net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. It is the key measure used by providers of debt capital and equity as stakeholders in Deutsche Telekom. Free cash flow is indicative both of the Company's potential for further development, such as the generation of organic and inorganic growth, and of its ability to pay a dividend and repay debt.

A centralized free cash flow management unit for the Deutsche Telekom Group set up in the 2009 financial year is responsible for transparency, steering, forecasting, and measuring performance. Centralized reporting and decentralized steering instruments were put in place and working capital projects carried out in 2009. These steps are the foundation for effective free cash flow management that will continue in the future. The focus is on additional steps to optimize working capital, further develop planning and forecasting instruments, and refine the steering process.

ROCE is the main benchmark for focusing all operational measures on superior value. It represents the result a company has achieved in relation to the assets employed in achieving that result. ROCE is calculated using the ratio of profit from operations after depreciation, amortization and impairment losses, and the ratio of taxes (i.e., net operating profit after taxes, or NOPAT) to the average value of the assets tied up for this purpose in the course of the year (i.e., net operating assets, or NOA). Deutsche Telekom's goal is to achieve or exceed the return targets imposed on it by providers of debt capital and equity on the basis of capital market requirements and thus to generate value. Deutsche Telekom measures return targets using the weighted average cost of capital (WACC).

A stable rating, the Company's gearing, and its relative debt are the relevant factors for fulfilling the requirements of debt capital providers and ensuring **financial stability**. Relative debt is the ratio of net debt to adjusted EBITDA, while gearing is the ratio of net debt to equity.

For further details on the system of key performance indicators, please refer to the Group management report.

The economic environment.

Global economic development.

By the end of 2009, the financial and capital markets had begun to stabilize, helping the global economy to recover from the severe recession witnessed in the first few months of the year. The measures adopted to support the banking sector, along with the highly expansive monetary and economic policies in most industrialized and emerging nations helped underpin a rapid recovery of the production and trade sectors. Compared with the previous quarters, global production had already picked up by the second and third quarters of 2009 and, according to estimates by the Kiel Institute for the World Economy (IfW), was growing at an annual rate of around 4 percent. The International Monetary Fund (IMF) also expects the global economy to grow by 3.9 percent in the 2010 financial year.

Unlike previous economic recoveries, the timing and geographic spread of the upturn varied enormously in 2009. In the emerging Asian nations in particular, led by China, production began to expand again at the start of 2009. Growing demand in Asia then helped kick-start the global economy in early 2009. Throughout the course of 2009, the upturn gathered momentum in more and more countries. In the second quarter of 2009, the real gross domestic product (GDP) had already increased in a number of countries while some industrialized nations were still experiencing a sharp contraction of production in various areas. In the third and fourth quarters of 2009, there were only a few countries where the economy did not expand compared with the previous quarters.

In 2009, the development of GDP varied considerably across the euro zone. According to the IfW's latest forecasts, the euro zone economy whose production had recovered most strongly by the end of 2009 was Slovakia; Slovenia, Austria and Portugal also recorded significant increases in production. GDP in the United States has also been growing since the third quarter of 2009; the very significant increase of 2.8 percent was the result of expansion-oriented economic policies and was mainly driven by private consumption.

Among the larger national economies in the euro zone, Germany and Italy in particular recorded low-level growth in the second half of 2009, whereas production declined once more in Spain and Greece, for example.

Seen over the entire year, the decrease in production was considerable in some industrialized countries. According to the Federal Statistical Office, provisional GDP figures for Germany in 2009 were down 5 percent on the previous year. Estimates put the decrease at 4.0 percent in the national economies of the euro zone overall, 3.3 percent in euro zone accession countries, and 4.6 percent in the United Kingdom. The decline in GDP in the United States is currently estimated at 2.5 percent.

Unemployment rose sharply in most industrialized countries in 2009, particularly in the United States, the United Kingdom and several euro zone economies. The German national economy is a positive exception, where unemployment increased only moderately thanks to the widespread introduction of short-time work.

The finance sector is still not fully stabilized, which is one of several significant risks facing the global economy. The restricted access to credit could rob the worldwide increase in production of its momentum. Moreover, the global economy may well face additional pressures as governments abandon their expansionary monetary and financial policies or existing programs run their course. Should governments decide to pursue a neutral monetary policy for the coming years and should high budget deficits force them to put their financial policy firmly on the consolidation track, inflation expectations could increase and capital market interest rates could rise quickly and slow any economic recovery.

The sharp rise in unemployment in industrialized countries may lead to demand-induced risks in the production and trade sectors in particular. Thanks to moderate pay rises the increase in labor costs has been curbed, but the continuing rise in unemployment may provoke marked cut-backs in private consumption.

Telecommunications market.

Toward the end of 2009, upward trends also became apparent in the information and telecommunications market. The Bitkom sector index of the German Association for Information Technology, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien – Bitkom) recorded an increase of 18 points for the ICT sector in the third quarter of 2009 – the strongest growth in the last five years. According to other recent Bitkom sector surveys, the IT and telecommunications sector has weathered the crisis very well compared to other sectors of the economy, with only one in three high-tech companies having suffered from the economic crisis.

The international delphi study, which surveyed 551 decision-makers from politics, industry, and science on key developments in their sectors, also shows that the IT and telecommunications sectors are emerging from the crisis with renewed strength. 58 percent of German industry observers firmly believe that the German IT sector will come out of the current economic crisis stronger than before. 37 percent of respondents expect the importance of the telecommunications sector to increase after the economic crisis. U.S. experts hold a similar view. 70 percent expect the IT sector to emerge from the crisis with renewed strength and 74 percent say the same of the telecommunications sector.

The high-tech companies surveyed by Bitkom see further positive economic signs for 2010. Four out of five companies expect demand to rise noticeably. Much of the growth may well come from Germany in 2010, as 92 percent of companies expect strong domestic demand. 62 percent of companies also expect international business to be strong, with Western Europe at the forefront, followed by Asia, Eastern Europe and the United States.

Germany.

According to the Federal Network Agency's Activity Report, revenue in Germany's telecommunications market is down 2.5 percent compared with the full 2008 financial year. This is mainly due to falling consumer prices caused by the increasing proliferation of complete packages and the fact that the market is essentially saturated. These effects are giving rise to predatory competition and consolidation attempts in the market. Providers are reducing costs by integrating key value creation processes, thus securing themselves a competitive edge. According to the Federal Network Agency, the number of employees in the German telecommunications market is decreasing.

Average consumer prices for telecommunications services in the fixed network and in mobile communications in Germany were once again lower than in the prior year. The price index for fixed-network and Internet telephony was down 2.3 percent, while rates for mobile telephony were 2.5 percent lower. Aside from pure call charges, prices for mobile data services also decreased.

As the operational activities of the Company are mainly concentrated on the German broadband/fixed-network market, the development of that market is described in greater detail below.

The significance of the traditional telephone line is declining in the **fixed-network market** due to the rising number of new ways of making calls using the fixed network, such as IP telephony via DSL lines or the cable TV network. The total number of voice communications accesses in the fixed network has remained relatively constant in recent years.

The **broadband market** is still growing, albeit at a much slower pace than in the last few years, since demand for broadband lines is nearing saturation point. In terms of broadband coverage, Germany has now exceeded the European average. At the same time, however, demand for higher bandwidths continues to grow, driven by various factors including multimedia applications in ever-increasing quality (high definition) which often have to be transported via the network simultaneously.

The growing appeal of cable TV lines is due to the very large bandwidths that are already available – in some cases up to 100Mbit/s – at attractive prices.

In Germany, there is a broad range of wholesale products for putting together broadband packages, including access to the unbundled local loop (ULL) line, bitstream access, WIA and WIA Gate. These products enable competitors, whether they have their own network infrastructure or not, to draw up business models at various points in the value chain. A rising number of alternative providers are able to offer their customers complete packages from a single source.

The Federal Government's broadband strategy for nationwide coverage in Germany set ambitious targets. High-performance broadband lines shall be available all around the country by the end of 2010 at the latest. By 2014, lines with transmission rates of at least 50 Mbit/s shall be available for 75 percent of households, the aim being to achieve full nationwide coverage as soon as possible. In addition, authorities at local, regional and federal level as well as industry are called upon to become involved in implementing these measures.

Deutsche Telekom is forecasting further market consolidation over the coming years, with new alliances allowing market players to leverage synergy effects. At the same time, however, the change in network structures (open access) will lead to the emergence of additional local players. With an extensive, innovative product portfolio comprising mobile and fixed-network products plus first-class customer service they will, however, increasingly set themselves apart from their competitors in terms of market and customer perception. The basic requirement is a high-performance infrastructure with a high bit rate so these products and services can be delivered quickly and at low cost. Deutsche Telekom is ideally equipped to respond to these market trends, thanks to initiatives such as the planned integration of fixed-network and mobile operations, ongoing improvements in essential service parameters since 2007 that are essential from the customers' perspective (e.g., availability, deadline compliance, first contact resolution rate), and a proposed infrastructure upgrade to create a next-generation network on the basis of optical fiber and LTE.

Regulatory influence on Deutsche Telekom's business.

Deutsche Telekom's and its subsidiaries' business activities are largely subject to state regulation, combined with extensive powers of government agencies to intervene in product design and pricing.

Regulation in Germany.

The German Telecommunications Act (Telekommunikationsgesetz – TKG) imposes far-reaching regulation for many telecommunications services provided by Deutsche Telekom. Under this Act, the Federal Network Agency can impose obligations on companies with "significant market power" in individual markets regarding the services they offer on those markets. For example, the Federal Network Agency may oblige them to offer certain wholesale products at prices subject to prior approval by the Agency. Since the Federal Network Agency regards Deutsche Telekom as having "significant market power" in broad sections of the German telecommunications market, regulation encroaches on Deutsche Telekom's entrepreneurial freedom in many areas.

Deutsche Telekom was again subject to extensive regulation in its fixed-network business in 2009. Despite the deregulation of national calls in the retail market, telephone lines continue to be subject to ex-post regulation by the Federal Network Agency. According to the Federal Network Agency's current draft, the regulation of telephone lines is to be extended to include pure IP networks.

The most important wholesale markets, such as access to the ULL line, interconnection, leased lines and bitstream access, remain subject to extensive ex-ante regulation and price approval by the Federal Network Agency. The roll-out of the fiber-optic network subjected Deutsche Telekom to new obligations. Firstly, access to VDSL networks is subject to obligations that have existed since 2007 and were refined in 2009 to cover passive infrastructure components of the new network, such as multi-functional street cabinets, underground cable conduits and dark fiber. Secondly, in a current draft consultation paper, the Federal Network Agency also provides for ex-post regulation of a bitstream-based wholesale product.

Besides sector-specific regulation, Deutsche Telekom is generally also subject to supervision by the Federal Cartel Office under competition law. In 2009, for example, the Federal Cartel Office launched investigations into the gap between the prices of regulated and unregulated wholesale products.

In spite of intense competition, mobile termination in the German mobile communications market will continue to be regulated ex-ante and therefore be subject to price control by the Federal Network Agency. In May 2009, the Agency conducted a survey among all mobile network operators about mobile VoIP and determined in September 2009 that no regulatory action was needed. It will nevertheless continue to monitor developments in this field and intervene where required.

With the disclosure of its broadband strategy in February 2009, the Federal Government set specific broadband goals and established "regulation geared to growth and innovation" as one of the key pillars. The new government's coalition agreement relies on modern regulation that does not just ensure low usage charges but also creates incentives for rapid, longer-term investments. The effect this will have on Deutsche Telekom will depend on the precise nature and implementation of this new approach. The Agency has already examined the matter in a relevant policy paper.

Regulation by the European Union.

The European Union (EU) defines the fundamental principles of European telecommunications market regulation. The European Commission reviewed the directives and recommendations adopted in 2002 as part of the EU Review.

This reform package includes amendments to the existing legal framework that must be transposed into national law by mid-2011.

The revised directives will result in the creation of a new European regulatory body (BEREC), which will replace the existing European Regulators Group (ERG) and act as an advisor to the European Commission and the national regulatory authorities, especially in matters of regulatory harmonization. Furthermore, the revised directives generally permit a functional separation of network operation and services as an additional regulatory measure. To promote investment in fiber-optic access networks, the revised legal framework provides for individual risk-sharing mechanisms between investors and the holders of access rights. To what extent these modified approaches will be able to promote investment in new access networks will depend to a large extent on the practical implementation and transposition into national law.

In other areas, the European Commission intervened directly in the pricing policy. The new "Second" Roaming Regulation dated June 18, 2009 will further reduce voice rates (for outgoing and incoming calls) for consumers step by step over the coming years. Wholesale data roaming prices will also gradually be cut, as will wholesale and consumer text messaging prices.

With its Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates of May 2009, the European Commission is attempting to bring about further harmonization in the reduction of termination rates.

In October 2008, the European Commission launched a preliminary investigation into possible anti-competitive behavior of European mobile communications operators with regard to mobile VoIP services in order to verify whether operators are setting negative incentives for the use of VoIP services, thus creating competition barriers for VoIP providers. So far, the European Commission has not taken any further action.

International regulation.

Deutsche Telekom is not only subject to regulation in Germany and the EU. Its subsidiaries abroad are also regulated by national authorities. For the fixed network, this applies in particular to subsidiaries in Hungary, Greece, Romania, Slovakia, and Croatia. In mobile communications, all subsidiaries are subject to regulation, in particular regarding termination charges and use of frequency spectrum.

In the United States, a requirement for operating mobile communications networks, and hence for offering mobile communication services, are frequency spectrum licenses issued by the U.S. Federal Communications Commission (FCC). Whereas these are normally awarded on a national basis in Europe, the United States has a large number of license areas. The number of licenses awarded limits the number of network operators in each market.

Development of business.

Deutsche Telekom AG reported income after taxes for the 2009 financial year of EUR 4.5 billion. The development of business in the reporting year was marked by a number of very different effects, arising from both the Company's day-to-day operations and income related to subsidiaries, associated and related companies, as well as from the mergers and restructuring activities carried out in the 2009 financial year.

These mergers and the resulting changes to the organizational structure of Deutsche Telekom AG in particular gave rise to effects on the development of business at Deutsche Telekom that had not been present in the previous year.

All these effects and developments are discussed in more detail below.

Results of operations.

During the reporting year, after the corporate customers unit had been split off and merged into TS ES, and after TMGH had been split off and merged into TMGZ, the remaining TS BS and TMI were merged into Deutsche Telekom AG with economic effect as of January 1, 2009. In addition, effective December 1, 2008, the operations of four Deutsche Telekom AG "Technology production group" centers were transferred to DT NP which only took full effect for the first time in the reporting year.

The prior-year figures have not been adjusted to reflect these mergers and restructuring activities. Where the effects of these changes are significant and necessary for a better understanding of the business figures, please refer to the more detailed information in the notes to the statement of income. The factors affecting the development of the results of operations are explained briefly below:

Statement of income.

| millions of € | 2009 | 2008 | Change |
|--|---------------|---------------|--------------|
| Net revenue | 18,220 | 18,201 | 19 |
| Changes in inventories and other own capitalized costs | 37 | 56 | (19) |
| Total operating performance | 18,257 | 18,257 | - |
| Other operating income | 7,160 | 5,284 | 1,876 |
| Goods and services purchased | (6,935) | (6,411) | (523) |
| Personnel costs | (3,979) | (3,871) | (108) |
| Depreciation, amortization and write-downs | (3,526) | (3,565) | 39 |
| Other operating expenses | (9,160) | (8,682) | (479) |
| Operating results | 1,817 | 1,012 | 805 |
| Financial income (expense), net | 3,183 | 1,064 | 2,119 |
| Results from ordinary business activities | 5,000 | 2,076 | 2,924 |
| Extraordinary expenses | (329) | - | (329) |
| Taxes | (161) | (72) | (89) |
| Income after taxes | 4,510 | 2,004 | 2,506 |

Net revenue was slightly higher than in the prior year, mainly as a result of the revenue increase of EUR 1.1 billion in the reporting year that was attributable to the merger of TS BS into Deutsche Telekom. The increased number of complete broadband packages and ULL lines also had a positive effect on the development of revenue in 2009. However, this growth in volume only partially offset the decreases in revenue primarily attributable to continued line losses resulting from increased competition and a decrease in usage-related charges, as well as volume-driven decreases in revenue from resale and network services and from interconnection, with the result that fixed-network revenues adjusted for merger effects declined in the reporting year.

Other operating income increased by EUR 1.9 billion to EUR 7.2 billion, EUR 678 million of which is attributable to the merger of TMI and TS BS into Deutsche Telekom. In addition to the increase in foreign currency transaction gains, income from rental and lease agreements, and income from the reversal of accruals, the increase of EUR 1.9 billion was also attributable to the increase in income from the transfer of administrative and miscellaneous other costs relating in particular to the mergers of TMI and TS BS into Deutsche Telekom.

The year-on-year increase in **goods and services purchased** was mainly attributable to higher levels of planning services purchased from DT NP as a consequence of the transfer of operations of four Deutsche Telekom technical centers to DT NP effective December 1, 2008.

Personnel costs increased by a total of EUR 108 million year-on-year as the result of a number of offsetting effects, primarily as a consequence of the transfer of employment relationships in the course of the mergers of TS BS and TMI into Deutsche Telekom AG, while the transfer of employment relationships as part of the transfer of operation of four Technology production group centers to DT NP effective December 1, 2008 and the lower level of expenses for staff restructuring measures had an offsetting effect.

Other operating expenses increased by a total of EUR 582 million year-on-year, largely as a result of the mergers of TMI and TS BS into Deutsche Telekom, leading to higher expenses for reimbursements and income transfers. A total increase of EUR 440 million in rental and leasing expenses was also recorded in the reporting year, mainly as a result of the bundling of real estate activities within the Company. The EUR 358 million lower level of foreign currency translation losses compared with the prior year and lower additions to accruals for contingent losses had an offsetting effect.

Financial income improved year-on-year by EUR 2.1 billion to EUR 3.2 billion, primarily as a result of the development of the income related to subsidiaries, associated and related companies, which was affected, among other things, by special factors, particularly the profit transfer from TMGZ.

Due to the factors described above, the **results from ordinary business activities** increased by EUR 2.9 billion year-on-year to EUR 5.0 billion.

Extraordinary expenses of EUR 329 million relating to the merger of TS BS into Deutsche Telekom were recorded in the reporting year.

Income after taxes increased by EUR 2.5 billion year-on-year to EUR 4.5 billion.

Net worth.

The following overview of the balance-sheet shows the individual items in condensed form. The aforementioned mergers of TMI and TS BS into Deutsche Telekom in particular impacted the individual balance sheet items compared with December 31, 2008.

Balance sheet.

| | Dec. 31, 2009 | | Dec. 31, 2008 | | Change millions of € |
|---|----------------|--------------|----------------|--------------|----------------------|
| | millions of € | % | millions of € | % | |
| ASSETS | | | | | |
| Intangible assets | 1,275 | 1.2 | 1,030 | 0.9 | 245 |
| Property, plant and equipment | 17,282 | 16.0 | 18,815 | 17.3 | (1,533) |
| Financial assets | 75,759 | 69.9 | 83,277 | 76.4 | (7,518) |
| Noncurrent assets | 94,316 | 87.1 | 103,122 | 94.6 | (8,806) |
| Inventories, materials and supplies | 84 | 0.1 | 88 | 0.1 | (4) |
| Receivables | 9,356 | 8.5 | 3,344 | 3.0 | 6,012 |
| Other assets | 1,112 | 1.0 | 803 | 0.7 | 309 |
| Marketable securities | 226 | 0.2 | 206 | 0.2 | 20 |
| Cash and cash equivalents | 2,732 | 2.5 | 960 | 0.9 | 1,772 |
| Current assets | 13,510 | 12.4 | 5,401 | 4.9 | 8,109 |
| Prepaid expenses and deferred charges | 516 | 0.5 | 536 | 0.5 | (20) |
| Total assets | 108,342 | 100.0 | 109,059 | 100.0 | (717) |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | |
| Capital stock and reserves | 53,715 | 49.6 | 53,713 | 49.2 | 2 |
| Unappropriated net income | 6,421 | 5.9 | 5,297 | 4.9 | 1,124 |
| Shareholders' equity | 60,136 | 55.5 | 59,010 | 54.1 | 1,126 |
| Accruals for pensions and similar obligations | 2,769 | 2.5 | 2,630 | 2.4 | 139 |
| Tax accruals | 610 | 0.6 | 179 | 0.2 | 431 |
| Other accruals | 4,535 | 4.2 | 5,049 | 4.6 | (514) |
| Accruals | 7,914 | 7.3 | 7,858 | 7.2 | 56 |
| Debt | 6,195 | 5.7 | 6,308 | 5.8 | (113) |
| Other liabilities | 33,891 | 31.3 | 35,833 | 32.8 | (1,942) |
| Liabilities | 40,086 | 37.0 | 42,141 | 38.6 | (2,055) |
| Deferred income | 206 | 0.2 | 50 | 0.1 | 156 |
| Total shareholders' equity and liabilities | 108,342 | 100.0 | 109,059 | 100.0 | (717) |

Total assets at the balance sheet date decreased to EUR 108.3 billion, primarily as a result of the following factors.

Assets decreased by EUR 717 million at December 31, 2008 compared with December 31, 2008. This development was due in particular to offsetting changes in the following balance sheet items:

Intangible assets increased by EUR 245 million compared with December 31, 2008, mainly as a result of investments in various software applications.

Property, plant, and equipment decreased by a total of EUR 1.5 billion compared with December 31, 2008, largely due to depreciation, amortization and write-downs on higher level than investments.

The investment ratio for property, plant, and equipment, i.e., the ratio of net investment (additions less disposals at net carrying amounts) to cost, was 2.0 percent in the financial year.

Financial assets decreased by EUR 7.5 billion compared with December 31, 2008. This decrease was mainly the result of the decline in investments in subsidiaries due to the mergers of TMI and TSBS into Deutsche Telekom.

The proportion of **noncurrent assets** in total assets (asset utilization) decreased by 7.5 percentage points to 87.1 percent. Noncurrent assets were covered by shareholders' equity to 63.8 percent (December 31, 2008: 57.2 percent).

The increase of EUR 8.1 billion in **current assets** to EUR 13.5 billion at December 31, 2009 was primarily attributable to the development of receivables from subsidiaries, which in turn increased partly as a result of the mergers of TMI and TSBS into Deutsche Telekom AG. The ratio of current assets to total assets (current asset ratio) was 12.5 percent, up 7.6 percentage points year-on-year. Details of the increase in cash and cash equivalents compared with December 31, 2008 are shown in the presentation of the financial position.

The decrease in **shareholders' equity and liabilities** compared with December 31, 2008 was mainly attributable to the decrease in liabilities of EUR 2.1 billion. This was partially offset by higher shareholders' equity.

The decrease in **liabilities** was particularly a result of the decrease of EUR 1.9 billion in other liabilities. This decline was largely attributable to liabilities to subsidiaries relating to cash pooling and to financial liabilities to subsidiaries.

Shareholders' equity increased by EUR 1.1 billion compared with December 31, 2008, mainly due to the net of current income after taxes amounting to EUR 4.5 billion and the payment of dividends of EUR 3.4 billion for the previous year. The equity ratio therefore increased by 1.4 percentage points to 55.5 percent (December 31, 2008: 54.1 percent).

Financial position.

The main elements of the statement of cash flows are summarized to elaborate on the Company's financial position. The selected key figures below give a brief overview of Deutsche Telekom's financial position.

Statement of cash flows.

| millions of € | 2009 | 2008 | Change |
|--|---------|---------|--------|
| Income after taxes | 4,510 | 2,004 | 2,506 |
| Net cash provided by operating activities | 5,442 | 5,681 | (239) |
| Net cash used for investing activities | (2,903) | (4,510) | 1,607 |
| Net cash (used for) provided by financing activities | (767) | (804) | 37 |
| Net change in cash and cash equivalents | 1,772 | 367 | - |
| Cash and cash equivalents, at beginning of period | 960 | 593 | - |
| Cash and cash equivalents, at end of period | 2,732 | 960 | - |

Income after taxes increased by EUR 2.5 billion to EUR 4.5 billion in the reporting year.

Net cash provided by operating activities decreased by EUR 0.2 billion to EUR 5.4 billion in the 2009 financial year, largely as a result of the lower year-on-year level of working capital.

Net cash used for investing activities amounted to EUR 2.9 billion in 2009 as compared with EUR 4.5 billion in 2008. The cash outflows for investments in property, plant and equipment mainly related to transmission systems and the outside plant network. Investments in financial assets in the reporting year mainly related to the acquisition of a further 5 percent of the shares of OTE. The higher cash outflows in 2008 compared with the reporting year were primarily the result of the acquisition of 25 percent of the shares in OTE.

Net cash used for financing activities amounted to EUR 767 million in the reporting year compared with EUR 804 million in the previous year. Among other factors, a cash outflow for the payment of dividends was partially offset by a higher net cash inflow from increased debt borrowings and repayments, in particular within the Group, in the reporting year.

To guarantee the solvency and financial flexibility of Deutsche Telekom at all times, a liquidity reserve in the form of credit lines and, where necessary, cash is maintained. At December 31, 2009, Deutsche Telekom had standardized bilateral credit agreements with 24 banks for a total of EUR 14.4 billion. None of the credit lines had been utilized by December 31, 2009. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom's rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months. In 2008 and in early 2009, the financial market crisis impacted the extension of bilateral credit lines. Especially institutions that were split up or taken over by other banks or did not have sufficient equity did not extend their lines. Deutsche Telekom agreed to cancel one credit line with each of four merged banks in 2009. Each of these four banks still grants one active credit line to Deutsche Telekom. As a result, the number of credit facilities available to Deutsche Telekom decreased from 28 to 24 in the course of the year, with 19 of them having been extended at the point in time of the previous extension request. In the event that these 19 credit lines are not extended, they will continue to be available to Deutsche Telekom for another two years from the date of non-extension.

Off-balance-sheet financial instruments.

The Company uses off-balance-sheet financial instruments. These include derivatives used to hedge interest rate and currency exposures. Deutsche Telekom uses these instruments exclusively for hedging purposes and not for speculative reasons. Such derivatives are reviewed regularly for their effectiveness as hedge instruments. The nominal volume of transactions outstanding as of the balance sheet date was EUR 66.4 billion (December 31, 2008: EUR 64.6 billion); measured at fair value, their total value was negative at EUR -897 million. For more detailed information, please refer to note 31 in the notes to the financial statements.

Statement on business development in 2009.

For Deutsche Telekom, the 2009 financial year was again marked by intense competitive and price pressure in the telecommunications industry. In addition, the mergers of TMI and TS BS into Deutsche Telekom and the higher year-on-year level of profit and loss transfers, partly as a result of special factors, also impacted income after taxes.

Corporate responsibility.

Responsible corporate governance.

Deutsche Telekom and its subsidiaries have been developing a broad-based Corporate Responsibility (CR) program since 2008 with the strategic goal of becoming a world leader in CR. The object of the program is to structure and manage all CR-relevant processes along the Deutsche Telekom Group's entire value chain. In 2009 Deutsche Telekom defined clear targets within the scope of ongoing program development. It also identified CR-relevant projects along with packages of measures and initiatives, systemizing these in relation to the three principal fields of activity in CR (Connected Life and Work, Connect the Unconnected, and Low Carbon Society). Deutsche Telekom has set itself a timeframe for project implementation and adopted ten quantitative KPIs for CR. One is the KPI for sustainable procurement, a measure that is based on the ratio of the procurement volume that was matched against sustainability criteria to the Deutsche Telekom Group's total procurement volume, and which compares actual with target values. This allows Deutsche Telekom to review target achievement at all times.

Another important part of the implementation of CR across the Deutsche Telekom Group is the international roll-out of the CR strategy in the respective national companies. To this end, in 2009 the CR department organized local roadshows in seven national companies to discuss with local management and CR managers how to embed CR in the respective national company and what contribution it can make. At least seven further local roadshows are scheduled for 2010. The Deutsche Telekom Group's international network of CR managers plays a valuable role in the process. In July and November 2009, two networking meetings were held alongside a number of regular telephone conference calls, during which CR managers from the individual companies and the central CR department discussed progress and continued to develop the CR program.

The printed CR report for 2009 and the online CR report at www.cr-report.telekom.de contain further information on the CR strategy and the core CR topics¹⁰.

New CR projects and initiatives.

As part of the **Connect the Unconnected** initiative, in April 2009 Deutsche Telekom launched the flagship project "Yes, I Can!" that will initially run for three years and is designed to strengthen the skills of young people from difficult economic and social backgrounds. Each year Deutsche Telekom will invite entries from projects and institutions across Germany that help children and adolescents aged 9 to 14 from disadvantaged backgrounds to acquire new

skills. A jury of experts from academia and politics, as well as individuals from public life, selected 66 projects from over 600 applications for financial support. The maximum amount of funding was EUR 15,000 per project, with more than EUR 500,000 paid out in total.

In September 2009, Reinhard Clemens, CEO of T-Systems, Deutsche Telekom's corporate customer arm, signed the Copenhagen Communiqué of the European Leaders Group on Climate Change (EU CLG) on behalf of Deutsche Telekom. The initiative, launched by HRH The Prince of Wales, calls for an ambitious and fair agreement for a global reduction of CO₂ emissions. In November 2009, Reinhard Clemens met with the President of the European Commission, Manuel Barroso, in Brussels ahead of the Climate Change Conference in Copenhagen. At this meeting, which was organized by the EU CLG, Clemens emphasized Deutsche Telekom's commitment to combating climate change and underlined the potential of ICT as an enabler for many industries and sectors to reduce CO₂ emissions. He also argued in favor of a strong climate change agreement in Copenhagen and encouraged the Commission to take the same line.

Another important initiative on the road to a **Low Carbon Society** is Deutsche Telekom's Climate Change Group, which was set up on November 25, 2009. This body, which comprises climate experts and executives in the Deutsche Telekom Group as well as external experts, devises Group-wide solutions for reducing CO₂ emissions and saving energy, and develops binding regulations for their implementation.

New study on the reduction of CO₂ emissions by Germany's ICT industry.

At the IT summit in December 2009, the Chairman of the Deutsche Telekom Board of Management handed over the Germany Addendum to SMART 2020 to the German Chancellor. This study, which was drawn up under the lead of Deutsche Telekom, identifies the ICT sector as the driving force on the road to sustainably addressing climate change. Preparation of the study was managed and financed by Deutsche Telekom, the main sponsor. The study was carried out, authored and partially funded by The Boston Consulting Group. Content support was provided by the Federal Ministry of Economics and Technology and the Potsdam Institute for Climate Impact Research. The background to the study is the Federal Government's Integrated Energy and Climate Program – also known as the Meseberg Program – which specifies 29 key elements and measures for reducing greenhouse gas emissions in Germany. The goal of these key elements is to reduce greenhouse gas emissions in Germany by around 40 percent by 2020 compared to 1990 levels.

¹⁰ www.cr-bericht.telekom.de

The Germany Addendum to SMART 2020 focuses on identifying and assessing specific business concepts. Around 50 potential services and solutions were identified, of which 26 were classified and described as particularly attractive business concepts. The business value of these concepts is estimated to reach up to EUR 84 billion by 2020.

In total, the Germany Addendum to SMART 2020 identifies a potential reduction of up to 207 or so Mt of CO₂ by 2020 through direct and indirect ICT solutions. ICT could thus reduce CO₂ emissions in Germany by around 25 percent by 2020, provided certain general conditions are met and all potential is tapped.

This would not only achieve the objectives of the Meseberg Program, but even exceed them by around 110 Mt.

Stakeholder dialog: Sustainability drive and e-learning platform.

Continuing the dialog with Deutsche Telekom's different stakeholder groups is an essential part of the Group's CR strategy. Two initiatives with the customer and employee stakeholder groups are presented below as examples of Deutsche Telekom's and its subsidiaries' multifaceted activities.

"Big changes start small." This was the theme of a large-scale campaign for environmental protection and sustainable action that was launched in 2009. Deutsche Telekom was the first telecommunications provider in Germany to initiate such a campaign, which is all about presenting Deutsche Telekom products and services that help customers to act responsibly and make their lives easier at the same time. For example, using the Internet platform Musicload to download 1 million albums saves around 64,000 kg of plastic that would otherwise be used to produce traditional CDs. The idea behind the initiative is that each Deutsche Telekom customer can do a lot for sustainable development by making a modest contribution.

This long-term campaign, which will run for at least two years, will present over 16 topics that illustrate the concept of sustainability and will be advertised on television, in the print media and online. The campaign website at www.millionenfanger-an.de contains in-depth information and also various online options for communicating with customers.

E-learning platform. As communicating with the Company's employees is also crucial for the continued Group-wide implementation of CR, a new intranet e-learning platform for CR went live in 2009. Existing in both German and English, the language platform is aimed at our national and international employees. It explains what Deutsche Telekom associates with the term CR, makes suggestions on how to integrate sustainability into people's day-to-day work, and provides an overview of the broad spectrum of CR at Deutsche Telekom.

Further achievements: Sustainability ratings and awards.

In 2009, Deutsche Telekom qualified again for the most renowned sustainability indexes, the Dow Jones Sustainability Index World and Dow Jones Sustainability STOXX®. The Deutsche Telekom Group was evaluated for the first time in the mobile communications sector and was immediately awarded the coveted title of sector leader.

Deutsche Telekom has made substantial progress in data privacy compared with the evaluation in 2008. SAM experts honored this achievement by awarding a 98.6 percent mark, the highest grade in this sector. Deutsche Telekom is also sector leader in terms of its commitment to stakeholders, HR development, and in the Impact of Telecommunications Services category. The Group's Hungarian subsidiary Magyar Telekom, Budapest received a Silver Class rating from SAM in 2009 and a Prime rating from the rating agency Oekom. In the sustainability ranking of the FTSE4Good series, both Deutsche Telekom and the Greek company OTE were also successful – both were once again included in the FTSE4Good Global Index 2009 and are hence among the leaders in their sector. Inclusion in this index requires participation in the survey conducted by the imug/EIRIS rating agency in the first quarter of every year. Current topics are added during the year. The results of the ratings surveys are analyzed and any need for action identified.

Research and development.

Networking shapes innovation.

Deutsche Telekom and its subsidiaries are integrated into the research and development activities of the Deutsche Telekom Group.

The Products & Innovation unit is responsible for Group-wide research and development, innovation marketing, product development and management, and product portfolio management. The aim is to develop innovative and competitive products, services and business models. In addition to aspects such as customer focus, simplicity and user experience, a high-value product portfolio and sustainable profitability also play a key role.

Deutsche Telekom Laboratories, a privately-organized research institute affiliated to the Berlin University of Technology (TU Berlin), conducts all of Deutsche Telekom's research and development activities. Its researchers and experts work at sites in Berlin, Darmstadt, Beer Sheva (Israel), and Los Altos (California, United States) on developing new technologies for innovative products and services that are expected to be rolled out or market-ready within 18 months to five years.

To identify customer needs at an early stage, the institute's Innovation Forum has recruited over 900 households in Berlin to participate in product tests and surveys. StreetLabs, by contrast, studies communication habits and attitudes out on the street. They deliver new ideas that Deutsche Telekom can exploit and turn them into real benefits for its customers in the medium term.

The Strategic Research Laboratory carries out long-term, applied research. It also makes a significant contribution to teaching at TU Berlin with four professorships at the university appointed in cooperation between TU Berlin and Deutsche Telekom. Business ideas from Deutsche Telekom Laboratories that do not make it into Deutsche Telekom's product portfolio but nevertheless offer a clear benefit for customers and are likely to succeed in the market are spun off from Deutsche Telekom as independent companies. These are equipped with the resources and equity capital they need to operate independently in the market. Examples of Deutsche Telekom Laboratories spin-offs are Zimory and, in 2009, Yoochoose.

Since the operational activities of Deutsche Telekom and its subsidiaries comprise the fixed-network business in Germany, the aspects relevant for these operations in particular are discussed below.

Innovation cycles are shortening.

In addition to its own R&D and joint activities with partners, Deutsche Telekom follows the principle of open innovation in response to the challenge of shorter and shorter innovation cycles in the telecommunications sector.

Innovative products.

Numerous product launches in the 2009 financial year aimed to network customers across all user interfaces. Examples include the "person-centric view" of the new E-Mail Center and the Media Center with its integrated music shop. The Entertain product has also been integrated into the convergence scenario of connected life and work and expanded accordingly. Using an enhanced digital video recorder, Entertain customers can now watch recorded content on a second box in the same household. Other services, such as photo sharing on PCs, smartphones and TV sets, have become a reality. Entertain customers on the move can use the new Program Manager 3.0 to browse through the entire range of Entertain services and program recordings for the set-top box. Customers' viewing experience has been enhanced now that the first live TV channels in high definition (HD) are on air and the prerequisites for a broad HD portfolio are in place. With LIGA total! Entertain customers can now watch all first- and second-division Bundesliga soccer matches live and in full length, in the round-up or in the archives.

Since September 2009, VDSL lines with bandwidths of up to 50 Mbit/s have also been available for double-play customers. Deutsche Telekom is using this future-proof technology to strengthen its position as a quality leader and hold its ground against the advances of cable network operators. The VDSL double-play packages include a telephone line and Internet access with VDSL 25 or VDSL 50, plus an Internet and telephone flat rate. VDSL speeds mean faster downloads and uploads of photos, music files and other media.

Just in time for CeBIT Deutsche Telekom set up an exclusive partnership with the German online student community StudiVZ that is aligned with the Group's mobile Internet differentiation strategy. In addition, the international community Facebook is now accessible via a wide variety of access channels such as the fixed network, mobile portal and address book, offering Deutsche Telekom customers a familiar product experience when they sign into their social network.

Cooperation with research institutions in Germany and abroad.

Deutsche Telekom and its subsidiaries are represented in various international forums and committees that shape future products and services, where it ensures that its own interests and the needs of its customers are served and, through its standardization activities, ensures high service quality and interoperability.

Deutsche Telekom Laboratories is part of an international network of renowned research institutes and also assists Ph.D. students at various universities.

Research and development expenditure and investment.

Research and development expenditure amounted to EUR 0.2 billion in the 2009 financial year, the same level as in previous years. In the reporting year, over 700 employees at Deutsche Telekom AG were involved in projects and activities to create new products and market them more efficiently.

Patent applications and intellectual property rights.

The number of patent applications increased in 2009 by 7.2 percent year-on-year to 713. At the end of 2009, the Group held 6,881 intellectual property rights (inventions, patent applications, patents, utility models, and design models). The portfolio is reviewed on a regular basis, and the rights that are no longer relevant are eliminated. The intellectual property rights are managed in line with strict cost/benefit considerations.

Employees.

Deutsche Telekom's personnel costs amounted to EUR 4.0 billion in the 2009 financial year (December 31, 2008: EUR 3.9 billion). As of December 31, 2009, the Company had 44,645 employees (December 31, 2008: 49,122) measured as full-time equivalents (FTEs).

One mission, four cornerstones, twelve projects.

Deutsche Telekom and its subsidiaries operate in dynamic markets and competitive environments where structural conditions vary widely from one country to another. The global upheaval in the telecommunications industry, the speed of technological development, and intense competition are presenting Deutsche Telekom with intense HR policy challenges.

Thanks to efficient personnel work, built on a mission with four strategic cornerstones, Deutsche Telekom and its Human Resources (HR) unit support the Group strategy. This includes maintaining a competitive workforce as a valuable contribution to achieving commercial Group targets (Add Value), tailor-made HR development with an extended talent agenda (Best People), a lasting enhancement of the service culture and professional change management (Enable Transformation), and the transformation of the HR organization into a far more efficient, business-oriented structure that comprises the three roles of Business Partner, Competence Center and Shared Service Center (HR Excellence). The HR strategy is implemented via a Group-wide program involving twelve top strategic HR projects.

Competitive workforce: Staff reduction, restructuring and expansion.

Staff reduction continued on a socially responsible basis.

In the Group's German operations, socially responsible measures were used for further staff reduction in 2009, essentially by means of voluntary redundancies, partial and early retirement, and alternative employment opportunities for civil servants and employees offered by Vivento, especially in the public sector.

However, Deutsche Telekom will continue its staff reduction activities to the extent necessary in response to intense competition, the very rapid pace of technological progress, the regulatory environment in Germany, and personnel costs that are too high in some areas compared with its peers.

In addition to staff reductions, restructuring and increases are also necessary to improve the age structure at Deutsche Telekom and its subsidiaries, to attract people with the skills the Company lacks or needs more of, and to be able to grow in new business areas. Deutsche Telekom recruited 604 new permanent staff under its 2009 recruitment drive.

Vivento made an important contribution to staff restructuring in the Company during the 2009 financial year by placing some 1,300 employees in external jobs, primarily in the public sector. Around 4,200 employees had been deployed externally by the end of 2009, mainly in the public sector, for example at the Federal Employment Agency. In addition, in the reporting year Vivento systematically strengthened its position in the public sector through cooperative ventures and master agreements with partners at national, regional, and municipal level. These partnerships allow Vivento to offer interested employees a wide range of job prospects outside the Company.

The **Total Workforce Management** project aims to optimize the deployment of internal and external staff capacity and to respond early on to demographic changes in order to cut personnel costs, raise productivity and handle the skill shift in the best way possible. The Workforce Quality (Qualität des Personalkörpers - QdP) sub-project has developed a qualitative workforce clustering system that enables the Company to produce qualitative forecast data using staffing and headcount simulations. This helps to highlight quantitative and qualitative workforce shortfalls and surpluses over the medium and long term, and define an HR planning process that includes far more qualitative elements in addition to the quantitative component. For instance, the process makes specific statements on qualifications that will be needed going forward, on the training structures required to build these qualifications, and on the structure of expert careers. Greater transparency and more active HR management is the only way to ensure that HR can respond early and effectively to shortfalls in trained staff who are crucial to the business. QdP was included as a qualitative component in HR planning of Deutsche Telekom and its subsidiaries in the reporting year for the first time.

Collective bargaining.

Collective bargaining was concluded for Deutsche Telekom AG in the 2009 reporting year.

On March 13, 2009, the negotiating parties reached an agreement in the arbitration proceedings governing 2009 collective bargaining for employees at Deutsche Telekom. Salaries for employees at Deutsche Telekom will gradually increase by a total of 5.5 percent over 24 months, with pay rising by 3 percent retroactively from January 1, 2009 and increasing by an additional 2.5 percent in 2010. The wage increase effective January 1, 2010 was also extended to cover all pay-scale employees who were integrated into the new Deutsche Telekom AG in the context of the One Company project.

In addition, protection from compulsory redundancy was extended by another year. Pay-scale employees at Deutsche Telekom AG are guaranteed employment until the end of 2010.

Provisions for civil servants at Deutsche Telekom.

The Act for the Reform of Civil Service Law (Dienstrechtsneuordnungsgesetz – DNeuG) came into force on February 12, 2009. The change in pay took effect on July 1, 2009. The Act includes a gradual postponement of the retirement age of federal civil servants to 67. This postponement does not apply, however, to those civil servants who chose to take early retirement, meaning eligible civil servants can still take early retirement when they turn 55.

The Act provides the legal opportunity to extend early retirement arrangements until December 31, 2012; at Deutsche Telekom this arrangement is currently limited until December 31, 2010. Exercise of the early retirement option in 2011 and 2012 is subject to a decision by the Board of Management.

Health & safety.

Occupational health and safety forms an integral part of Deutsche Telekom's corporate culture. The company health improvement program raises health literacy and health awareness among all employees. To this end, preventive Group-wide measures and preventive medical care (such as colon cancer prevention, medical check-ups, flu vaccinations) are offered, and local campaigns such as health days are organized.

The Company's pandemic contingency plan aims to maintain a healthy workforce and the critical infrastructure. Employees are given hygiene tips and instructions on what to do if they fall ill. Hand disinfecting devices have been installed, first aiders trained as pandemic helpers, and medicines and protective goods stockpiled.

Service culture.

Our strategy can only be implemented if supported by the corporate culture. Our strategy describes what we wish to achieve, whereas the guiding principles lay down how we need to work together to make strategy implementation more successful and more sustainable. Since January 2009, our common culture has therefore been based on the following five guiding principles:

- Customer delight drives our action.
- Respect and integrity guide our behavior.
- Team together– Team apart.
- Best place to perform and grow.
- I am T – count on me.

These guiding principles are gradually being rolled out in all Deutsche Telekom subsidiaries. By the end of the reporting year, they had been launched or fully implemented in 33 entities in 21 countries. Implementation in the remaining 12 entities in seven countries will begin in January 2010. The goal of the guiding principles is to bring together the various parts of Deutsche Telekom under the One Company initiative. The principles are in full alignment with our vision, aspiration, and strategy.

Ideas management.

The Idea Management (IDM) Center was established on July 1, 2008 as a uniform Group-wide organization that has managed and implemented all IDM processes since January 1, 2009. These include the launch of a uniform, state-of-the-art IT platform for entering, processing, and reviewing ideas up to their realization. Investing in innovative platforms, e.g., Internet-based platforms, creates instruments that increase people's willingness to develop and submit ideas and provide the opportunity to further improve the quality of the ideas submitted.

In close cooperation with the patents and innovation departments, an enhanced innovation culture is being created that permits a broad spectrum between spontaneous and structured innovation and the development of ideas.

Talent agenda.

Vocational training commitment remains strong.

For years Deutsche Telekom has been the largest vocational training provider in Germany. At the end of the reporting year, Deutsche Telekom AG had 10,546 trainees and students on degree courses with integrated practical phases. The proportion of trainees in the workforce is well above the average of the DAX30 companies. Deutsche Telekom intends to maintain this high level of commitment to junior-staff training. By September 1, 2009, Deutsche Telekom had given around 3,600 young people a career opportunity by accepting them for training or a study program. Training positions are available in ten different professions and on various "dual" training courses. For 2008 to 2010, Deutsche Telekom and the service industry trade union ver.di agreed on an above-average annual trainee ratio of 2.9 percent of the headcount of permanent employees in Germany (excluding Vivento and its subsidiaries).

At the end of 2009 the parties agreed to exceed this quota in 2010 as the Deutsche Telekom takes the realization of its social responsibility to an even higher level.

Deutsche Telekom's training programs are high quality and attract a large number of applicants. Every year, the chambers of commerce number Deutsche Telekom-trained staff among the best in their profession. In the interests of developing prospects for the younger generation, Deutsche Telekom's training goes far beyond its own staffing requirements.

Further training at Deutsche Telekom.

Telekom Training, the further-training provider for Deutsche Telekom and its subsidiaries as well as for the external German market, coordinates and designs training programs for expert and executive staff. In total, Telekom Training held 23,428 seminars for 155,457 participants in 2009. Most of these took place in the eight Deutsche Telekom conference hotels, all of which were rebranded on September 7, 2009 and are now referred to as Commundo Conference Centers.

Performance & Potential Review.

In the 2009 financial year, the existing Performance & Potential Review (PPR) process for the around 2,500 executives at Deutsche Telekom and its subsidiaries was implemented for the first time on the basis of the new uniform competency model that is focused on the Group's new guiding principles and describes the requirements for employee action that are critical to success. Follow-up processes in talent and succession management were also redefined and closely linked to the PPR. The requirements of the PPR process for the One Company initiative with its more pronounced matrix organization were met by piloting and holding additional functional PPR sessions throughout the Group for the first time in the areas of Technology, Procurement, Finance, and IT.

HR@2012.

Quality and efficiency in human resources work through HR@2012.

As part of the successfully concluded HR@2009 project, a number of essential milestones have already been implemented and pioneering steps taken. The FTE targets were reached and a three-role model introduced that makes HR activities more efficient and caters specifically to internal customers.

This course will now be continued. HR@2012 will attune the Human Resources department to current and future requirements and help it to develop a more clear-cut profile as a "partner for business" and to further enhance both customer satisfaction and efficiency. One important aspect of the initiative is that it considers costs, processes, and quality all at the same time. HR@2012 will be instrumental in achieving the Group's efficiency targets.

Risk and opportunity management.

In accordance with the provisions of § 91 (2) AktG, the Board of Management of Deutsche Telekom AG has set up a risk early warning system; the Company's subsidiaries are integrated into the risk management of Deutsche Telekom AG. This risk management system is described in more detail below.

Deutsche Telekom's operating environment is characterized by rapid technological progress, increasingly intense competition, and regulatory decisions in mobile and fixed-network communications. Deutsche Telekom is mastering these challenges by systematically managing risks and opportunities using a holistic risk early warning system.

The Group-wide risk management system covers all strategic and organizational control and monitoring measures for managing risks and seeks to identify and assess risks and opportunities early on. This enables Deutsche Telekom and its subsidiaries to initiate appropriate measures in good time to prevent or manage risks. Comprehensive market analyses, part of the Group's strategy and innovation development, help to identify segment and market potential.

Deutsche Telekom and its subsidiaries regularly analyze risks and opportunities, both centrally and in the operating segments. The early warning systems used in this process are based on prescribed Group-wide methods and are tailored to specific requirements. Risks are identified in the form of scenarios, for example, and assessed on the basis of their size and probability of occurrence. The reference variables for the potential scope are the Group's target values (including EBITDA).

Deutsche Telekom's risk management system aggregates essential EBITDA-related individual risks using combination and simulation processes and taking probabilities of occurrence and correlations into account. In addition, it analyzes incidents and situations that could adversely affect the Company's reputation and image. These components are factored into the assessment of the aggregate risk position, using a system of indicators that covers all material risk areas.

Deutsche Telekom's risk management unit regularly reports to the Board of Management on risks and their development. The Board of Management in turn informs the Supervisory Board. The Audit Committee of the Supervisory Board examines the quarterly risk report at its meetings.

Principal opportunities and risks are reported quarterly, with additional ad hoc reports generated in the event of unexpected risks. Materiality thresholds for risks are defined for each reporting level. Group Risk Management/Insurance is in charge of the methods and systems used for this Group-wide, standardized risk reporting system and also ensures that the risk early warning system works effectively and efficiently.

To reduce risks relating to criminal behavior (fraud) Deutsche Telekom's Board of Management has set up a standardized Group-wide anti-fraud management system with the aim of creating structures for the prevention, detection, and penalization of fraud in the Company.

Deutsche Telekom attaches particular importance to managing risks arising from financial positions. All treasury activities, in particular the use of derivatives, are subject to the principle of risk minimization. For this purpose, the Group manages all financial transactions and risk positions in a central treasury system. Group management is informed of these positions on a regular basis. Deutsche Telekom uses derivatives to hedge interest rate and currency exposures that could have an effect on cash flow as well as other price risks.

Certain financial transactions require the prior approval of the Board of Management, which is also regularly briefed on the scope of the current risk exposure. Deutsche Telekom simulates various market and worst-case scenarios to estimate the effects of different conditions on the market. It uses selected derivative and non-derivative hedging instruments to hedge market risk. However, Deutsche Telekom only hedges risks that affect cash flows. Deutsche Telekom uses derivatives exclusively as hedging instruments, not for trading or other speculative purposes.

As part of the internal control system, Deutsche Telekom's risk management system for the internal accounting process comprises accounting control and monitoring systems that record the Company's risk hedging. Clear internal Group regulations and guidelines in connection with the internal control system ensure that the consolidated and annual financial statements are compliant. The Group's risk management unit ensures that risks that could present an obstacle to compliance with regulations are identified at an early stage, assessed, and promptly communicated and minimized.

The effectiveness and efficiency of risk management processes and compliance with the regulations and guidelines in Deutsche Telekom's Risk Management Manual are subject to regular reviews by Internal Audit. The external auditors mandated by law to audit the Company's annual financial statements examine whether the risk management system is able to identify at an early stage risks and developments that could jeopardize the Company's future.

Deutsche Telekom's risk management system ensures that business risks and opportunities are identified early on and that the Company is in a position to deal with them actively and effectively. This system thus complies with the statutory requirements for risk early warning systems and conforms to German corporate governance principles.

The risks.

Of all the risks identified for the Group, those risk areas or individual risks that could, as it stands today, materially affect Deutsche Telekom AG's financial position and results are examined in the following sections.

Economic environment. By the end of 2009, the financial and capital markets of the global economy had stabilized. However, full market stabilization is still far off, which constitutes a major risk to the future development of the global economy. Among the factors affecting the development of production worldwide are the credit crunch and the expiry of expansionary fiscal policy programs. If governments focus their fiscal policy on long-term consolidation in response to high budget deficits, this may have an impact on economic development. Waiting too long or picking the wrong time to exit the expansive monetary policy could also have a negative effect and lead to increases in inflationary expectations and capital market interest rates. Extremely volatile exchange rates, particularly in the United States and the Southern and Eastern European countries, also entail considerable translation risks for Deutsche Telekom and its subsidiaries.

Industry and competition. Unrelenting stiff competition and technological progress in 2009 continued to depress prices for voice and data services in both fixed-network and mobile communications. There is a general risk that price reductions cannot be compensated by corresponding volume growth.

Competitive pressure could rise even further as a result of significantly expanded coverage by (regional) telecommunications carriers and the continuing trend toward bundled products. Technological innovations and increasing fixed-mobile substitution are also exacerbating competition. Moreover, previously pure-play mobile communications providers in Germany are increasingly offering fixed-network and DSL products. Rival DSL providers offer bundled products integrating broadband and VoIP that do not require a fixed-network line.

Competition is becoming more intense on account of cable network operators offering higher data transmission rates. These companies can provide private homes and smaller companies throughout Germany with telecommunications products that require neither the build-out of their own network nor ULL lines from Deutsche Telekom. In certain regions competitors are extending their own fiber-optic network to the home so that they are independent of Deutsche Telekom's network there, too. Cable companies are expanding their range of services to include triple-play products, for example. A significant competitive trend is emerging where Deutsche Telekom has to compete with players outside the telecommunications sector as such, including major consumer electronics and Internet players. Despite having lost some market share already, Deutsche Telekom continues to be exposed to the risk of a further loss of market share and falling margins.

In Germany and other European markets, the proliferation of low-cost providers has further reduced prices for mobile voice telephony and mobile data services. It is not known whether and to what extent this decline in prices can be compensated by corresponding volume growth. In the United States, T-Mobile is faced with the challenge of being the smallest of the four national wireless providers and must continue to successfully drive its product and service quality and pricing. Due to its role as a major Deutsche Telekom subsidiary, risks to the U.S. business may also negatively impact the Company's ability to reach its targets.

The ICT market of the subsidiaries in the Systems Solutions operating segment is experiencing intense competition, declining prices and long sales cycles with the risk of lower revenue and margin erosion for T-Systems. Against the background of restrained economic growth, the creditworthiness of corporate customers could deteriorate, causing them to postpone investments, which would have an adverse effect on T-Systems' ICT business. Furthermore, mounting cost pressure could result in greater expansion of nearshore and off-shore capacity in IT outsourcing and in the Systems Integration business area. T-Systems' international footprint and brand awareness are limited, especially compared with some of its competitors. This could adversely affect T-Systems' ability to leverage growth potential, especially considering the growing importance of business with multinational corporations outside Germany. In this context, the scarcity of resources may delay planned international growth.

Products, services, and innovations. As a result of rapid technological progress and increasing technological convergence, new and established technologies and products may to some extent substitute one another. This could lead to lower prices and revenues in both voice and data traffic. On the other hand, new and refined smartphones will be new sources of mobile Internet income revenue for Deutsche Telekom subsidiaries.

Improved transmission technology and innovative products and services are driving demand for broadband lines. Against the background of strong market penetration, market growth will begin to slow, indicating the onset of market saturation in Germany. Deutsche Telekom may not be able to convince customers sufficiently of the benefits of the new, innovative products and services or raise acceptance among customers. Sales of IPTV services such as Entertain will also be influenced by the prevalence of cable TV connections in Germany and a wider range of free-to-air television channels than in other countries.

Deutsche Telekom's subsidiaries are boosting the potential of the mobile Internet by continuously expanding its high-performance mobile communications network. If mobile data applications do not develop as expected, subsidiaries may run the risk of missing revenue targets. Furthermore, investments in network construction and build-out and in existing and future mobile communications licenses may pay off later than expected. If competitors prove more successful than Deutsche Telekom's subsidiaries at convincing customers of the added value of mobile products and services, this could lead to the loss of particularly high-revenue customers. Deutsche Telekom is continuing to focus on improving service quality, which will remain a critical factor in achieving customer satisfaction and lasting economic success.

Regulation. Regulation of the network, network access and prices affects telecommunications services offered by network operators with "significant market power." In Germany, Deutsche Telekom is considered such an operator and is therefore subject to strict regulation in broadband and fixed-network communications, and increasingly in mobile communications. Subsidiaries are also subject to regulatory regimes in the fixed-network and mobile areas.

Regulation gives extensive powers to government agencies to intervene in product design and pricing, which can have a drastic effect on operations. Deutsche Telekom is able to anticipate such interventions, which may intensify existing price and competitive pressure, only to a limited extent. There are concerns that regulatory interventions could impact the revenue trend in the fixed-network core market and in the mobile communications market in the medium and long term.

Investments in next-generation access (NGA) require a modified regulatory framework that provides, for example, for a fair distribution of risk among investors and access-seekers while allowing for the necessary price flexibility. Otherwise, there is risk that these investments will not be as cost effective as planned.

The Federal Network Agency will soon present key elements of the regulatory framework governing the continued development of modern telecommunications networks and the creation of a powerful broadband infrastructure. The Federal Government has assured that this framework will be designed to promote growth and innovation.

The legislative process to transpose the new EU Framework Directives into national law will begin in 2010. The review of the EU's regulatory framework for telecommunications (EU Review) provides for – at least in principle – the opportunity for specific risk-sharing mechanisms between investors and holders of access rights. To what extent this will actually encourage investment in NGA, however, will depend largely on how the revised Directives are transposed into national law (by mid-2011 at the latest) and adequately applied by the national regulatory authorities. Under its NGA Recommendation the European Commission is planning to issue guidelines regulating new network investments probably by mid-2010. There is a risk that the European Commission will interpret the modified NGA regulatory approaches identified in the EU Review very restrictively, which would considerably limit the practical relevance of possible risk-sharing mechanisms.

As a general rule, VDSL wholesale services are anticipated to be subject to stricter regulatory control. According to a draft by the Federal Network Agency, Deutsche Telekom's VDSL bitstream product will be subject to ex-post regulation by the Agency from 2010. Regulated rates for access to multi-functional street cabinets and cable ducts are likely to be introduced in early 2010, enabling competitors to build their own VDSL networks using Deutsche Telekom's infrastructure.

Regulated rates give clear signals to the market. The level of regulated rates for wholesale access will also determine whether competitors build out their own networks or purchase services from Deutsche Telekom. The price of ULL lines is an important signal as it can reduce incentives to invest in access networks. ULL rates have been progressively reduced over the last few years, most recently in 2009, discouraging all market players from investing in new optical fiber access networks.

In spite of rate regulation by the Federal Network Agency, there is still legal uncertainty about the level of rates since the Federal Network Agency's rate rulings are only final if not challenged in court. The 1999 ruling on ULL rates was revoked, for example. The Federal Network Agency must now decide again on monthly ULL charges for the period 1999 to 2001. The court has not formally stipulated preliminary rates with which the Federal Network Agency has to agree, so it is still unclear whether and to what extent rates will be changed.

The European Commission's Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates adopted in May 2009 will continue to put pressure on the national regulatory authorities to further reduce termination rates in Germany and at foreign subsidiaries. The continuation of this regulatory policy is expected to result in mobile communications revenue losses at (domestic and international) subsidiaries. The European Commission is still pressing for a reduction of international roaming rates and an extension to new services (e.g., retail rates for data services), which is also expected to result in mobile communications revenue losses at (domestic and international) subsidiaries.

Once agreement had been reached with the Federal Network Agency's Advisory Council on the terms and conditions and also the auction rules governing the award of spectrum in the 800 MHz, 1.8 GHz, 2 GHz, and 2.6 GHz bands, the Federal Network Agency began the award proceedings. Although individual companies have filed complaints against the decision by the President's Chamber, the Federal Network Agency does not anticipate any delay in the proceedings. The registration period for the auction ends on January 21, 2010. The actual bidding process is scheduled for the start of the second quarter of 2010.

Should regulation become this intense, the flexibility of Deutsche Telekom and its subsidiaries could be compromised, especially with regard to pricing and product design.

Personnel. Staff restructuring within the Deutsche Telekom Group in Germany continued on a socially responsible basis in 2009. It was implemented essentially by means of voluntary redundancies, partial and early retirement, and employment opportunities for civil servants and employees offered by Vivento, especially in the public sector. Deutsche Telekom and its subsidiaries will also continue to restructure their workforce as required. If it is not possible to implement the corresponding measures as planned or at all, this may have negative effects on Deutsche Telekom's financial targets and profitability.

In August 2009, the service industry trade union ver.di, the Central Works Council and employer representatives of T-Systems agreed on a joint approach for necessary staff restructuring activities in terms of timing and content. Preference will be given to voluntary instruments in order to make the changes as socially responsible as possible. In the first quarter of 2010, T-Systems will examine how many employees responded to the voluntary offers. If the employees in question have not found alternative employment or made use of the voluntary program by then, they will be offered fixed-term employment in a transitional company. If they do not take up the offer they will be made redundant.

When subsidiaries that employ civil servants are disposed of, it is generally possible to continue to employ them at the subsidiaries to be sold, subject to the consent or initiative of the civil servants themselves. However, there is a risk that they may return from the subsidiary sold to Deutsche Telekom after the end of their temporary leave from civil servant status. At present, around 3,500 civil servants have the right to return to Deutsche Telekom. This risk can be reduced by compensation payments, for example, but not completely ruled out.

Year-end bonus for civil servants. In November 2004, the Federal Republic of Germany passed the first Act to amend the Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz – PostPersRG), which removed the obligation on Deutsche Telekom and other private companies to pay active civil servants an annual year-end bonus under the German Federal Act on Bonus Payments (Bundessonderzahlungsgesetz). This Act was reviewed at several court instances. In December 2008, the Federal Administrative Court decided to refer the case to the Federal Constitutional Court for a judicial review pursuant to Art. 100 of the German Basic Law. It is not known when the Federal Constitutional Court will announce its ruling. If the court rules that the abolition of the bonus payment was unconstitutional, a supplementary payment for the period 2004 to 2009 may have to be made.

Reduced pay tables. With the entry into force of the reform of civil service law on February 11, 2009, the legislator integrated the previous year-end bonus paid annually in accordance with the German Federal Act on Bonus Payments (Bundessonderzahlungsgesetz) into the basic monthly salary for all federal civil servants. In accordance with § 78 of the Federal Civil Service Remuneration Act, this does not apply for civil servants employed by the Deutsche Bundespost successor companies. Civil servants affected appealed the new, reduced pay tables. The Stuttgart Administrative Court has submitted two test cases to the Federal Constitutional Court to evaluate whether this legal provision is constitutional. Depending on the outcome, the Company may have to make supplementary payments for the period between July 2009 and the date of the court's verdict.

IT/telecommunications infrastructure. In the 2009 financial year, Deutsche Telekom launched comprehensive programs to adapt its IT systems and IT infrastructure to changing customer needs and new organizational structures. These programs will continue in 2010. Inadequate planning and management of these Group-wide programs could lead to disruptions in business processes, resulting in revenue losses or increased costs.

The Group-wide Next Generation IT (NG IT) project was launched in February 2008 as part of the updated IT strategy. NG IT is the framework for all IT-related components in the Group's transformation programs. The aim of the program is to develop the future IT architecture in the Group. NG IT looks at the Group's information technology at all architectural levels: IT infrastructure, applications, data, and systems. Group-wide projects prepare the joint product data model, solutions for forward-looking, comprehensive customer relationship management, and future IT support for the Finance, Human Resources, and Procurement functions. Once the transition is complete, fewer network nodes and hence fewer sites will be required.

There are long-term plans to develop and implement an IP platform that supports both fixed-network and mobile communications services. Deutsche Telekom will completely replace the existing network platform by an IP-based system. The implementation of this shared IP platform entails risks that affect all IT systems with an Internet connection, such as hacker attacks and spam calls. Due to the great complexity of the IT landscape, malfunctions, for example between new and existing IT systems, would lead to process disturbances or even interruptions in business processes.

Deutsche Telekom is minimizing these risks by putting in place a large number of measures including redundant systems and defensive devices such as firewalls and virus scanners, regular technical network tests, building security measures, and organizational precautions. Early-warning systems ensure that automated and manual countermeasures can be initiated in the event of disruptions. In addition, organizational and technical emergency procedures are in place to minimize damage. Deutsche Telekom has Group-wide insurance cover for operational interruptions and damage to current and noncurrent assets.

In its provision of smartphone services, under its "extended network" concept T-Mobile USA uses third-party firms for some of the storage and transport of customer data (master data and customer-own content). At the beginning of October 2009, the failure of a critical customer database managed by a Microsoft

subsidiary led to a massive interruption in T-Mobile USA's Sidekick service. The "extended network" may also be affected by faults of various kinds and durations in the future which are outside T-Mobile USA's control.

Data security and data privacy. Safeguarding customer data is a top priority at Deutsche Telekom and its subsidiaries, and is a vital precondition of a trusting relationship between the Company and its customers. In the reporting year, Deutsche Telekom faced allegations of data misuse and flaws in the security system. Deutsche Telekom created a new Board of Management department for Data Privacy, Legal Affairs and Compliance in the 2008 financial year and put together a comprehensive action package for improving data privacy, increasing data security and enhancing transparency, thus underlining the significance of these issues. The new department ensures that Deutsche Telekom harmonizes and implements the necessary measures related to data privacy and security and monitors compliance throughout the Group. Deutsche Telekom also set up an independent Data Privacy Advisory Council comprising leading experts from academia, industry and other organizations. The Data Privacy Advisory Council met a total of six times in the reporting year; further meetings have been scheduled for 2010.

To guarantee the highest standards in operational data privacy, Deutsche Telekom has launched comprehensive action plans and is pressing on with existing measures. Deutsche Telekom has further tightened its customer support structures and limited employees' access to data. User IDs now have to be renewed at shorter intervals. In addition, Deutsche Telekom extended the use of fixed IP addresses to ensure that employees and sales partners can access the systems from specific computers only. Access for external sales partners and staff to internal IT systems now requires the use of transaction authentication numbers (TANs). Sales staff can only access mobile customers' personal data once they receive a valid transaction number from the customer. Customers are sent an automatically generated TAN via text message to their cell phone whenever they wish to carry out any modifications to their contract. Access to sensitive data is also subject to automatic threshold monitoring. This enables Deutsche Telekom and its subsidiaries to make a substantial contribution to improving customer data privacy in everyday business. To increase the awareness of data privacy and data security among employees, in particular executives, the Company stepped up its existing training programs and the annual data audits. In addition, Deutsche Telekom will give even more serious consideration to cases of misuse and impose severe disciplinary measures.

Deutsche Telekom regularly publishes a voluntary report prepared by the Group privacy officer and submits it to the Supervisory Board of Deutsche Telekom and the Federal Commissioner for Data Protection. The report, which is also available to the public, is designed to sustainably increase transparency in the area of data privacy. The first data privacy report was issued in April 2009. Important IT systems used in sales and sections of the billing chain have been certified by the German Technical Inspection Association (TÜV). In addition to its own investigations, Deutsche Telekom will continue to commission a certified company to systematically audit its systems in order to detect weaknesses. By implementing these two measures, Deutsche Telekom is set to assume a pioneering role in the industry. In October 2008, Deutsche Telekom launched a website¹¹ which provides information on the current status of data privacy at Deutsche Telekom in Germany and on data privacy incidents that are the subject of criminal investigations. The cases are published in agreement with the relevant authorities and the supervisory bodies are informed of the details. By launching this site, Deutsche Telekom has voluntarily satisfied a requirement since early 2009 that became law on September 1, 2009 through the amendment to § 42a of the German Federal Data Protection Act.

These countermeasures will substantially minimize the likelihood of other data security and privacy incidents. Negative consequences for Deutsche Telekom's business caused by a loss of reputation cannot be ruled out or accurately assessed at the present time.

Health and the environment. Electromagnetic fields (EMFs) are repeatedly associated with potential environmental and health damage. This is a controversial issue and the subject of public debate. Existing public acceptance problems relate to both networks and the use of terminal equipment. They have an effect, for example, on the network roll-out in mobile communications, in particular. In the fixed network, they affect sales of cordless DECT phones and devices that use WLAN technology. Apart from the legal risks, there may be regulatory initiatives involving the implementation of preventive measures in mobile communications. The World Health Organization (WHO) has declared that, on the basis of current scientific knowledge, there are no known adverse effects on health provided internationally acknowledged threshold levels are not exceeded. Nor does the WHO expect any serious dangers to arise in the future, though it does recommend continued research due to ongoing scientific uncertainties.

Deutsche Telekom aims to overcome doubts among the general public by pursuing an objective, scientifically well-founded, and transparent information policy. For instance, Deutsche Telekom is an active contributor to Informationszentrum Mobilfunk (IZMF), an industry initiative by German mobile communications enterprises that provides a broad-based platform for information and dialog for the general public. The Deutsche Telekom Group's efforts to provide state-of-the-art technologies also include funding scientific research that aims to detect possible risks at an early stage. Aside from long-term involvement in the Research Association for Radio Applications (Forschungsgemeinschaft Funk – FGF), this specifically entails funding the Federal Government's research activities within the scope of the German Mobile Telecommunications Research Programme and the Environmental Research Plan. In addition, under the Group's EMF policy of 2004 T-Mobile has launched transparency, information, participation, and research measures at all national companies that are designed to minimize potential legal and regulatory problems and respond adequately to the public's concerns.

Procurement. As ICT service providers and operators and providers of IT/telecommunications products, Deutsche Telekom and its subsidiaries cooperate with a variety of suppliers of technical components including software and hardware, transmission and switching technology, outside plant and terminal equipment.

Supply risks cannot be entirely ruled out. Delivery bottlenecks, price increases, changes in the prevailing economic conditions or suppliers' product strategies may have a negative impact on Deutsche Telekom's business processes and results. Risks may result from the dependence on individual suppliers or from individual vendors' defaulting as a direct result of the economic crisis. Deutsche Telekom employs a large number of organizational, contractual, and procurement strategy measures to counteract such risks.

Litigation. Deutsche Telekom is party to several proceedings both in and out of court with government agencies, competitors, and other parties. The proceedings listed below are of particular importance from Deutsche Telekom's point of view.

¹¹ www.telekom.com/datenschutz (in German only)

- **Lawsuit on prospectus liability.** There are around 2,600 ongoing lawsuits from around 16,200 alleged buyers of T-Shares sold on the basis of the prospectuses published on May 28, 1999 and May 26, 2000. The amount in dispute totals approximately EUR 80 million. Some of the actions are also directed at Kreditanstalt für Wiederaufbau and/or the Federal Republic of Germany as well as the banks that handled the issuances. Additional supposed buyers of T-Shares have initiated conciliatory proceedings with a state institution in Hamburg, the "Öffentliche Rechtsauskunfts- und Antragsstelle der Freien und Hansestadt Hamburg." Approximately 11,250 conciliatory requests have been submitted to Deutsche Telekom to date. Around 4,000 of these lawsuits have not yet been finally closed.

The Regional Court has issued certified questions to the Higher Regional Court in accordance with the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz - KapMuG) relating to IPOs DT2 and DT3 and has temporarily suspended the initial proceedings.

Over a total of 18 days since the beginning of the proceedings, the Higher Regional Court has heard a large number of witnesses in oral hearings on the certified questions for the DT3 model proceedings. One point to be proved was whether the decision to acquire VoiceStream had already been taken or whether negotiations on the transaction had already far advanced by the time the subscription period ended on June 16, 2000. Witnesses were also interviewed on the same topic in the United States. The Higher Regional Court obliged Deutsche Telekom to submit various depositions from the class action suit in the United States that ended with a settlement. The last hearing took place on November 6, 2009. In light of several applications for an extension (particularly relating to the item "contribution of Sprint shares into the U.S. subsidiary") to the Frankfurt/Main Regional Court in early December (some of which have yet to be decided upon), the hearing that was scheduled for December 11, 2009 was canceled. A new date will be set ex officio, as soon as a decision has been made on a successor to the presiding judge, who retired at the end of 2009. The DT3 model proceedings are not expected to be completed before the fall of 2010. To all intents and purposes, the proceedings for a preliminary ruling on DT2 are currently suspended.

- **T-Online merger.** After the merger of T-Online International AG into Deutsche Telekom AG became effective on June 6, 2006, Deutsche Telekom AG was served around 250 applications for a court review of the fairness of the exchange ratio stipulated in the merger agreement dated March 8, 2005. Under the German Reorganization and Transformation Act (Umwandlungsgesetz), former shareholders of T-Online can request the Frankfurt/Main Regional Court to review the fairness of the exchange ratio in the course

of appraisal rights proceedings (Spruchverfahren). The court ruled on March 13, 2009 that the exchange ratio for the T-Online shares was not fair and deemed a supplementary payment of EUR 1.15 per share fair. This ruling is not legally binding. Deutsche Telekom filed an appeal against this ruling within the period stipulated.

- **Toll Collect.** In the arbitration proceedings between the principle members of the Toll Collect consortium (Daimler Financial Services AG, Deutsche Telekom and the consortium company Toll Collect GbR) on the one hand and the Federal Republic of Germany on the other regarding disputes relating to the truck toll collection system, Deutsche Telekom received the Federal Republic's statement of claim on August 2, 2005. In the statement of claim, the Federal Republic maintained its claim to lost toll revenues of approximately EUR 3.51 billion plus interest for the delayed commencement of operations on September 1, 2003. The total claim for contractual penalties was increased to EUR 1.65 billion plus interest. The contractual penalties are based on alleged violations of the operator agreement (lack of consent to subcontracting, delayed provision of on-board units and monitoring equipment). In a letter dated May 16, 2008, the Federal Republic recalculated its claim for damages for lost toll revenues and reduced it minimally by EUR 169 million. The new claim is approximately EUR 3.3 billion plus interest. The main claims by the Federal Republic (including contractual penalties) amount to around EUR 4.98 billion.

The defendants responded on June 30, 2006. The plaintiff responded in writing on February 14, 2007. Following further exchanges of submissions between the parties, a first hearing took place in June 2008 during which the arbitration court discussed legal issues with the parties, yet shed no light on the possible outcome of the case. Under orders from the arbitration court, each party submitted various documents to the other party at the end of September 2008. Furthermore, the arbitration court ordered each party to prepare another written statement by the end of November 2008 addressing the legal issues discussed during the hearing and in the submitted documents. Each party also had the opportunity to submit further written responses to the relevant statement from the other party, by the beginning of April 2009. The arbitration court also scheduled another hearing (including witness examinations) for the fall of 2009 (October 19 – 22), ordered the submission of further documents and papers, and appointed three experts to evaluate by September 30, 2009 the plausibility of the expert opinions presented by the parties. Following the disclosure by the defendants in July and August 2009 of circumstances that gave rise to doubts about the ability of the arbitrator appointed by the Federal Republic to perform the duties of his office with the necessary objectivity, care and independence, and following an application by the defendants to remove the arbitrator, the arbitra-

tion court decided on September 4, 2009 to cancel the appointed date for examining evidence and continuing the hearing. The arbitration court also postponed the completion date for the plausibility reports. The arbitration court rejected the application for rejection on September 30, 2009. This ruling can be appealed before a state court. The defendants filed a rejection application to this effect with the Berlin Administrative Court on November 6, 2009. A new date for continuing the hearing will be set after the conclusion of the rejection procedure.

■ **Lawsuit filed by Vivendi S.A. (Paris) for discontinuation of negotiations.**

On May 3, 2005, Vivendi S.A. (Vivendi) took legal action against Deutsche Telekom AG and T-Mobile International AG & Co. KG (now merged into DTAG). Vivendi alleges that the defendants unlawfully broke off negotiations on the acquisition of a 48-percent stake in Polska Telefonia Cyfrowa Sp. z o.o. (PTC) in order to later obtain these shares at a lower price. The value in dispute has been put at approximately EUR 2.27 billion. The case was dismissed in March 2008 by the Paris Commercial Court in the first instance. Vivendi has given notice of appeal against this decision. In the grounds of appeal dated August 20, 2008, Vivendi initially pursued claims for approximately EUR 1.9 billion, which it has since reduced to around EUR 53 million.

■ **Arbitration proceedings filed by Vivendi S.A. (Geneva).** On April 13, 2006, in line with the rules of the International Chamber of Commerce (ICC) in Paris, Vivendi filed arbitration proceedings before the international court of arbitration in Geneva against Deutsche Telekom AG, T-Mobile International AG & Co. KG, TMD, T-Mobile Poland Holding Nr. 1 B.V. and others. This complaint is aimed at a declaratory judgment that on or before March 29, 2006 a verbal agreement was reached between the parties concerning, inter alia, putting an end to all legal disputes relating to the investment in PTC, or that pre-contractual obligations were breached. Vivendi is demanding performance of the contract or alternatively, compensation.

■ **Lawsuit filed by Vivendi S.A. (Seattle, United States).** On October 23, 2006, Vivendi filed a lawsuit against Deutsche Telekom AG, T-Mobile USA Inc., TMI, TMD and others with the U.S. District Court in Seattle, Washington, claiming that the defendants had colluded illegally to cause Vivendi to lose its alleged interest in PTC. The lawsuit is based on the Racketeer Influenced and Corrupt Organizations (RICO) Act. The court dismissed the action on June 5, 2008. Vivendi lodged an appeal against this decision and reduced its compensation claim from around USD 7.5 billion to around USD 2.5 billion. The court of appeal has since dismissed the appeal.

Numerous other lawsuits and arbitration proceedings are pending in connection with the disputed PTC shares. However, they are not presented in detail here.

■ **telegate AG/Harisch.** On October 19, 2005, following enforcement proceedings, Deutsche Telekom received a claim for damages of approximately EUR 86 million plus interest from telegate AG. telegate AG alleges that Deutsche Telekom charged excessive prices for the provision of subscriber data between 1997 and 1999, which resulted in telegate AG having insufficient funds available for marketing measures and preventing it from achieving its planned market share. Following enforcement proceedings, Deutsche Telekom received a claim for damages of approximately EUR 329 million plus interest from Dr. Harisch, also on October 19, 2005. Dr. Harisch alleges that the excessive prices for the provision of subscriber data between 1997 and 1999 caused telegate AG's equity ratio to decrease significantly on several occasions, resulting in the need for capital increases. This required Dr. Harisch and another shareholder to release shares from their own holdings, thereby diluting their remaining shareholdings. The plaintiff has now increased his claim by approximately EUR 283 million. The amount in dispute has thus risen to approximately EUR 612 million. The action is still pending before the Cologne Regional Court in the first instance.

■ **Arcor (price squeeze).** Competitors have filed lawsuits against Deutsche Telekom AG with a notice of action seeking damages of currently EUR 223 million on grounds of an alleged price squeeze between wholesale and retail prices. This legal dispute has been suspended until the European courts have issued a final decision related to proceedings for the reversal of a decision by the European Commission in administrative penalty proceedings that are decisive for the proof of claim. On April 10, 2008, the European Court of First Instance dismissed Deutsche Telekom AG's claim for reversal of the European Commission's decision. Deutsche Telekom AG has filed an appeal against the ruling with the European Court of Justice.

■ **Minimum contract terms for bundled products.** In a ruling dated October 14, 2009, the Düsseldorf Higher Regional Court – unlike the court of lower instance – upheld a complaint by Tele2 against minimum contract terms for bundled products. Under this ruling, Deutsche Telekom is prohibited from offering bundled retail products comprising a calling plan for a fixed-network line, including calls on that line, a DSL line, and Deutsche Telekom's DSL access service (bundled product) with a minimum contract term of twelve or more months and a tacit contract extension of twelve months in each case subject to termination with due notice. Furthermore, the Higher Regional Court ruled that Deutsche Telekom is obligated to pay Tele2 damages that have arisen or will arise as a result of the prohibited conduct. An

appeal to the Federal Court of Justice has been permitted. Deutsche Telekom appealed against the ruling of the Düsseldorf Higher Regional Court within the period stipulated. Tele2 has also filed an application to the Higher Regional Court to have the verdict extended to include minimum contract terms of twelve months or more. This application has not yet been ruled upon.

- **Regulation of ULL reference offer.** In a ruling on the ULL reference offer dated December 21, 2007, the Federal Network Agency obliged Deutsche Telekom AG to provide 333,000 ULLs per month as part of a binding plan. Orders going beyond the total planned volume of 333,000 ULLs must be fulfilled where technically and operationally feasible. For any delays in provisioning, Deutsche Telekom AG will be fined EUR 3.62 per day for the first ten days and, from the eleventh day onwards, a one-time additional fine of EUR 36.19, plus EUR 1.82 per day. Competitors must pay Deutsche Telekom EUR 1.82 for each ULL that falls short of their announced volume. The ULL reference offer will come into force once existing ULL contracts are terminated and new provisions are negotiated on the basis of the ULL reference offer. Deutsche Telekom AG took legal action against the Agency's ruling in January 2008.
- **Regulation of ULL, access to cable ducts, dark fiber.** In June 2007, the Federal Network Agency had obliged Deutsche Telekom to give its competitors access to its cable ducts (empty conduits) or, should there be no empty conduits, to dark fiber and to grant access to the unbundled local loop, where required also in cable distributors. In a temporary injunction in January 2008 and a ruling in April 2008, the Cologne Administrative Court largely upheld the Agency's decision. Deutsche Telekom has filed an appeal with the Federal Administrative Court. The Federal Administrative Court granted the appeal in part with its ruling dated January 27, 2010 and lifted the regulatory order with legally binding effect insofar as it concerned access to dark fiber.
- **ULL rate approvals.** In November 2008, the Cologne Administrative Court revoked the rates approval for the ULL line from 1999 with regard to the monthly charges. Both Deutsche Telekom and the Federal Network Agency filed complaints against non-allowance of appeal. In a ruling dated October 5, 2009, the Federal Administrative Court rejected these complaints because the points raised relate to the old legal framework. The rulings of the Cologne Administrative Court revoking the approvals thus became legally effective and the rate approval proceedings from 1999 were revived, i.e., the Federal Network Agency must decide again on ULL monthly charges for the period from February 1999 to March 2001. Under its rulings dated August 27, 2009, the Cologne Administrative Court revoked the 2001 ULL rate approval, which relates to monthly charges for the period April 2001 through March 2003 and one-time charges for the period April 2001 through March 2002. In its rulings dated November 19, 2009, the Cologne Administrative Court then revoked the 2002 rate approval, which relates to one-time charges for the period April 2002 through June 2003. These rulings are not legally effective because both Deutsche Telekom and the Federal Network

Agency have filed complaints against non-allowance of appeal. If the rulings become legally effective, the Federal Network Agency would have to decide again on the rates for the period April 2001 to March 2003 or June 2003. All other rulings of the Federal Network Agency on ULL rates since 1999 have been challenged and, apart from the 1999 ULL one-time charges, are therefore not final.

- **IPR risks.** Like many other large telecommunications/Internet providers, Deutsche Telekom is exposed to an increasingly large number of IPR (intellectual property rights) disputes. For Deutsche Telekom, there is a risk that it may have to pay license fees and/or compensation.

Furthermore, Deutsche Telekom intends to defend itself and/or pursue its claims resolutely in each of these court, conciliatory, and arbitration proceedings.

OTE. Deutsche Telekom holds 30 percent plus one share in OTE and has management control under the terms of a shareholder agreement. The party of the socialist movement in Greece, PASOK, had expressed criticism of the partial sale of OTE to Deutsche Telekom ahead of its success in the elections on October 4, 2009. Nevertheless, the risk that the new government may seek to renegotiate aspects of the shareholder agreement is small as under normal circumstances amendments to the shareholder agreement can only be made by consensus. In addition, a risk exists in the area of infrastructure roll-out (VDSL, FTTX). The Greek government has special plans in this respect concerning the structure of competition. The impact on OTE cannot yet be estimated.

Joint venture between T-Mobile UK/Orange UK. In November 2009, Deutsche Telekom AG and France Télécom S.A. signed the agreement to merge T-Mobile UK and Orange UK to form a 50:50 joint venture. The transaction is subject to the approval of the relevant authorities (including the European Commission), which is expected to be given in the course of 2010. For Deutsche Telekom there is a risk that the transaction may only be approved subject to significant conditions (such as relinquishing frequency spectrum).

One Company project. The extraordinary shareholders' meeting on November 19, 2009 approved the spin-off and takeover agreement under which Deutsche Telekom AG will transfer the T-Home business area to TMD in the 2010 financial year by way of a spin-off. Bringing together the fixed-network and mobile communications activities in Germany is a cornerstone of the One Company project that is preparing Deutsche Telekom for further growth. The integrated company for Germany will be responsible for 27 million fixed-network lines – of which some 13 million support DSL – and more than 39 million mobile lines. Approximately 85,000 employees work in the Germany operating segment. Sweeping changes are needed in the organizational structure and workflow if the One Company project is to be successfully completed in the second quarter of 2010. If these goals cannot be achieved, there is a risk that the transition will last longer than expected and that operations will be temporarily impacted.

Financial risks. Through its subsidiary Deutsche Telekom International Finance B.V. (DT IF), the Company uses bonds and medium-term notes (MTNs) issued in a variety of currencies and jurisdictions as primary instruments for medium to long-term financing.

The financial risks for Deutsche Telekom and its subsidiaries arise mainly from liquidity, credit, and currency and interest rate risks.

- **Currency, interest rate, and price risks.** These risks are hedged in accordance with the guidance specified in the Treasury Guidelines. Derivatives are used exclusively as hedging instruments. Information on the nominal and fair values of these instruments can be found in Note 31 in the Notes to the annual financial statements.
- **Credit risks.** Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. To reduce the credit risk, hedging transactions are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1 and that are subjected to continuous credit management. Collateral agreements have been concluded with Deutsche Telekom's main banks in order to hedge derivative transactions with positive fair values. At the level of operations, the outstanding debts are monitored locally in each area. Credit risks are taken into account through specific and general valuation allowances.
- **Liquidity risk.** To remain solvent and financially flexible at all times, Deutsche Telekom maintains a liquidity reserve in the form of credit lines and cash. As of December 31, 2009, 24 banks granted Deutsche Telekom credit lines totaling EUR 14.4 billion. The primary instruments used for medium- to long-term financing are bonds and medium-term notes (MTNs) issued in a variety of currencies and jurisdictions. The situation on the international financial markets eased considerably during 2009. From today's perspective, access to the international debt capital markets is not seriously jeopardized. The 2009 financial year was marked by substantial new issuances. In 2009, Deutsche Telekom raised debt capital of just under EUR 5.3 billion in various markets.

Although a number of banks refused to extend credit lines in 2008, partly due to lending restrictions and consolidation in the banking sector in connection with the financial crisis, all bilateral lines were extended after February 2009.

Risky investments by subsidiaries in Southern and Eastern Europe in particular exist on account of transfer restrictions and shareholder resolutions. Following the investment in OTE, investments deposited with various, mostly Greek, banks were also taken over and reduced substantially from a Group perspective with the aim of spreading these investments and also gradually switching to government bonds.

Rating agency Fitch cut Deutsche Telekom's long-term rating from A- in 2008 to BBB+. Moody's and Standard & Poor's ratings for Deutsche Telekom are still Baa1 and BBB+, respectively. The outlook of all three agencies is stable. If Deutsche Telekom's rating falls below certain defined levels, interest rates for some of the bonds and medium-term notes issued will rise.

Impairment of Deutsche Telekom's assets. The value of the assets of Deutsche Telekom and its subsidiaries is reviewed periodically. These tests may lead to the recognition of impairment losses that do not, however, result in disbursements. This could impact to a considerable extent on Deutsche Telekom's results, which in turn may negatively influence the T-Share and ADS price.

In the countries of the Southern and Eastern Europe operating segment in particular, future trends in the difficult macroeconomic situation, ongoing intense competition and mobile communications taxes recently imposed or increased in some of these countries might have a stronger and/or negative effect.

Sales of shares by the Federal Republic and KfW. As of December 31, 2009, the Federal Republic and KfW held approximately 31.7 percent of Deutsche Telekom's shares, while the Blackstone Group held 4.4 percent. On April 24, 2006, the Blackstone Group purchased an interest in Deutsche Telekom AG's share capital from KfW.

The Federal Republic may continue its privatization policy and sell further equity interests, including shares in Deutsche Telekom AG, in a manner designed not to disrupt the capital markets and with the involvement of KfW. On May 16, 2008, KfW issued a five-year exchangeable on shares of Deutsche Telekom AG. Exchangeables are debt certificates that the holder can exchange, during a pre-determined period and at a pre-determined conversion price, for shares in another company (in the case of the KfW exchangeables referred to here, registered shares in Deutsche Telekom AG). If the conversion price is exceeded, KfW may exchange the exchangeables submitted to it for shares in Deutsche Telekom AG and if the holders of the exchangeables exercise the conversion option, it must exchange them. When the exchangeables mature, KfW has the right to pay them out in shares of Deutsche Telekom AG. This exchangeable has a volume of EUR 3.3 billion and a conversion price of EUR 14.9341.

For Deutsche Telekom, there is a risk that the sale of a significant volume of Deutsche Telekom shares by the Federal Republic or KfW, or speculation to this effect on the markets, could have a negative short-term impact on the price of T-Shares.

Aggregate risk position. The assessment of the aggregate risk position is based on a consolidated review of all significant risks or risk areas. Despite severe competition and price pressure, the regulatory framework, the deterioration in economic conditions, and major challenges in terms of personnel restructuring and service quality, the Company's aggregate risk position has not changed significantly over the previous year. As it stands today, there is no risk to the Company's continued existence as a going concern.

The opportunities.

Deutsche Telekom has successfully implemented its "Focus, fix and grow" strategy over the past three years. This strategy is being developed further to shape the long-term future of the Deutsche Telekom Group, with the focus on developing new market opportunities through modernization and investments in networks and IT.

The aforementioned One Company project also aims to seize new market opportunities. The project focus is on enhancing Deutsche Telekom's competitive position by offering products and services from a single source, improving customer service, safeguarding jobs, and leveraging revenue and cost synergies.

These days, customers want everything at the same time: phoning, communicating in social communities, and downloading music – services for connected life and work are being developed based on next-generation networks and IT to meet these requirements. Innovative bundled products and convergence products provide potential opportunities for Deutsche Telekom and its subsidiaries. As a large, integrated telecommunications group, Deutsche Telekom is not only able to cope with substitution risks better than specialized providers; it can also implement new bundled products. These also include mobile data applications on the basis of mobile broadband technologies. LTE, the fourth generation of mobile communications, will substantially increase transmission rates in mobile communications networks, enabling faster use of mobile data services such as mobile e-mail and social networking. The mobile Internet thus provides significant growth opportunities for Deutsche Telekom's subsidiaries.

Social and demographic changes and environmental requirements call for the development of new, promising products and services, such as new technologies for a state-of-the-art health care system, efficient environmental protection services, mobility services for seniors, citizen-oriented administration, mobile working, and connected cars, i.e., vehicles equipped with SIM cards, e-mail and TV. Services will be structured dynamically in the future to adapt them to the needs of the customer, as with cloud computing.

Projects such as T-City in Friedrichshafen are proof of the innovative strength of the Deutsche Telekom Group, a company that stands for service quality, state-of-the-art networking technology, and innovative products with a genuine customer benefit.

In 2009, Deutsche Telekom acquired an additional 5 percent in the Greek company OTE, bringing its shareholding up to 30 percent plus one vote. The two companies aim to leverage synergies in areas such as procurement, where contracts will be renegotiated and lower prices agreed, or the introduction of innovative devices and services.

The joint venture to merge Deutsche Telekom's subsidiary T-Mobile UK and Orange UK in the United Kingdom will create the leading mobile carrier in the market and generate considerable benefits for customers. For instance, the integration of Orange Broadband will make it possible to deliver convergence solutions. The joint venture will also allow network coverage to be expanded and network quality for voice, data and future services to be improved. Customer service and proximity will also improve as a result of a dense network of the joint venture's own outlets. The new company will be better positioned to invest in innovative service and to benefit to a greater extent from new technologies. The joint venture also aims to leverage considerable synergies, for example by cutting the cost of site rental and network/IT maintenance and consolidating its capital expenditure and marketing costs.

Supplemental report.

Changes in the composition of the Board of Management.

On January 29, 2010, the Supervisory Board of Deutsche Telekom approved the proposal by the Board of Management to reassign Hamid Akhavan's responsibilities on a temporary basis. Board of Management members Guido Kerkhoff and Reinhard Clemens will assume Hamid Akhavan's responsibilities in an acting capacity. Effective February 15, 2010, Guido Kerkhoff will assume temporary responsibility for the Europe region (United Kingdom, Netherlands, Austria, Poland and Czech Republic) and International Sales and Service. Reinhard Clemens will, also in an acting capacity, assume Group-wide responsibility for the remaining COO units, such as Products & Innovation, Technology, IT and Procurement effective the same date.

Regulation of ULL, access to cable ducts, dark fiber.

The Federal Administrative Court granted the appeal in part with its ruling dated January 27, 2010 and lifted the regulatory order with legally binding effect insofar as it concerned access to dark fiber. The reason for the ruling was that Deutsche Telekom's initial investment in the roll-out of optical fiber had not sufficiently been taken into account.

Other disclosures.

Closing statement by the Board of Management on the dependent company report.

Since the Federal Republic of Germany, as minority shareholder of Deutsche Telekom AG, represents a solid majority at the shareholders' meeting due to the average attendance at the latter, Deutsche Telekom is a dependent company of the Federal Republic of Germany in accordance with § 17 (1) AktG.

Deutsche Telekom is not subject to any control or profit and loss transfer agreement with the Federal Republic of Germany. Under § 312 AktG, the Board of Management of Deutsche Telekom has therefore prepared a dependent company report describing relations between the controlling entity and dependent companies. The Board of Management issued the following statement at the end of the report: "The Board of Management hereby declares that under the circumstances known to the Board of Management at the time the business transactions were performed, the Company received appropriate remuneration for such transactions. The Company did not perform or omit any actions on behalf of, or on the instructions of, the controlling company or any dependent companies."

Outlook.¹²

Economic outlook.

The global economy is not expected to improve significantly in 2010 and 2011. The global economy recovered in the second half of 2009, although European national economies and the United States only experienced a low-level recovery. Leading economic indicators such as the business climate indexes or the Baltic Dry Index and the Air Freight Traffic Growth Index suggest that the global economy will continue to stabilize in 2010 and growth rates will rise. Lagging indicators such as unemployment levels or the development of retail consumption are still showing a more restrained economic upswing in Europe and the United States.

A moderate level of inflation is expected in 2010 in the European Union and the United States. Short-term interest rates may also settle at a low level as only a moderate increase in interest rates is forecast.

According to estimates by the IfW, the economic upturn will remain moderate in 2010 and national growth rates will vary greatly in some areas. While production in the emerging nations is expected to increase again sharply in 2010, the economies in the industrialized nations may be slow off the mark. For 2010 the IfW forecasts moderate real GDP growth of 1.4 percent in the industrialized countries overall, with 0.8 percent for the European Union and 2.0 percent for the United States. Overall global production is expected to increase by 3.6 percent in 2010. Production growth will accelerate slightly in 2011. The IfW forecasts growth of 1.7 percent for the European Union in 2011, 2.2 percent for the United States, and 3.9 percent for the global economy.

Market expectations.

The effects of the follow-on economic trends, driven by the continued rise in unemployment and the resulting negative consumption climate may impact retail business in particular in Europe and the United States and, on a lagging basis, also lead to restraint in expenditure on telephone and data services.

Austerity measures in fiscal policy – made necessary by higher levels of national debt – in the form of higher taxes or lower expenditure may have direct or indirect effects on retail consumption and public demand for telecommunications products and services. In Greece the high level of national debt and the government's enforced austerity measures may have an impact on consumer business.

The modest pace of economic recovery in the relevant domestic and international markets may continue to force companies around the world to cut costs, which in turn may impact business with corporate and business customers in telecommunications and IT.

Deutsche Telekom's main sales markets will face intense competition and a continuing decline in prices, as large competitors expand their telecommunications business into further product areas. In addition to market expectations based on the economic environment, there will also be opportunities with generally positive market trends. The global trends toward digitization and connected life and work are accelerating all the time. An increase in demand for mobile Internet and data services is expected in the United States and Europe. Demand among business customers for cloud computing and telecommunications and data services from a single source is growing considerably.

Deutsche Telekom therefore expects a moderate positive development in the telecommunications market.

Expectations for Deutsche Telekom and its subsidiaries.

Deutsche Telekom and its subsidiaries will focus their investment activities in 2010 and 2011 on safeguarding their competitiveness and future viability, particularly in their home market, Germany. At the same time, the aim is to have a stable rating in order to have unrestricted access to the debt capital market. In addition, the financial performance indicators have to allow sustainable and appropriate shareholder remuneration. Taking this into consideration, Deutsche Telekom and its subsidiaries expect their capital expenditure to increase

¹² Outlook contains forward-looking statements that reflect management's current views with respect to future events. Words such as "assume," "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "plan," "project," "should," "want" and similar expressions identify forward-looking statements. These forward-looking statements include statements on the expected development of net revenue and earnings until 2011. Such statements are subject to risks and uncertainties, such as an economic downturn in Europe or North America, changes in exchange and interest rates, the outcome of disputes in which Deutsche Telekom is involved, and competitive and regulatory developments. Some uncertainties or other imponderabilities that might influence Deutsche Telekom's ability to achieve its objectives, are described in the "Risk and opportunities management" section in the management report and in the "Forward Looking Statements" and "Risk Factors" sections in the Annual Report on Form 20-F and the disclaimer at the end of these annual financial statements. Should these or other uncertainties and imponderabilities materialize or the assumptions underlying any of these statements prove incorrect, the actual results may be materially different from those expressed or implied by such statements. We do not guarantee that our forward-looking statements will prove correct. The forward-looking statements presented here are based on the current structure of the Group, without regard to significant acquisitions, dispositions, business combinations or joint ventures Deutsche Telekom may choose to undertake. These statements are made with respect to conditions as of the date of this document's publication. Without prejudice to existing obligations under capital market law, we do not intend or assume any obligation to update forward-looking statements.

slightly year-on-year in 2010 (excluding any spectrum investment), which will strengthen the Deutsche Telekom Group's position in its core markets. As the parent company of the Group, Deutsche Telekom AG continues to expect positive income after taxes for 2010 and 2011.

The Deutsche Telekom Group intends to continue to realize international economies of scale and synergies through appropriate acquisitions in its footprint markets and through joint ventures. There are, however, no plans for major acquisitions or expansion into emerging markets.

The situation on the international financial markets eased up in 2009 and there were large issuances on the debt capital markets. Deutsche Telekom also took advantage of this situation to issue debt amounting to approximately EUR 5.3 billion. Deutsche Telekom expects the markets to remain accessible and stable in 2010, with a slight increase in interest rates over the course of the year. The high liquidity reserve of bilateral credit lines and short-term cash deposits mean that the Deutsche Telekom Group was already financed right through 2010 at the end of 2009. This in turn means the Group has no material exposure to any increase in interest rates. With its reliable access to the capital markets, Deutsche Telekom will take advantage of favorable conditions for issuances in 2010 when needed.

The financial position of Deutsche Telekom AG is not only determined by its own operations and its function as a holding company. As the parent company of the Group it is also impacted in particular by the financial position and results of operation of its subsidiaries, associated and related companies, which are described in greater detail below.

Germany.

Deutsche Telekom will continue to optimize its product portfolio in the context of connected life and work to increase the number of high-value customer relationships over the long term.

In 2010 and 2011, Deutsche Telekom's operating business in Germany will focus on the following activities:

- Defending and consolidating Deutsche Telekom's leadership in the fixed-network and mobile communications markets, for example through stronger cross-selling and upselling.
- Expanding the growing Entertain and mobile data business.
- Increasing customer satisfaction, for example by improving customer service.
- Significantly enhancing network quality and coverage, for example by increasing 3G coverage and improving network stability.

- Further improving processes and quality with the goal of trimming the cost base.
- Using the new One Company organizational structure to enhance competencies.

Deutsche Telekom expects the decline in revenue in the Germany operating segment to decelerate.

Deutsche Telekom will defend its market leadership in the **fixed-network business**, even though its traditional access business will continue to suffer competition-driven losses of market share. One of the key issues will be the further development of the mass market with Entertain products through a combination of high-speed broadband lines and attractive content and features, including high-performance packages with TV and Entertain content via DSL and fixed-network lines with flat rates. The range of high-definition (HD) services for TV will be extended in the 2010 financial year, allowing customers to benefit from a fully HD-enabled infrastructure.

In the **mobile communications** market, Deutsche Telekom and its subsidiaries will be able to maintain their market position in a highly competitive environment. Mobile Internet will be one of the principal growth drivers. The high level of growth is expected to continue in 2010, due in part to the sale of smartphones. With a portfolio of intelligent handsets, attractive rate plans and innovative applications, Deutsche Telekom will further develop the consumer and business customer markets through data services for cell phones and laptops. In addition, Deutsche Telekom will offer machine-to-machine solutions which will make a positive contribution to the mobile non-voice growth area.

Capital expenditure in Germany will focus on growth and innovation, particularly the further integrated and value-enhanced broadband expansion in fixed-network and mobile communications as well as quality and service initiatives. In view of the general market and financial situation, bidding at the mobile communications spectrum auction is expected to be less intense than at the UMTS auction in 2000. Demanding coverage requirements facing the winners of the spectrum auction as well as spectrum usage restrictions support this expectation.

United States.

In 2010, the subsidiaries in the United States operating segment (T-Mobile USA) will focus on attracting and retaining a loyal customer base. Data growth and the higher utilization of the 3G network will form the basis for the future development. With a continued focus on cost efficiencies, but offset by market-driven declines in voice revenues per customer in an increasingly mature U.S. market, revenue is expected to be broadly stable in 2010. For 2011, Deutsche Telekom expects to begin to experience positive developments in revenues. However, regulatory changes and competitive pressures may significantly affect revenues.

The focus of capital expenditure for T-Mobile USA will continue to be the enhancement of network quality and coverage. In particular T-Mobile USA intends to expand and upgrade the 3G mobile communications network, including an upgrade of the top 30 U.S. markets to HSPA+ with a top download speed of 21 Mbit/s in 2010.

Europe.

Deutsche Telekom expects customer numbers to continue growing at its subsidiaries in the Europe operating segment. Ongoing development of the mobile Internet with innovative data services and new, intelligent mobile handsets at attractive prices are proving to be important and consistent growth drivers. Nevertheless, the Deutsche Telekom Group is facing ongoing intense competition in the Europe operating segment in a continued challenging macroeconomic situation. Regulatory measures and exchange rate fluctuations in the countries may have a negative effect on revenue and earnings on a euro basis.

The key areas of capital expenditure in the Europe operating segment will be improvements in GSM network quality and the further roll-out of UMTS networks as part of the drive to introduce the technology for next-generation mobile networks.

Southern and Eastern Europe.

The acquisition of a stake in OTE has given Deutsche Telekom a foothold in further Southern and Eastern European markets. On a like-for-like basis, Deutsche Telekom expects revenue in the Southern and Eastern Europe segment to decrease slightly compared with the past financial year until 2011, in particular due to the continuing difficult macroeconomic situation and ongoing intense competition. The slight decline on a like-for-like basis that will continue until 2011 will be partially offset by Group-wide strategic initiatives and cost-cutting measures. In particular regulatory measures and exchange rate fluctuations in the individual countries as well as the recently imposed or increased mobile communications taxes may have an additional adverse effect.

Capital expenditures in Southern and Eastern Europe will focus on the network infrastructure to expand broadband coverage and for the further build-out of the 3G network and TV infrastructure (satellite and IP). Further investments have been scheduled to improve and refine customer service and raise process efficiency.

Systems Solutions.

T-Systems focuses on the growing ICT services market where it provides solutions for corporate customers. Demand for international ICT solutions is increasing – not least as a result of the further globalization of corporations. Using a global infrastructure of data centers and networks, T-Systems manages information and communication services for some 400 corporate customers, including multinational corporations and public-sector and public health institutions, and provides integrated solutions for the networked future of business and society. Large-scale contracts from renowned industry giants such as MAN, Linde, Philips and BP are indicative of the revenue trends in the coming years. It nevertheless remains to be seen how the business of T-Systems' customers will develop in the wake of the global financial and economic crisis.

T-Systems' cost-cutting measures showed encouraging effects in the past financial year and will be continued. Revenue is expected to improve slightly in this operating segment until 2011 in view of the measures described.

Group Headquarters & Shared Services.

Group Headquarters & Shared Services is largely influenced by expenditure at Group Headquarters and staff restructuring activities at Vivento. Measures taken to improve and centralize functions in connection with the realignment of the management structure will enhance efficiency on a Group-wide basis, but will have a negative impact on Group Headquarters & Shared Services. At the same time, key goals within centralized functions include efficient cost management and increasing efficiency.

General statement on the business development of Deutsche Telekom AG.

Based on the expected market situation and the development of its subsidiaries, Deutsche Telekom AG as the parent company of the Group continues to expect income after taxes to remain positive in 2010 and 2011.

Annual financial statements of Deutsche Telekom AG

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Statement of income.

| millions of € | Note | 2009 | 2008 |
|--|------|---------------|---------------|
| Net revenue | 1 | 18,220 | 18,201 |
| Changes in inventories and other own capitalized costs | 2 | 37 | 56 |
| Total operating performance | | 18,257 | 18,257 |
| Other operating income | 3 | 7,160 | 5,284 |
| Goods and services purchased | 4 | (6,935) | (6,411) |
| Personnel costs | 5 | (3,979) | (3,871) |
| Depreciation, amortization and write-downs | 6 | (3,526) | (3,565) |
| Other operating expenses | 7 | (9,160) | (8,682) |
| Financial income (expense), net | 8 | 3,183 | 1,064 |
| Results from ordinary business activities | | 5,000 | 2,076 |
| Extraordinary expenses | 9 | (329) | - |
| Taxes | 10 | (161) | (72) |
| Income after taxes | | 4,510 | 2,004 |
| Unappropriated net income carried forward from previous year | | 1,911 | 3,293 |
| Unappropriated net income | 11 | 6,421 | 5,297 |

Balance sheet.

| millions of € | Note | Dec. 31, 2009 | Dec. 31, 2008 |
|---|-----------|----------------|----------------|
| ASSETS | | | |
| Noncurrent assets | | | |
| Intangible assets | | 1,275 | 1,030 |
| Property, plant and equipment | | 17,282 | 18,815 |
| Financial assets | | 75,759 | 83,277 |
| | | 94,316 | 103,122 |
| Current assets | | | |
| Inventories, materials and supplies | 13 | 84 | 88 |
| Receivables | 14 | 9,356 | 3,344 |
| Other assets | 15 | 1,112 | 803 |
| Marketable securities | 16 | 226 | 206 |
| Cash and cash equivalents | 17 | 2,732 | 960 |
| | | 13,510 | 5,401 |
| Prepaid expenses and deferred charges | 18 | 516 | 536 |
| Total assets | | 108,342 | 109,059 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Capital stock | 20 | 11,165 | 11,165 |
| Contingent capital of EUR 632 million | | | |
| Additional paid-in capital | 21 | 26,650 | 26,648 |
| Retained earnings | 22 | 15,900 | 15,900 |
| Unappropriated net income | | 6,421 | 5,297 |
| | | 60,136 | 59,010 |
| Accruals | | | |
| Pensions and similar obligations | 24 | 2,769 | 2,630 |
| Taxes | 25 | 547 | 179 |
| Other | 26 | 4,598 | 5,049 |
| | | 7,914 | 7,858 |
| Liabilities | | | |
| Debt | 27 | 6,195 | 6,308 |
| Other liabilities | | 33,891 | 35,833 |
| | | 40,086 | 42,141 |
| Deferred income | 28 | 206 | 50 |
| Total shareholders' equity and liabilities | | 108,342 | 109,059 |

Notes to the financial statements.

Summary of accounting policies.

Description of business activities.

Deutsche Telekom AG¹ (also referred to in the following as Deutsche Telekom or the Company) is the parent company of the corporate Group with the same name and operates in the market as a provider of telecommunications services. Its key areas of activity include network communications, data communications, carrier services, and value-added services. Deutsche Telekom also supplies, leases, and services terminal equipment.

The Company's fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers. The Company also provides wholesale telecommunications services for its subsidiaries.

Since the merger of T-Systems Business Services GmbH, effective January 1, 2009, the Company also operates the transferred business activities with around 160,000 small and medium-sized business customers in Germany. Through the International Carrier Sales and Solutions unit, the Company mainly provides wholesale telecommunication services for its subsidiaries.

The Group Headquarters & Shared Services segment comprises all units within the Company that are not allocated directly to one of the other operating segments. The Group Headquarters unit is responsible for strategic and cross-segment management functions. The Shared Services unit is responsible for all other operating functions not directly related to core business activities. These include Viento, which provides employees with new employment opportunities as part of the staff restructuring program. Furthermore, the Shared Services unit includes the "Integrated Real Estate Services" unit, whose activities include the management of the Company's real estate portfolio. In addition, the Group Headquarters & Shared Services segment includes the Products & Innovation unit, responsible for products and innovation within the Deutsche Telekom Group, and other Group-wide functions in the area of technology, IT and mobile communications that report to the Chief Operating Officer. The Shared Services unit primarily provides services in Germany.

Description of the relationship with the Federal Republic of Germany.

The Federal Republic's total shareholding in Deutsche Telekom amounted to 31.7 percent at the end of the reporting period, of which 16.9 percent was held by KfW Bankengruppe (KfW) and attributable to the Federal Republic in accordance with § 16 (4) of the German Stock Corporation Act (Aktiengesetz – AktG). There have been no changes in these shareholdings compared with 2008. Since December 2005, the Federal Ministry of Finance has been responsible for administering the Federal Republic's shareholding and exercising its rights as a shareholder.

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the recreation service (Erholungswerk), the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost - VAP), and the welfare service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, Deutsche Postbank AG, and the Federal Agency. The coordination and administrative tasks are performed on the basis of agency agreements.

The Federal Republic of Germany is a customer of Deutsche Telekom who sources services from the Company. Charges for services provided to the Federal Republic and its departments and agencies are based on Deutsche Telekom's commercial pricing policies. Services provided to any one department or agency do not represent a significant component of Deutsche Telekom's net revenue.

The Federal Network Agency for Electricity, Gas, Telecommunications, Posts, and Railways (Federal Network Agency) is a separate higher federal authority within the scope of business of the German Federal Ministry of Economics and Technology and was formed from the Federal Ministry of Posts and Telecommunications and the Federal Office for Posts and Telecommunications as the Regulatory Authority for Telecommunications and Posts. The agency was renamed the Federal Network Agency on July 13, 2005. One of the tasks of the Federal Network Agency is to supervise the telecommunications sector in Germany. In this capacity it regulates the business activities of Deutsche Telekom.

¹ Deutsche Telekom was registered with the Commercial Registry of the Bonn District Court (Amtsgericht – HRB 6794) under the name Deutsche Telekom AG on January 2, 1995.

Comparability with prior-year figures on account of organizational changes.

During the reporting year, T-Systems Business Services GmbH (TS BS) was merged into Deutsche Telekom AG with economic effect as of January 1, 2009, entered in the commercial register on April 1, 2009, after the corporate customer unit had been split-off and merged into T-Systems Enterprise Services GmbH. The costs of the assets and liabilities transferred were determined by way of a basis rollover using the values reported in the closing balance sheet of TS BS, in accordance with § 24 of the German Reorganization and Transformation Act (Umwandlungsgesetz – UmwG).

T-Mobile International AG (TMI) was merged into Deutsche Telekom AG with economic effect as of January 1, 2009, entered in the commercial register on July 6, 2009, after T-Mobile Global Holding GmbH had been split-off and merged into T-Mobile Global Zwischenholding GmbH. In accordance with general exchange principles (§ 255 HGB, St HFA 2/1997), the total acquisition costs of the net assets taken over were determined using the carrying amount of the former investment in TMI. The total acquisition costs were distributed across the transferred assets and liabilities in proportion to their fair values, such that the total net assets were valued at the carrying amount of the former investment.

Effective as of December 1, 2008, the operations of four Deutsche Telekom AG “Technology production group” centers were transferred to Deutsche Telekom Netzproduktion GmbH (DT NP) which only took full effect for the first time in the reporting year.

The prior-year figures have not been adjusted to reflect these mergers and restructuring activities. Where the effects are significant and necessary for a better understanding of the figures, the financial impact of these transactions is presented separately in the notes to the individual items in the balance sheet and the statement of income.

Basis of preparation.

The annual financial statements and the management report of Deutsche Telekom are prepared in accordance with German GAAP, as specified in the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktengesetz – AktG). Deutsche Telekom did not exercise the option codified in section 66 (3) EGHGB for the advance first-time application of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) in the 2009 financial year.

In accordance with the draft letter from the Federal Ministry of Finance on the “authoritative principle that the computation of taxable profit should be based on financial accounting” dated October 12, 2009, the reverse authoritative principle is no longer deemed to be applicable for assessment periods from 2009 onwards. This view is contradicted by the transitional provisions set out in section 67 (3) and (4) EGHGB established as part of BilMoG which allow the recognition of purely tax-related values in the financial accounts for financial years that began before January 1, 2010 (first-time recognition only permissible if the financial year began before May 29, 2009). Therefore, the discontinuation of the reverse authoritative principle has no effect on the annual financial statements as of December 31, 2009.

The balance sheet and the statement of income are prepared in accordance with the classification requirements of § 266 and § 275 HGB. The statement of income is prepared using the total cost method in accordance with § 275 (2) HGB.

Unless otherwise stated, all amounts shown are in millions of euros (€/EUR). Certain items have been aggregated for presentation purposes in the balance sheet and the statement of income in order to make the financial statements clearer. These items are disclosed separately in the notes. In conformity with international practice, reporting begins with the statement of income.

The German version of the annual financial statements of Deutsche Telekom and the consolidated financial statements of Deutsche Telekom are published in the electronic Federal Gazette and can also be accessed on the website of the register of companies.

This annual report and the Annual Report on Form 20-F, filed with the SEC due to Deutsche Telekom’s listing on the NYSE, are available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on the Internet at www.telekom.com.

Accounting policies.

Net revenue includes all revenues from the ordinary business activities of Deutsche Telekom. For example, these include revenues from the rendering of services and the sale of goods and products that are typical for Deutsche Telekom. The components of net revenue include revenues from traditional fixed network services, monthly fixed Internet fees, complete packages for telephony and broadband Internet access, revenues from the portfolio of information and communication technology products and services for small and medium-sized business customers, as well as usage-driven fees and revenues from the sale, leasing and maintenance of telecommunications and Internet installations.

Net revenue is recorded net of value-added tax and sales-related reductions. It is recognized in the accounting period concerned in accordance with the realization principle.

Research and development costs are expensed as incurred.

Pension costs include expenditures in connection with an appropriation of accruals for current employees as well as expenditures for ongoing payments to the joint pension fund at Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom (Bundes-Pensions-Service für Post und Telekommunikation – BPS-PT) on behalf of employed civil servants. Expenditures for the appropriation of pension accruals are presented as the difference in the net present value of the obligations calculated at the beginning and end of the financial year.

The accrual method in accordance with § 6a of the German Income Tax Act (Einkommenssteuergesetz – EStG) used for the measurement of accruals is designed to recognize the expense over the employees' entire working lives and does not take expected increases in wages and salaries and retirement benefits into account.

Marketing expenses are expensed as incurred.

Income tax expense includes current payable taxes on income. Deutsche Telekom has not exercised its option to recognize deferred tax assets in accordance with § 274 (2) HGB.

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

As permitted by Postreform II, **property, plant and equipment** transferred to Deutsche Telekom on January 1, 1995 was recorded in the opening balance sheet of Deutsche Telekom at fair market values at that date. However, due to the short period of time that had elapsed since the measurement date for property, plant and equipment acquired since January 1, 1993, their carrying amount as of December 31, 1994 was recognized on a historical cost basis. The remaining useful lives and the depreciation methods applicable to these assets were not changed. The fair market values shown in the opening balance sheet have been carried forward as the acquisition costs.

Other items of property, plant, and equipment are carried at acquisition or production cost, less scheduled depreciation. Production cost includes directly attributable costs and an appropriate allocation of indirect material and labor cost.

Nonscheduled write-downs to the lower of cost or market value are charged if an impairment of assets is assumed to be permanent.

Depreciation is charged using the straight-line method. The underlying standard useful lives are based on the official depreciation tables for tax purposes wherever permissible under commercial law.

In deviation from this rule, movable items of property, plant and equipment acquired in the period between January 1, 2006 and December 31, 2007 were depreciated in the financial accounts according to the declining-balance method at the maximum rate permitted by tax law; the straight-line method was applied as soon as this led to higher depreciation amounts.

As the declining-balance method was no longer permitted in the tax accounts for additions in the 2008 financial year following the 2008 Corporate Tax Reform Act (Unternehmenssteuerreformgesetz), all movable items of property, plant and equipment added in the period from January 1, 2008 to December 31, 2008 were depreciated in the financial accounts using the straight-line method based on their standard useful lives.

The German Act Implementing Tax Law Regulations of the Package of Measures Securing Jobs by Strengthening Growth (Gesetz zur Umsetzung steuerrechtlicher Regelungen des Maßnahmenpakets Beschäftigungssicherung durch Wachstumsstärkung) now permits the declining-balance method of depreciation to be applied for tax purposes once again. As a result, all movable items of property, plant and equipment purchased after December 31, 2008 have been depreciated in the financial accounts using the declining-balance method at the maximum rate permitted by tax law; the straight-line method is applied as soon as this leads to higher depreciation amounts.

The following specific useful lives are applied to depreciation:

| | Years |
|---|----------|
| Buildings | 25 to 50 |
| Shop improvements and window displays | 8 |
| Telephone facilities and terminal equipment | 4 to 10 |
| Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment | 3 to 10 |
| Outside plant networks and cable conduit lines | 15 to 35 |
| Telecommunications power facilities | 10 |
| Other equipment, plant and office equipment | 3 to 23 |

Additions to real estate and movable items of property, plant and equipment are depreciated ratably from the year of acquisition.

In accordance with tax regulations, all low-value assets acquired up to December 31, 2007 were written off in full in the financial accounts in the year of acquisition and presented as disposals in the statement of noncurrent assets. Since January 1, 2008, in line with the revised applicable tax value limits following the 2008 Corporate Tax Reform Act dated May 25, 2007, these assets have either been immediately written off in the financial accounts or have been capitalized in the annual omnibus items of immaterial significance and depreciated over five years. These assets are presented as disposals in the statement of noncurrent assets when they are written off in full.

Maintenance and repair costs are expensed as incurred.

Noncurrent assets sold or otherwise disposed of are derecognized at their relevant carrying amount (cost less accumulated depreciation). A gain or loss is recognized in income for the difference between the proceeds from the sale and the carrying amount of the asset concerned.

Equity investments and other financial assets are carried at the lower of cost or market value. In the case of financial assets acquired in a foreign currency, the exchange rate at the transaction date is used to determine the acquisition cost; in the case of hedges, the hedging rate for the purchased foreign currency is used. Loan receivables correspond to the loan amounts less repayments and – if applicable – less any write-downs to the lower fair value. Nonscheduled write-downs are charged only if the impairment of financial assets is assumed to be permanent.

Raw materials and supplies and merchandise are recognized at acquisition cost, while **work in process** is carried at production cost. Based on normal capacity utilization, production cost includes directly attributable costs, such as direct material and labor costs, as well as special direct costs, plus an appropriate pro rata allocation of indirect material and labor costs and depreciation. General administration and selling costs as well as expenses for social amenities, voluntary benefits to personnel, and the corporate pension plan are not included in production cost. The carrying amount of inventories is reduced to the lower of cost or market value at the balance sheet date. Adequate write-downs are charged for inventory risks resulting from obsolescence or impaired marketability.

Receivables, other assets, cash and cash equivalents and prepaid expenses and deferred charges are carried at their nominal value. Identified individual risks are accounted for through appropriate individual valuation adjustments, and general credit risks through general valuation adjustments of receivables. Low-interest and non-interest bearing items with more than one year remaining to maturity are discounted.

Marketable securities are carried at the lower of cost or market value at the balance sheet date.

Cash on hand denominated in foreign currencies is translated at the rate applicable at the balance sheet date. Foreign currency receivables and other foreign currency items included under cash and cash equivalents are measured at the lower of the exchange rate applicable on the transaction date or the rate applicable at the balance sheet date. Cash in banks (excluding fixed-term deposits) is measured at the bid rate, fixed-term bank deposits are measured at the middle rate of the bid and ask rates. Receivables from subsidiaries resulting from cash pooling are always translated at the middle rate of the bid and ask rates at the balance sheet date.

Stock options refer to what are known as equity-settled plans granted in the course of a contingent capital increase and are recognized at the date the options are exercised, and not at the grant date. Of the funds received by the Company on the exercise date, a proportionate amount of the shares issued is transferred to capital stock and any excess amount to capital reserves in accordance with § 272 (2) No. 1 HGB. By contrast, the mid-term incentive plans (MTIPs), being what is known as cash-settled plans, are recognized in the statement of income from the time of their implementation. For both cash-settled and equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Monte Carlo model.

Accruals for pensions and similar obligations are based on obligations to non-civil servants. These accruals are calculated on the basis of an actuarial report. Direct and indirect obligations are recognized at the fiscal net present value in accordance with § 6a EStG. If the value of the assets allocated is higher than the amount of the obligations for indirect commitments, the excess is not recognized.

The computations for the obligations are based on the 2005 G life expectancy tables published by Prof. Klaus Heubeck.

Tax and other accruals, including those for contingent losses and environmental liabilities, are computed in accordance with prudent commercial practice. Sufficient allowance is made for all identifiable risks when measuring these accruals.

Cost accruals are recognized when there is an obligation to recognize such liabilities under § 249 (1) HGB. This refers in particular to accruals for costs of deferred maintenance related to the financial year, but implemented within the first three months of the following year.

Accruals are not discounted, except for pensions and similar obligations, other employee-related accruals, the accrual for the civil service health insurance fund shortfall, the accrual for a collateral promise for pension and partial retirement obligations, and the accrual for impending losses from pending transactions.

Liabilities are recognized at the higher of nominal value or repayment amount. In instances in which the repayment amount of a liability is greater than the principal amount, the difference is recorded under prepaid expenses and deferred charges, and distributed on a time-proportionate basis over the term of the liability. Liabilities and other financial liabilities denominated in foreign currencies are carried at the higher of the exchange rate applicable on the transaction date or the rate applicable at the balance sheet date. Liabilities to banks, excluding interest liabilities, are measured at the ask rate; interest liabilities and other liabilities (other financial liabilities) are measured at the middle rate of the bid and ask rates at the balance sheet date. Liabilities to subsidiaries resulting from cash pooling are always translated at the middle rate of the bid and ask rates at the balance sheet date.

In line with the imparity principle, unrealized losses relating to primary and derivative financial instruments are expensed when incurred. If financial instruments can be qualified as a valuation unit – hedged item and hedge transactions – one measurement at fair value per portfolio less accrued interest is applied as of the balance sheet date. If the financial instruments can be qualified as a valuation unit, the unrealized loss exceeding the positive fair values is recognized in net income or loss through an accrual for contingent losses, whereas unrealized gains are not recognized until realized.

This also applies to prepayment penalties, which are deemed to be receivables or payables. Prepayment penalties are generally agreed within the Group in the form of interest rate swaps, and arise from early loan repayments on the part of Deutsche Telekom. They are recognized in the balance sheet at fair value at the balance sheet date as receivables from / payables to subsidiaries. The receivables or payables are amortized on a straight-line and time proportionate basis. If the market value of the prepayment penalty is less than the carrying amount, an accrual for contingent losses is also recognized.

Settlement gains and losses from expired hedge transactions for rolling hedging (roll-over gains or losses) are reported separately as other assets or other liabilities.

Scope of discretion.

The preparation of financial statements requires the Company to make estimates and assumptions that affect the reported carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses recognized during the reporting period. Actual results could differ from those estimates.

Notes to the statement of income.

1 Net revenue.

Revenue by area of activity.

| millions of € | 2009 | 2008 |
|---------------|--------|--------|
| Fixed network | 18,220 | 18,201 |

Net revenue was slightly higher than in the prior year, mainly as a result of the revenue increase of EUR 1.1 billion in the reporting year that was attributable to the merger of TS BS into Deutsche Telekom. The increased number of complete broadband packages and unbundled local loop lines also had positive effects on the development of revenue in 2009. However, this growth in volume only partially offset the decreases in revenue primarily attributable to continued line losses resulting from increased competition and a decrease in usage-related charges, as well as volume-driven decreases in revenue from resale and network services and from interconnection, with the result that fixed-network revenues adjusted for merger effects declined in the reporting year.

Revenue by geographic area.

| millions of € | 2009 | 2008 |
|---------------|---------------|---------------|
| Domestic | 17,571 | 17,548 |
| International | 649 | 653 |
| | 18,220 | 18,201 |

Revenue generated abroad resulted from International Carrier Sales & Solutions (ICSS).

2 Changes in inventories and other own capitalized costs.

| millions of € | 2009 | 2008 |
|--|-----------|-----------|
| Change in inventories of work in process | (13) | (15) |
| Own capitalized costs | 50 | 71 |
| | 37 | 56 |

The year-on-year decrease in own capitalized costs was primarily attributable to the transfer of the "Technology production group" centers from Deutsche Telekom to DT NP effective December 1, 2008. Since then the services purchased from these centers to extend the network infrastructure have no longer been included in own capitalized costs.

3 Other operating income.

| millions of € | 2009 | 2008 |
|---|--------------|--------------|
| Cost transfers/reimbursements | 2,272 | 1,930 |
| Foreign currency transaction gains | 1,112 | 841 |
| Income from rental and lease agreements | 1,100 | 667 |
| Reversal of accruals | 818 | 278 |
| Income from derivatives | 587 | 600 |
| Income from ancillary services | 373 | 299 |
| Income from inter-operator discount services | 127 | - |
| Income from write-ups of noncurrent assets | 93 | 61 |
| Income from reversal of valuation adjustments | 92 | 73 |
| Income from the disposal of noncurrent assets | 91 | 53 |
| Income from insurance compensation | 43 | 42 |
| Income from the elimination of liabilities | 15 | 23 |
| Other income | 437 | 417 |
| | 7,160 | 5,284 |

The mergers of TMI and TS BS into Deutsche Telekom resulted in a year-on-year increase in other operating income totaling EUR 678 million.

Income from cost transfers/reimbursements consisted of income from the transfer for personnel costs amounting to around EUR 1.3 billion (2008: EUR 1.3 billion). The settlement of personnel costs for civil servants assigned to the service companies accounted for EUR 995 million. Income from cost transfers/reimbursements also consisted of income from the transfer of other costs amounting to EUR 950 million (2008: EUR 649 million). In the reporting year, this related primarily to income from the settlement of administrative costs with the service companies, income from the billing of services provided centrally for the national mobile companies (cross charging) and income from the transfer of costs incurred from billing services. The year-on-year increase was mainly attributable to the mergers of TMI and TS BS into Deutsche Telekom.

Foreign currency transaction gains resulted mainly from exchange rate effects realized upon the maturity of loans granted/taken out (EUR 496 million), and the valuations of intercompany clearing accounts (EUR 420 million).

Income from rental and lease agreements resulted largely from the transfer for use of real estate for which Deutsche Telekom was compensated by GMG Generalmietgesellschaft mbH, Münster. The increase in income from rental and lease agreements was mainly attributable to the bundling of real estate activities at Deutsche Telekom in the reporting year, whereby space was rented centrally and sub-let to domestic subsidiaries after the provision of facility management services (please refer to Note 7).

In the reporting year, income from reversal of accruals primarily consisted of EUR 280 million (2008: EUR 95 million) of income from the reversal of personnel-related accruals and EUR 162 million of income from the reversal of accruals for litigation risks and costs as well as the utilization of the accrual for contingent losses at OTE amounting to EUR 107 million (please refer to Note 8). The year-on-year increase in income from reversal of accruals was due to the reversal of the accrual for the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse – PBeaKK), and the accruals taken over in the course of the merger of TMI and TS BS into Deutsche Telekom AG (EUR 186 million).

Income from derivatives related to exchange rate effects from currency derivatives.

Income from other ancillary services was mainly generated in connection with the service offering of Telekom Training.

Income from inter-operator discount services related to reimbursements from roaming agreements with foreign mobile carriers. Since the TMI merger, they have been bundled at Deutsche Telekom and then passed on to the individual national mobile companies (please refer to Note 7).

The majority of income from write-ups of noncurrent assets totaling EUR 88 million (2008: EUR 59 million) resulted from reversals of real estate write-downs.

Income from the disposal of noncurrent assets was mainly attributable to income from the disposal of land and buildings totaling EUR 68 million (2008: EUR 34 million).

Other income includes income from rebates, contractual penalties, and the recycling of materials.

During the reporting year, other operating income attributable to other accounting periods amounted to EUR 783 million, mainly attributable to reversals of accruals, reversals of valuation adjustments for accounts receivable, income from write-ups of noncurrent assets and income from the disposal of noncurrent assets.

4 Goods and services purchased.

| millions of € | 2009 | 2008 |
|---------------------------------------|--------------|--------------|
| Goods purchased | | |
| Raw materials and supplies | 62 | 80 |
| Goods purchased | 450 | 400 |
| | 512 | 480 |
| Services purchased | | |
| Interconnection rates (Germany) | 1,660 | 1,572 |
| Interconnection rates (international) | 683 | 691 |
| Other services | 4,080 | 3,668 |
| | 6,423 | 5,931 |
| | 6,935 | 6,411 |

The expenses for goods and services purchased increased by a total of EUR 524 million year-on-year to approximately EUR 6.9 billion in the reporting year. This increase was attributable to a number of effects which, to a certain extent, offset each other.

The level of goods purchased increased by a total of EUR 32 million from EUR 400 million to EUR 450 million in the reporting year, most of which was attributable to the TS BS merger.

Expenditure on interconnection rates in Germany increased by EUR 88 million year-on-year in the reporting year. This was partly caused by higher expenditure of EUR 286 million resulting from the TS BS merger. A reduction in the volume of termination services and a regulatory price cut for termination charges had an offsetting effect.

Expenses for other services purchased increased by EUR 412 million compared with the prior year, mainly as a result of the transfer of "Technology production group" centers from Deutsche Telekom to the service company DT NP effective December 1, 2008. This led to an increase in services purchased from DT NP in the reporting year.

5 Personnel costs/Average number of employees.

| millions of € | 2009 | 2008 |
|--|--------------|--------------|
| Wages and salaries | 2,812 | 2,636 |
| Social security contributions and expenses for pension plans and benefits | | |
| Payments to Bundes-Pensions-Service für Post und Telekommunikation e.V. | 684 | 762 |
| Social security contributions | 184 | 152 |
| Expenses for pension plans for non-civil servants | 189 | 204 |
| Support allowances | 110 | 117 |
| | 1,167 | 1,235 |
| | 3,979 | 3,871 |

Personnel costs increased by a total of EUR 108 million year-on-year. An increase in wages and salaries of EUR 176 million was partially offset by a decrease in social security contributions and expenses for pension plans and benefits of EUR 68 million.

The increase in wages and salaries was the result of offsetting effects. The transfer of employment relationships in the course of the mergers of TS BS and TMI into Deutsche Telekom resulted in an increase of EUR 491 million. In contrast, the transfer of employment relationships as part of the transfer of operation of four "Technology production group" centers to DT NP effective December 1, 2008 had a positive effect on personnel costs. The decrease in wages and salaries was also caused by the year-on-year decrease in expenses for staff adjustment measures from EUR 311 million in 2008 to EUR 185 million in the reporting year also contributed to lower expenses for wages and salaries.

As part of the civil servants pension plans, Deutsche Telekom maintained a special pension fund up until the 2000 financial year. By way of a notarized agreement dated December 7, 2000, this fund was merged with the special pension funds of Deutsche Post AG and Deutsche Postbank AG to form the joint pension fund Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT). On January 11, 2001, the fund was entered in the Register of Associations with retroactive effect from July 1, 2000. The registered office of BPS-PT is Bonn. BPS-PT works for the funds of all three companies and also handles the financial administration of the pension plan for the Federal Republic on a trust basis. It carries out all transactions for pension and allowance payments in respect of civil servants for Deutsche Post AG, Deutsche

Postbank AG, and Deutsche Telekom AG. In accordance with the provisions of the German Posts and Telecommunications Reorganization Act (Postneuordnungsgesetz - PTNeuOG), BPS-PT makes pension and allowance payments to retired employees and their surviving dependents who are entitled to pension payments as a result of civil-servant status.

In accordance with the PTNeuOG, the Federal Republic provides suitable compensation for any differences between the ongoing payment obligations of BPS-PT and the ongoing amounts received from successor companies of the former Deutsche Bundespost or returns on assets, and guarantees that BPS-PT is always in a position to fulfill the obligations it has assumed. The Federal Republic cannot demand reimbursement from Deutsche Telekom of any amounts it pays to BPS-PT in accordance with this provision.

The level of Deutsche Telekom's payment obligations to BPS-PT is stipulated in § 16 of the Act concerning the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz - PostPersRG). Since 2000, Deutsche Telekom has been legally required to make an annual contribution to BPS-PT equal to 33 percent, respectively, of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. This contribution is recognized as ongoing expenses in the respective year and was equal to EUR 684 million in the reporting period (2008: 762 million). The year-on-year reduction in costs was primarily due to the use of early retirement arrangements for civil servants.

Expenses for social security contributions and pension plans for employees were subject to offsetting effects in the reporting year, mainly resulting from the higher headcount figures following the mergers of TS BS and TMI into Deutsche Telekom AG and the decrease in payments to benefit recipients.

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

| FTEs | 2009 | 2008 |
|------------------------------|---------------|---------------|
| Civil servants | 31,141 | 33,851 |
| Non-civil servants | 19,228 | 15,580 |
| | 50,369 | 49,431 |
| Trainees and student interns | 9,517 | 10,129 |

The average number of employees increased, mainly due to the transfer of employment relationships in the reporting year as part of the mergers of TS BS and TMI into Deutsche Telekom.

6 Depreciation, amortization and write-downs.

| millions of € | 2009 | 2008 |
|---|--------------|--------------|
| Depreciation and amortization | | |
| Amortization of intangible assets | 369 | 335 |
| Depreciation of property, plant and equipment | 2,988 | 3,079 |
| | 3,357 | 3,414 |
| Write-downs | | |
| in accordance with § 253 (2) sentence 3 HGB | 169 | 151 |
| | 3,526 | 3,565 |

EUR 341 million of the amortization of intangible assets related to the amortization of software licenses (2008: EUR 309 million).

Of the total depreciation of property, plant and equipment in the reporting year, EUR 1.4 billion (2008: EUR 1.4 billion) was attributable to the outside plant network, EUR 1.1 billion (2008: EUR 1.3 billion) to transmission and switching equipment, and EUR 237 million (2008: EUR 240 million) to buildings.

In the reporting year, write-downs consisted almost entirely of write-downs of real estate to the lower of cost or market value (EUR 169 million).

Write-downs on financial assets and marketable securities were recorded in net financial income/expense (please refer to Note 8).

7 Other operating expenses.

| millions of € | 2009 | 2008 |
|---|--------------|--------------|
| Rental and leasing expenses | 1,510 | 1,070 |
| Marketing expenses | 1,465 | 1,518 |
| Maintenance and repair | 990 | 1,146 |
| Foreign currency transaction losses | 717 | 1,075 |
| Expenses arising from derivatives | 681 | 567 |
| IT support | 618 | 544 |
| Research and development | 508 | 442 |
| Legal and consulting fees | 439 | 421 |
| Other employee-related costs | 269 | 281 |
| Expenses arising from a collateral promise for pension and partial retirement obligations | 224 | 112 |
| Losses on accounts receivable and provision for doubtful accounts | 217 | 204 |
| Reimbursements | 195 | 22 |
| Additions to accruals for contingent losses | 189 | 453 |
| Cleaning, transport, surveillance | 155 | 100 |
| Inter-operator discount services | 127 | - |
| Losses on the disposal of noncurrent assets | 73 | 90 |
| Other expenses | 783 | 637 |
| | 9,160 | 8,682 |

Other operating expenses increased year-on-year to a total of EUR 582 million as a result of the mergers of TMI and TS BS into Deutsche Telekom.

The increase in rental and leasing expenses was mainly attributable to the bundling of real estate activities at Deutsche Telekom in the reporting year, whereby space was rented centrally and sub-let to domestic subsidiaries after the provision of facility management services (please refer to Note 3).

Marketing expenses related in particular to the marketing of T-Home Entertain, sports and sales marketing, and the umbrella brand campaign. An increase in marketing expenses of EUR 136 million caused by the mergers of TMI and TS BS into Deutsche Telekom was partially offset by a decrease in expenses for the marketing of other products.

The year-on-year decrease in expenses for maintenance and repair was largely attributable to lower maintenance expenditure for the outside plant network.

Foreign currency transaction losses resulted mainly from exchange rate effects realized upon the maturity of loans granted or taken out (EUR 372 million) and from the valuations of intercompany clearing accounts (EUR 175 million).

The increase since 2008 of EUR 114 million in expenses arising from derivatives to EUR 681 million was mainly due to exchange rate effects of currency derivatives.

The increase in expenses for IT support in the reporting year was mainly attributable to the merger of TS BS into Deutsche Telekom.

Expenses for legal and consulting fees encompass in particular expenses for management consulting, for legal consulting, including accruals for litigation risks, as well as the expenses for the preparation and audit of annual financial statements.

Expenses for research and development resulted almost entirely from the development of software and new products as well as network infrastructure upgrades.

Expenses for other employee-related costs of EUR 269 million recognized in the reporting year include, in particular, expenses for training measures (EUR 108 million) and expenses arising from the allocation of administrative costs payable to the Federal Agency (EUR 54 million).

When the service companies were established in 2007, the pension and partial retirement obligations relating to the employees affected by the transfer of operation were also transferred to the new companies. Deutsche Telekom assumed economic liability for the pension and partial retirement obligations by declaration of a collateral promise and performance obligation, and recognized an accrual for this purpose. Ongoing additions to these accruals amounted to an expense of EUR 224 million in the 2009 financial year.

Expenses for reimbursements increased by EUR 173 million as a result of the mergers of TMI and TS BS into Deutsche Telekom. In the reporting year, these expenses related mainly to expenses from the billing of services performed by national mobile communications companies for international projects (cross charging) and expenses for the billing of the operation of the T-Zones Internet portal.

Expenses for additions to accruals for contingent losses of EUR 189 million in the reporting year related in particular to agreements concluded with partners outside the Deutsche Telekom Group with the intention of generating a contribution margin for the expenses resulting from the staff surplus.

Expenses for inter-operator discount services resulted from the passing on of reimbursements from roaming agreements with foreign mobile carriers to the individual national mobile communications companies (please refer to Note 3).

The losses on the disposal of noncurrent assets in the reporting year were mainly the result of disposals of property, plant and equipment amounting to EUR 61 million (2008: EUR 73 million).

In the reporting year, other expenses consisted in particular of expenses for risk provisioning relating to ongoing legal disputes, travel expenses, insurance policies, postal and freight charges, and temporary employment.

Other operating expenses attributable to other accounting periods related mainly to disposals of property, plant and equipment (EUR 61 million).

8 Financial income/expense, net.

| millions of € | 2009 | 2008 |
|--|----------------|----------------|
| Income related to subsidiaries, associated and related companies of which: from subsidiaries € 461 million (2008: € 241 million) | 462 | 242 |
| Income from profit transfer agreements of which: from tax allocations € 0 million (2008: € 0 million) | 6,282 | 5,570 |
| Expenses arising from loss transfers | (1,282) | (1,998) |
| Income related to subsidiaries, associated and related companies | 5,462 | 3,814 |
| Income from debt securities and long-term loan receivables of which: from subsidiaries € 17 million (2008: € 20 million) | 17 | 20 |
| Other interest and similar income of which: from subsidiaries € 118 million (2008: € 94 million) | 358 | 327 |
| Interest and similar expenses of which: to subsidiaries € 1.4 billion (2008: € 1.3 billion) | (1,810) | (2,168) |
| Net interest expense | (1,435) | (1,821) |
| Write-downs on financial assets and marketable securities | (844) | (929) |
| | 3,183 | 1,064 |

Income related to subsidiaries, associated, and related companies mainly refers to dividends from Slovak Telekom, a.s., Bratislava (EUR 188 million), HT – Hrvatske telekomunikacije, d.d., Zagreb (EUR 168 million) and Hellenic Telecommunications Organization S.A. (OTE), Athens (EUR 92 million).

Income from profit transfer agreements recognized in the reporting period related primarily to T-Mobile Mobile Global Zwischenholding GmbH, Bonn (EUR 3.5 billion), T-Mobile Deutschland GmbH, Bonn (EUR 2.2 million), DFMG Holding GmbH, Bonn (EUR 168 million), and MagyarCom Holding GmbH, Bonn (EUR 167 million).

Expenses arising from loss transfers primarily related to Deutsche Telekom Technischer Service GmbH, Bonn (EUR 388 million), Deutsche Telekom Kundenservice GmbH, Bonn (EUR 276 million), DT NP, Bonn (EUR 212 million), T-Systems International GmbH, Frankfurt/Main (EUR 175 million), GMG Generalmietgesellschaft mbH, Münster (EUR 70 million), Vivento Customer Services GmbH, Bonn (EUR 62 million), and congstar GmbH, Cologne (EUR 60 million).

Income from profit transfers and expenses arising from loss transfers were both also influenced by special factors.

The **net interest expense** was mainly the result of interest paid on loans granted to Deutsche Telekom by Deutsche Telekom International Finance B.V., Amsterdam.

Write-downs of financial assets related to write-downs of investments in Hellenic Telecommunications Organization S.A. (OTE), Athens (EUR 788 million) and in T-Mobile Global Holding Nr. 2 GmbH, Bonn (EUR 50 million).

9 Extraordinary expenses.

Extraordinary expenses of EUR 329 million related to the merger of TS BS into Deutsche Telekom.

10 Taxes.

| millions of € | 2009 | 2008 |
|---------------|--------------|-------------|
| Income taxes | (139) | (44) |
| Other taxes | (22) | (28) |
| | (161) | (72) |

No taxable income and no taxable trade income were generated in 2009. For this reason, no current income taxes for the reporting period were incurred. The tax expense recognized in the reporting period related to prior years.

Other taxes mainly comprised real estate tax expenses.

11 Reconciliation of income after taxes to unappropriated net income.

Income after taxes generated in the financial year amounted to EUR 4.5 billion. Together with unappropriated net income of EUR 1.9 billion carried forward from 2008, this resulted in net income of EUR 6.4 billion.

Notes to the balance sheet.

12 Noncurrent assets.

The increase of EUR 245 million in **intangible assets** compared with December 31, 2008 was mainly attributable to investments in various software applications.

The decrease of EUR 1.5 billion in **property, plant and equipment**, compared with December 31, 2008 was mainly a result of higher depreciation expenses compared with investments.

Investments in property, plant and equipment in the 2009 financial year totaled EUR 1.6 billion (2008: EUR 1.8 billion). The primary focus of capital expenditure was on transmission equipment and the outside plant network, recognizing additions to the former of EUR 618 million (2008: EUR 535 million) and to the latter of EUR 523 million (2008: EUR 490 million) in the reporting year. Additions to equipment and machinery with construction in progress decreased year-on-year to EUR 204 million (2008: EUR 497 million).

The section "Comparability with prior-year figures on account of organizational changes" describes individually the mergers and transfers made in the reporting year. The resulting changes in property, plant and equipment were reported separately in the statement of noncurrent assets as the net total of additions and disposals. They were each of immaterial significance.

As of the balance sheet date, **financial assets** decreased by EUR 7.5 billion compared with December 31, 2008.

The decrease in **investments in subsidiaries** was mainly the result of the mergers of TMI and TS BS into Deutsche Telekom in the course of which Deutsche Telekom's investments in TMI, Bonn (EUR 41.3 billion) and TS BS (EUR 714 million) ceased to exist. In an offsetting effect, direct investments held by TMI totaling EUR 34.7 billion were transferred to Deutsche Telekom as a result of the merger.

The main addition to investments in subsidiaries related to the acquisition of 5 percent of the shares in Hellenic Telecommunications Organization S.A. (OTE), Athens, for EUR 674 million following the exercise of put option I by the Greek government.

Furthermore, the shares held in OTE with a carrying amount of EUR 2.8 billion were reclassified from investments in associated and related companies to investments in subsidiaries in the financial year, since Deutsche Telekom AG had since taken control of 50 percent plus two voting shares and therefore the financial and operating policies of Hellenic Telecommunications Organization S.A. The changes to OTE's Articles of Incorporation necessary for full implementation of the shareholders' agreement were approved at the extraordinary shareholders' meeting of OTE on February 6, 2009.

The disposals in the financial year related mainly to capital measures at subsidiaries.

Another factor in the decrease in investments in subsidiaries was write-downs of EUR 838 million, mainly on the shares in OTE.

Loans to subsidiaries at December 31, 2009 mainly related to loans to Scout24 Holding GmbH, Munich (EUR 322 million) and to T-Systems International GmbH, Frankfurt/Main (EUR 300 million).

Write-downs on financial assets and marketable securities were recorded in net financial income/expense (please refer to Note 8).

For the statement of investment holdings in accordance with § 285 No. 11 HGB, please refer to Note 39.

Statement of noncurrent assets.

| | Acquisition costs | | | | | | | | Balance at Dec. 31, 2009 |
|---|-------------------------------|--------------|---|---------------------------|----------------|--|--|------------------------|--------------------------------|
| | Balance at Jan. 1, 2009 | Additions | Additions from transfers from Group companies | Additions from mergers | Disposals | Disposals from transfers to Group companies | Disposals from spin- offs, split-offs, and mergers | Reclassifi- cations | |
| millions of € | | | | | | | | | |
| I. Intangible assets | | | | | | | | | |
| 1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets | 1,265 | 278 | 22 | 35 | (431) | (25) | - | 251 | 1,395 |
| 2. Advance payments | 420 | 331 | 10 | 5 | (5) | - | - | (251) | 510 |
| | 1,685 | 609 | 32 | 40 | (436) | (25) | - | - | 1,905 |
| II. Property, plant and equipment | | | | | | | | | |
| 1. Land and equivalent rights and buildings, including buildings on land owned by third parties | 12,238 | 20 | 37 | 0 | (403) | - | - | - | 11,892 |
| 2. Technical equipment and machinery | 57,708 | 1,257 | 9 | 293 | (743) | (1) | - | 476 | 58,999 |
| 3. Other equipment, plant and office equipment | 975 | 89 | 74 | 67 | (37) | - | - | 10 | 1,178 |
| 4. Advance payments and construction in progress | 716 | 236 | - | 7 | (13) | - | - | (486) | 460 |
| | 71,637 | 1,602 | 120 | 367 | (1,196) | (1) | - | - | 72,529 |
| III. Financial assets | | | | | | | | | |
| 1. Investments in subsidiaries | 81,384 | 809 | - | 36,111 | (540) | - | (41,982) | 3,068 | 78,850 |
| 2. Loans to subsidiaries | 479 | 353 | - | - | (53) | - | - | - | 779 |
| 3. Investments in associated and related companies | 3,302 | 5 | - | 1 | (16) | - | - | (3,068) | 224 |
| 4. Other long-term loans | 9 | - | - | - | - | - | - | - | 9 |
| | 85,174 | 1,167 | - | 36,112 | (609) | - | (41,982) | - | 79,862 |
| Total noncurrent assets | 158,496 | 3,378 | 152 | 36,519 | (2,241) | (26) | (41,982) | - | 154,296 |

| Depreciation, amortization and write-downs | | | | | | | | Net carrying amounts | | |
|--|----------------|---|------------------------|--------------|---|-------------------|-----------|--------------------------|--------------------------|--------------------------|
| Balance at Jan. 1, 2009 | Additions | Additions from transfers from Group companies | Additions from mergers | Disposals | Disposals from transfers to Group companies | Reclassifications | Write-ups | Balance at Dec. 31, 2009 | Balance at Dec. 31, 2009 | Balance at Dec. 31, 2008 |
| (655) | (369) | (14) | (29) | 426 | 11 | - | - | (630) | 765 | 610 |
| - | - | - | - | - | - | - | - | - | 510 | 420 |
| (655) | (369) | (14) | (29) | 426 | 11 | - | - | (630) | 1,275 | 1,030 |
| (6,856) | (405) | (20) | - | 292 | - | - | 88 | (6,901) | 4,991 | 5,382 |
| (45,200) | (2,656) | (5) | (231) | 683 | - | - | - | (47,409) | 11,590 | 12,508 |
| (766) | (96) | (50) | (61) | 36 | - | - | - | (937) | 241 | 209 |
| - | - | - | - | - | - | - | - | - | 460 | 716 |
| (52,822) | (3,157) | (75) | (292) | 1,011 | - | - | 88 | (55,247) | 17,282 | 18,815 |
| (1,529) | (838) | - | (1,408) | 27 | - | (230) | - | (3,978) | 74,872 | 79,855 |
| (47) | - | - | - | - | - | - | 5 | (42) | 737 | 432 |
| (321) | - | - | - | 8 | - | 230 | - | (83) | 141 | 2,981 |
| - | - | - | - | - | - | - | - | - | 9 | 9 |
| (1,897) | (838) | - | (1,408) | 35 | - | - | 5 | (4,103) | 75,759 | 83,277 |
| (55,374) | (4,364) | (89) | (1,729) | 1,472 | 11 | - | 93 | (59,980) | 94,316 | 103,122 |

13 Inventories.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|----------------------------|---------------|---------------|
| Raw materials and supplies | 10 | 11 |
| Work in process | 8 | 12 |
| Merchandise | 66 | 65 |
| | 84 | 88 |

Raw materials and supplies primarily included network termination equipment as well as spare parts and components for telecommunications equipment.

Work in process was generated in particular by customer orders in connection with the provision of network access facilities for competitors (collocation).

Merchandise consisted mainly of products for wireless and wired-based data communication, and bundled IT products in the T-Home unit.

14 Receivables.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|---|---------------|---------------|
| Trade accounts receivable of which: with a remaining maturity of more than one year € 0 million (Dec. 31, 2008: € 0 million) | 791 | 1,059 |
| Receivables from subsidiaries of which: with a remaining maturity of more than one year € 128 million (Dec. 31, 2008: € 177 million) | 8,562 | 2,277 |
| Receivables from associated and related companies of which: with a remaining maturity of more than one year € 0 million (Dec. 31, 2008: € 0 million) | 3 | 8 |
| | 9,356 | 3,344 |

The decrease in **trade accounts receivable** compared with December 31, 2008 was mainly attributable to the sale of receivables to Postbank Factoring GmbH.

Receivables from subsidiaries consisted in particular of receivables related to intercompany cash pooling amounting to EUR 4.1 billion (December 31, 2008: EUR 461 million), financial receivables amounting to EUR 3.5 billion (December 31, 2008: EUR 653 million) and intercompany trade accounts receivable amounting to EUR 445 million (December 31, 2008: EUR 643 million). The increase in financial receivables from subsidiaries at December 31, 2009 was mainly the result of receivables taken over as part of the merger of TMI into Deutsche Telekom.

15 Other assets.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|---------------------------------|---------------|---------------|
| Tax receivables | | |
| Income tax receivables | | |
| Corporate income tax | 35 | 54 |
| Trade income tax | 5 | 148 |
| Solidarity surcharge | 2 | 3 |
| | 42 | 205 |
| Other tax receivables | 3 | 46 |
| | 45 | 251 |
| Receivables from collateral | 337 | 28 |
| Accrued interest | 248 | 288 |
| Receivables from derivatives | 215 | 85 |
| Receivables from reimbursements | 66 | 73 |
| Receivables from employees | 13 | 15 |
| Miscellaneous other assets | 188 | 63 |
| | 1,067 | 552 |
| | 1,112 | 803 |

Of income tax receivables, EUR 15 million related to the current financial year (December 31, 2008: EUR 25 million) and EUR 27 million to previous years (December 31, 2008: EUR 180 million). Corporate income tax and solidarity surcharge receivables are primarily the result of allowable taxes. Trade tax receivables were mainly comprised of refund claims for prior years that have been conclusively reviewed by the tax authorities.

Other tax receivables mainly related to input tax receivables.

Collateral is used to hedge the credit risk from financial instruments. In this case, Deutsche Telekom transfers collateral in the form of cash to its contracting parties if the fair values of the derivatives exceed a certain limit, the so-called allowance.

Accrued interest is mainly from interest rate derivatives.

Receivables from derivatives include settlement gains and losses from expired hedge transactions for revolving hedging (roll-over gains or losses).

The increase in miscellaneous other assets compared with December 31, 2008 is mainly attributable to reimbursement claims from interoperator discount services (please refer to Notes 3, 7) resulting from roaming agreements with foreign mobile communications providers. Since the TMI merger, the reimbursements have been bundled at Deutsche Telekom and credited to the individual national mobile communications companies.

Of the receivables reported under other assets, EUR 215 million (December 31, 2008: EUR 3 million) had a remaining maturity of more than one year.

16 Marketable securities.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|-----------------------------|---------------|---------------|
| Treasury shares | 5 | 5 |
| Other marketable securities | 221 | 201 |
| | 226 | 206 |

The holding of treasury shares was unchanged at the reporting date compared with December 31, 2008. For further information on treasury shares, please refer to Note 22.

The portfolio of other marketable securities mainly comprised securities that had been transferred to a trustee as security for entitlements from partial retirement obligations under what is known as the contractual trust agreement (CTA). The amount of EUR 207 million equaled Deutsche Telekom's outstanding settlement amounts to employees on partial retirement arrangements at December 31, 2009.

17 Cash and cash equivalents.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|-------------------------------------|---------------|---------------|
| Cash in hand, cash in banks, checks | 2,732 | 960 |

The total time to maturity of the cash and cash equivalents was less than three months. The development of cash and cash equivalents is explained in more detail in the presentation of the Company's financial position in the management report.

18 Prepaid expenses and deferred charges.

Prepaid expenses and deferred charges of EUR 516 million (December 31, 2008: EUR 536 million) primarily included deferred personnel costs amounting to EUR 302 million (December 31, 2008: EUR 356 million), discounts on loans amounting to EUR 93 million (December 31, 2008: EUR 80 million) and other prepaid expenses amounting to EUR 120 million (December 31, 2008: EUR 98 million).

19 Shareholders' equity.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|-----------------------------|---------------|---------------|
| Capital stock | 11,165 | 11,165 |
| Additional paid-in capital | 26,650 | 26,648 |
| Retained earnings | | |
| Treasury stock | 5 | 5 |
| Other retained earnings | 15,895 | 15,895 |
| | 15,900 | 15,900 |
| Unappropriated net income | 6,421 | 5,297 |
| Shareholders' equity | 60,136 | 59,010 |

Shareholders' equity increased by EUR 1.1 billion compared with 2008. The changes are described in detail in the following sections.

20 Capital stock.

| | Authorized and issued capital | | Authorized capital (not issued) | | Contingent capital (not issued) | |
|--|-------------------------------|-------------------|---------------------------------|------------------|---------------------------------|----------------|
| | thousands of shares | thousands of € | thousands of shares | thousands of € | thousands of shares | thousands of € |
| As of Dec. 31, 2008 | 4,361,320 | 11,164,979 | 952,270 | 2,437,811 | 246,802 | 631,813 |
| Discontinuation of 2004 authorized capital | | | (937,270) | (2,399,411) | | |
| Discontinuation of 2006 authorized capital | | | (15,000) | (38,400) | | |
| Issue of 2009 authorized capital I | | | 850,000 | 2,176,000 | | |
| Issue of 2009 authorized capital II | | | 15,000 | 38,400 | | |
| As of Dec. 31, 2009 | 4,361,320 | 11,164,979 | 865,000 | 2,214,400 | 246,802 | 631,813 |

Deutsche Telekom AG's capital stock at December 31, 2009 totaled EUR 11.2 billion. The capital stock was divided into 4,361,319,993 registered no par value shares. Each share entitles the holder to one vote.

The shareholders listed in the following table had shareholdings in Deutsche Telekom subject to reporting requirements in accordance with § 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The remaining shares were in free float.

| | Dec. 31, 2009 | |
|-----------------------------|---------------------|------|
| | thousands of shares | (%) |
| Federal Republic of Germany | 646,575 | 14.8 |
| KfW Bankengruppe | 735,662 | 16.9 |
| Blackstone | 191,700 | 4.4 |
| BlackRock | 145,762 | 3.3 |

On December 15, 2009, BlackRock Investment Management Limited, London, informed Deutsche Telekom in writing that the share of voting rights in Deutsche Telekom held by the BlackRock group totaled 3.34 percent on December 1, 2009 (145,761,961 voting rights).

Allocated shares.

In the course of the acquisition of T-Mobile USA Inc., Bellevue/Powertel Inc., Bellevue, Deutsche Telekom granted options on Deutsche Telekom shares in exchange for the outstanding warrants between Deutsche Telekom and T-Mobile USA/Powertel at the time of the acquisition. New shares from authorized capital were issued to trustees and allocated for the benefit of holders of warrants, options, and conversion rights, among others. As of December 31, 2009, the number of Deutsche Telekom shares allocated for the stock options granted to T-Mobile USA/Powertel employees and still outstanding was 5,403,455.

Authorized capital.

The 2004 and 2006 authorized capital that existed as of December 31, 2008, were discontinued in favor of the 2009/I and 2009/II authorized capital effective May 26, 2009, as entered in the commercial register and shown below.

| | thousands of € | thousands of shares | Purpose | Authorization until |
|----------------------------|----------------|---------------------|---|---------------------|
| 2009 Authorized capital I | 2,176,000 | 850,000 | Capital stock increase against noncash contribution | April 29, 2014 |
| 2009 Authorized capital II | 38,400 | 15,000 | Granting of employee shares | April 29, 2014 |

2009 Authorized capital I.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 2,176,000,000 by issuing up to 850,000,000 no par value registered shares against non-cash capital contributions in the period ending April 29, 2014. This authorization may be exercised either in full or in one or several partial amounts. The Board of Management is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' preemptive rights when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. The Board of Management is further authorized, with the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares.

2009 Authorized capital II.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 38,400,000 by issuing up to 15,000,000 no par value registered shares against cash and/or non-cash contributions in the period ending April 29, 2014. The authorization may be exercised either in full or in one or several partial amounts. Shareholders' preemptive rights are disappplied. The new shares may only be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier companies (employee shares). The new shares can also be issued to a bank or another company meeting the requirements of § 186 (5), sentence 1 AktG that assumes the obligation to use these shares for the sole purpose of granting employee shares. Where permitted by law, the employee shares may also be issued in such a way that the contribution to be paid in return is taken from the part of the income after taxes that the Board of Management and the Supervisory Board may transfer to other retained earnings in accordance with § 58 (2) AktG. The shares to be issued as employee shares can also be acquired in the form of a securities loan from a bank or some other company meeting the requirements of § 186 (5), sentence 1 AktG and the new shares used to repay this securities loan. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares.

Contingent capital.

As of December 31, 2009, Deutsche Telekom had the following contingent capital:

| | thousands of € | thousands of shares | Purpose |
|-----------------------|----------------|---------------------|---|
| Contingent capital II | 31,813 | 12,427 | Meeting preemptive rights to shares from stock options |
| Contingent capital IV | 600,000 | 234,375 | Servicing issued or guaranteed convertible bonds or bonds with warrants |

Contingent capital II.

The capital stock has been contingently increased by up to EUR 31,813,089.28, composed of up to 12,426,988 new no par value registered shares. The contingent capital increase is exclusively intended for the purpose of meeting preemptive rights to shares from stock options granted in the period until December 31, 2003 on the basis of the authorization for a 2001 Stock Option Plan granted by resolution of the shareholders' meeting on May 29, 2001. For more detailed information, please refer to Note 23 (Stock-based compensation plans).

No stock options granted under the 2001 Stock Option Plan were exercised in the 2009 financial year. As a result, there was no change in the contingent capital II of EUR 31,813,089.28.

Contingent capital IV.

The capital stock has been contingently increased by EUR 600,000,000, composed of 234,375,000 no par value registered shares. The contingent capital increase will only be implemented to the extent that it is needed to service convertible bonds or bonds with warrants issued or guaranteed on or before April 25, 2010.

21 Additional paid-in capital.

Additional paid-in capital increased in 2009 by EUR 2 million, as a result of the exercise of Deutsche Telekom AG stock options issued to holders of stock options at T-Mobile USA/Powertel when the companies were acquired (please refer to Note 20).

22 Retained earnings.

In addition to the transfers from income after taxes from prior years to other retained earnings, retained earnings also included the reserve for treasury shares that must be recognized in accordance with § 272 (4) HGB.

Treasury shares.

The amount of capital stock assigned to treasury shares was EUR 4.8 million at December 31, 2009. This equates to 0.04 percent of the capital stock. At 1,881,508 shares, the holding of treasury shares, remaining unchanged since the 2008 balance sheet date, breaks down as follows:

| Number | |
|---|------------------|
| 1999 Employee Stock Purchase Plan | 5,185,278 |
| Decrease as a result of the 2000 Employee Stock Purchase Plan | (2,988,980) |
| Decrease as a result of the 2005 Employee Stock Purchase Plan | (314,790) |
| | 1,881,508 |

Treasury shares were recorded in the balance sheet at acquisition costs.

Authorization to acquire treasury shares.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to purchase up to 436,131,999 no par value shares in the Company by October 29, 2010, with the amount of capital stock accounted for by these shares totaling up to EUR 1,116,497,917.44, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of the Company's capital stock.

This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The purchase takes place without prejudice to the principle of equal treatment through the stock exchange or a public purchase offer addressed to all shareholders.

By resolution of the shareholders' meeting of April 30, 2009, the Board of Management is authorized to redeem Deutsche Telekom AG's shares purchased on the basis of the aforementioned authorization, without such redemption or its implementation requiring a further resolution of the shareholders' meeting.

23 Stock-based compensation plans.

Deutsche Telekom stock option plan.

Stock options developed as shown in the following table in the reporting year:

| | 2001 Stock Option Plan | | | | | |
|---|------------------------|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|
| | 2009 | | 2008 | | 2007 | |
| | Stock options | Weighted average exercise price | Stock options | Weighted average exercise price | Stock options | Weighted average exercise price |
| | in thousands | € | in thousands | € | in thousands | € |
| Outstanding at beginning of reporting period | 9,006 | 24.38 | 9,746 | 24.47 | 10,790 | 24.62 |
| Granted | - | - | - | - | - | - |
| Exercised | - | - | (22) | 12.36 | (179) | 12.36 |
| Forfeited | (949) | 26.43 | (718) | 25.95 | (865) | 28.83 |
| Outstanding at end of reporting period | 8,057 | 24.14 | 9,006 | 24.38 | 9,746 | 24.47 |
| Exercisable at end of reporting period | 8,057 | 24.14 | 9,006 | 24.38 | 9,746 | 24.47 |

Supplemental disclosures.

Stock options were granted to members of the Board of Management and other executives and specialists of the Company and its subsidiaries in August 2001 and July 2002 as part of the Deutsche Telekom 2001 Stock Option Plan.

The exercise price is also the performance target. The exercise price per share is 120 percent of the reference price, which corresponds to the higher of the non-weighted average closing prices of Deutsche Telekom shares in Xetra trading at the Frankfurt Stock Exchange (Deutsche Börse AG) over the last 30 trading days before the grant date of the options and the closing price of Deutsche Telekom shares on the grant date of the options.

| Stock option issue date | 2001 Stock Option Plan | | | | | |
|-------------------------|------------------------|----------------|-----------------|--|--------------------------------------|-------------------|
| | Stock options granted | Exercise price | Reference price | XETRA closing price of the share on grant date | Value of option on the date of issue | Option expires on |
| | (thousands) | € | € | € | € | |
| August 13, 2001 | 8,221 | 30.00 | 25.00 | 19.10 | 4.87 | August 12, 2011 |
| July 15, 2002 | 3,928 | 12.36 | 10.30 | 10.30 | 3.79 | July 14, 2012 |

50 percent of the stock options were only exercisable after a vesting period of two years; the remaining 50 percent of the options were only exercisable three years after the date they were issued. All options are vested. The options may not legally be sold, transferred, pledged, or otherwise disposed of except in the event of death, in which case the options are transferred to the heirs.

No new stock option plans have been set up since 2003. The 2004 shareholders' meeting rescinded the authorization of the Board of Management and the Supervisory Board to issue additional options for the 2001 Stock Option Plan.

Deutsche Telekom reserved the right, at its election, to settle the options through the payment of a cash amount (SARs) instead of issuing new shares. The exercise of an SAR cancels the related option, and the exercise of an option cancels the related SAR. As of December 31, 2009, no resolution on conversion had been passed to this effect.

Furthermore, in 2001 und 2002, Deutsche Telekom also granted stock appreciation rights to employees in countries where it was not legally possible to issue stock options. A total of 167,920 SARs were issued. 3,575 SARs were forfeited in the reporting year. 134,355 SARs were outstanding at December 31, 2009.

T-Online stock option plan (prior to the merger).

In May 2001, the shareholders' meeting of T-Online International AG approved the introduction of the 2001 Stock Option Plan, resulting in the granting of stock options in August 2001 and July 2002. The merger of T-Online International AG into Deutsche Telekom AG became effective upon entry in the commercial register on June 6, 2006. Under the merger agreement, as of this date Deutsche Telekom AG granted rights equivalent to the stock options awarded by T-Online International AG. Each option right entitles the holder to subscribe for 0.52 registered no par value shares in DTAG instead of a registered no par value share in T-Online International AG. The Board of Management of Deutsche Telekom AG has made use of the possibility of a future cash compensation provided for under the merger agreement and the option terms and conditions.

The table below shows the changes in outstanding options issued by T-Online International AG:

| | 2001 Stock Option Plan | | | | | |
|---|------------------------|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|
| | 2009 | | 2008 | | 2007 | |
| | Stock options | Weighted average exercise price | Stock options | Weighted average exercise price | Stock options | Weighted average exercise price |
| | thousands | € | thousands | € | thousands | € |
| Outstanding at beginning of reporting period | 2,840 | 10.30 | 3,085 | 10.30 | 3,392 | 10.30 |
| Granted | - | - | - | - | - | - |
| Exercised | - | - | - | - | - | - |
| Forfeited | (494) | 10.31 | (245) | 10.30 | (307) | 10.32 |
| Outstanding at end of reporting period | 2,346 | 10.30 | 2,840 | 10.30 | 3,085 | 10.30 |
| Exercisable at end of reporting period | 2,346 | 10.30 | 2,840 | 10.30 | 3,067 | 10.30 |

Supplemental disclosures.

The exercise price of the options was also the performance target. The exercise price per share was 125 percent of the reference price, which corresponded to the higher of the non-weighted average closing prices of T-Online shares in Xetra trading at the Frankfurt Stock Exchange (Deutsche Börse AG) over the last 30 trading days before the grant date of the options and the closing price of T-Online shares on the grant date of the options.

| Stock option issue date | 2001 Stock Option Plan | | | | | |
|-------------------------|--------------------------------------|---------------------|----------------------|---|---|-------------------|
| | Stock options granted (thousands) | Exercise price € | Reference price € | XETRA closing price of the share on grant date € | Value of option on the date of issue € | Option expires on |
| August 13, 2001 | 2,370 | 10.35 | 8.28 | 7.73 | 3.72 | August 12, 2011 |
| July 15, 2002 | 2,067 | 10.26 | 8.21 | 7.36 | 4.06 | July 14, 2012 |

The exercise rules specified that 50 percent of the stock options granted were only exercisable after a vesting period of two years. The remaining 50 percent of the options granted could be exercised at the earliest following the end of the vesting period of three years. All options are vested. The options may not legally be sold, transferred, pledged, or otherwise disposed of except in the event of death, in which case the options are transferred to the heirs.

Deutsche Telekom AG Mid-Term Incentive Plan (MTIP).

In the 2004 financial year, Deutsche Telekom introduced its first Mid-Term Incentive Plan (MTIP) to ensure competitive total compensation for members of the Board of Management, senior executives of the Deutsche Telekom Group, and other beneficiaries mainly from the United States and the United Kingdom. The MTIP is a global, Group-wide compensation instrument for Deutsche Telekom and other participating Group entities that promotes mid- and long-term value creation in the Group, and therefore combines the interests of management and shareholders.

The MTIP is a cash-based plan pegged to two equally weighted, share-based performance parameters – one absolute and one relative. If both performance targets are achieved, then the total amount earmarked as an award is paid out; if one performance target is achieved, 50 percent of the amount is paid out, and if neither performance target is achieved, no payment is made.

A decision will be made each year on whether to relaunch the plan, as well as on the specific terms of the plan, in particular the performance targets. The ambitiousness and strategic relevance of the performance targets are reviewed and adjusted if necessary. The nature or thresholds of the performance targets cannot be changed once the plan has begun. The annual reviews of performance targets have not brought about any changes. The targets shown in the following table have therefore been applied to all plans issued to date.

| Deutsche Telekom AG ¹ MTIP | | | | | | |
|---------------------------------------|----------------|--|---|--|--|--------|
| Term | Maximum budget | Absolute performance target | | Relative performance target | | |
| | | Starting value of the Deutsche Telekom share | Performance target for the Deutsche Telekom share | Starting value of the total return of the Deutsche Telekom share | Starting value of the total return index | |
| years | millions of € | € | € | € | Points | |
| 2007 MTIP | 3 | 83 | 13.64 | 17.73 | 13.64 | 551.91 |
| 2008 MTIP | 3 | 83 | 15.11 | 19.64 | 15.11 | 601.59 |
| 2009 MTIP | 3 | 55 | 11.01 | 14.31 | 11.01 | 328.55 |

¹ The proportionate amount to be expensed and recognized as an accrual at each balance sheet date is calculated based on a Monte Carlo simulation.

The absolute performance target is achieved if, at the end of the individual plans, Deutsche Telekom's share price has risen by at least 30 percent compared with its share price at the beginning of the plan. The benchmark for the assessment is the non-weighted average closing price of the T-Share in Xetra trading at the Frankfurt Stock Exchange (Deutsche Börse AG) during the last 20 trading days prior to the beginning and end of the plan.

The relative performance target is achieved if the total return of Deutsche Telekom shares has outperformed the Dow Jones Euro STOXX® Total Return Index on a percentage basis during the term of the individual plan. The benchmark is the non-weighted average of Deutsche Telekom shares (based on the closing prices of Deutsche Telekom shares in Xetra trading) plus the value of dividends paid and reinvested in Deutsche Telekom shares, bonus shares etc., and the non-weighted averages of the Dow Jones Euro STOXX® Total Return Index during the last 20 trading days prior to the beginning and end of the plan.

At the end of the term of the individual plans, the General Committee of Deutsche Telekom AG's Supervisory Board will establish whether the absolute and relative performance targets for the Board of Management have been achieved. Based on these findings, the Board of Management will establish whether the target has been achieved for Deutsche Telekom and all participating companies as a whole and will communicate this decision. Once it has been established whether one or both targets have been achieved, the payment for the achievement of the individual targets to the beneficiaries will be made independently of each other.

The General Committee of the Supervisory Board found at its meeting on February 4, 2009 that the relative plan target for the 2006 tranche of the MTIP had been achieved. Consequently, 50 percent of the award amount for the 2006 tranche was paid out in 2009.

24 Accruals for pensions and similar obligations.

The pension obligations to non-civil servant employees were based on indirect and direct pension commitments. The indirect commitments included the obligations of Versorgungsanstalt der Deutschen Bundespost (VAP) and the special pension fund of Deutsche Telekom Betriebsrenten-Service e.V. (DTBS).

Deutsche Telekom's direct pension commitments comprised direct commitments with and without VAP parallel obligations. The VAP parallel obligations were based on direct legal claims against Deutsche Telekom which were originally attributable to VAP. VAP's obligations are therefore suspended.

The VAP benefits supplement statutory pension benefits up to the level specified in the Articles of Incorporation and generally depend on the level of employee compensation and the eligible periods of service of the eligible employees. As part of the restructuring of the corporate pension plan in 1997, the employer and the trade unions entered into an agreement stipulating measures for the protection of vested VAP benefits.

Pursuant to this agreement, the benefit obligations due to retirees and employees approaching retirement will remain unchanged. For younger employees with vested benefits, the obligations have been converted into an initial amount based on the number of years of coverage to date, which was then credited to a capital account held by the employer (cash balance plan). Deutsche Telekom credits this account on an annual basis; when the insured event occurs, the account balance is paid out in full or in installments, or can be converted into a life-long pension.

The form of implementation changed as a result of the collective agreement on the restructuring of the corporate pension plan at Deutsche Telekom signed on August 17, 2005. According to this agreement, all corporate pension services for active and inactive employees will henceforth be granted directly and with a legal claim.

For the purposes of commercial law, pension accruals were accounted for under pension obligations in accordance with § 6a EStG. The level of these accruals was substantiated by an actuarial report.

The actuarial computations for the pension commitments were based on the new 2005 G tables published by Prof. Dr. Klaus Heubeck. In accordance with § 6a EStG, the interest rate used for the calculation of the pension obligations was 6 percent.

On the basis of the actuarial reports, the carrying amounts of the pension obligations at the respective balance sheet dates were as follows:

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|---|---------------|---------------|
| Direct pension obligations of which: parallel obligation: € 1.4 billion; (Dec. 31, 2008: € 1.4 billion) | 2,575 | 2,455 |
| Indirect pension obligations | 191 | 172 |
| | 2,766 | 2,627 |
| Obligations in accordance with Article 131 GG | 3 | 3 |
| | 2,769 | 2,630 |

The increase in accruals for direct pension obligations compared with December 31, 2008 was primarily attributable to the mergers of TS BS and TMI into Deutsche Telekom.

25 Tax accruals.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|----------------------|---------------|---------------|
| Corporate income tax | 207 | 106 |
| Trade income tax | 242 | 1 |
| Other taxes | 98 | 72 |
| | 547 | 179 |

The increase in accruals for taxes compared with December 31, 2008 is primarily attributable to the merger of TMI into Deutsche Telekom.

26 Other accruals.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|--|---------------|---------------|
| Employee benefits | | |
| Early retirement (BPS-PT) | 655 | 1,334 |
| Partial retirement arrangement | 220 | 251 |
| Civil Service Health Insurance Fund | 88 | 283 |
| Staff adjustment measures | 63 | 34 |
| Other obligations | 299 | 243 |
| Other obligations | | |
| Accruals for collateral promise for pension and partial retirement obligations | 1,325 | 1,238 |
| Litigation risks | 478 | 366 |
| Outstanding invoices | 378 | 403 |
| Loss contingencies from pending transactions | 375 | 458 |
| Loss contingencies from interest rate derivatives | 253 | 169 |
| Restoration commitments | 59 | 20 |
| Deferred maintenance | 18 | 18 |
| Loss contingencies from foreign currency forward contracts | 15 | 49 |
| Miscellaneous other accruals | 372 | 183 |
| | 4,598 | 5,049 |

The Second Act to Amend the Act for the Improvement of the Staff Structure at the Residual Special Asset of the Federal Railways and the Successor Companies of the Former Deutsche Bundespost (Zweites Gesetz zur Änderung des Gesetzes zur Verbesserung der personellen Struktur beim Bundeseisenbahnvermögen und in den Unternehmen der Deutschen Bundespost) was adopted in 2006. Under this legislation, civil servants can apply for early retirement upon reaching the age of 55, provided that they meet all the criteria stipulated in the act. Deutsche Telekom partially offsets the resulting early payments for the retirement pensions of civil servants by advance payments to BPS-PT as well as other expenses. The accrual recognized for the early retirement of civil servants decreased by EUR 679 million at the reporting date following the retirement of 3,048 civil servants. For details of the effect this had on liabilities, please refer to Note 27.

The accrual for partial retirement decreased primarily as a result of the lower level of partial retirement agreements and the progression of employees into the passive phase of partial retirement.

The accrual for the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse – PBeaKK) covers the risk of having to make compensation payments to the PBeaKK which become necessary when the scheduled withdrawal from the fund's assets would lead to a deficit. Due to the good performance of the PBeaKK in particular and its positive development relative to the average among private health insurance funds, the prior level of risk adjustment could be lowered, which led to a partial reversal of the accrual.

The increase in the accrual for staff adjustment measures was primarily the result of obligations taken over as part of the merger of TS BS into Deutsche Telekom.

The accruals for collateral promise for pension and partial retirement obligations covered the economic obligations assumed by Deutsche Telekom with respect to the liabilities for pension (EUR 1.1 billion) and partial retirement benefit claims (EUR 186 million) of the service companies.

The higher level of accruals for other staff-related obligations compared with December 31, 2008 is primarily attributable to the mergers of TS BS and TMI into Deutsche Telekom.

The increase in accruals for litigation risks compared with December 31, 2008 was mainly the result of the increase in accruals for ongoing legal disputes.

Accruals for outstanding invoices at December 31, 2009 included accruals for legal, IT, and management consulting services and sales commissions.

Accruals for loss contingencies arising from pending transactions relate especially to agreements concluded with partners outside the Deutsche Telekom Group with the intention of generating a contribution margin for the expenses resulting from the staff surplus.

The increase of EUR 84 million in accruals for loss contingencies from interest rate derivatives to EUR 253 million at December 31, 2009 was mainly the result of the development of the market value of interest rate and cross currency interest rate swaps.

Miscellaneous other accruals included accruals for environmental clean-up, accruals for rebates from discounts and bonuses, accruals for contributions to professorships sponsored by Deutsche Telekom, and accruals for annual reporting and archiving expenses.

27 Liabilities.

| millions of € | Dec. 31, 2009 | | | | Dec. 31, 2008 | | | |
|---|---------------|-------------------|-------------------|---------------|---------------|-------------------|-------------------|---------------|
| | Total | of which | | | Total | of which | | |
| | | Due within 1 year | Due > 1 ≤ 5 years | Due > 5 years | | Due within 1 year | Due > 1 ≤ 5 years | Due > 5 years |
| Debt | | | | | | | | |
| Bonds and debentures | 1,560 | 13 | 630 | 917 | 1,438 | 205 | 377 | 856 |
| Liabilities to banks | 4,635 | 1,807 | 2,042 | 786 | 4,870 | 1,636 | 1,269 | 1,965 |
| | 6,195 | 1,820 | 2,672 | 1,703 | 6,308 | 1,841 | 1,646 | 2,821 |
| Other liabilities | | | | | | | | |
| Advances received | 6 | 5 | - | 1 | 4 | 4 | - | - |
| Trade accounts payable | 861 | 861 | - | - | 886 | 885 | 1 | - |
| Payables to subsidiaries | 28,512 | 10,289 | 9,371 | 8,852 | 30,625 | 12,401 | 7,154 | 11,070 |
| Liabilities to associated and related companies | 7 | 7 | - | - | 13 | 13 | - | - |
| Other liabilities | 4,505 | 1,778 | 1,630 | 1,097 | 4,305 | 1,967 | 1,304 | 1,034 |
| of which: from taxes | 242 | 242 | - | - | 541 | 541 | - | - |
| of which: from social security | 33 | 8 | 19 | 6 | 22 | 4 | 12 | 6 |
| | 33,891 | 12,940 | 11,001 | 9,950 | 35,833 | 15,270 | 8,459 | 12,104 |
| Total liabilities | 40,086 | 14,760 | 13,673 | 11,653 | 42,141 | 17,111 | 10,105 | 14,925 |

Bonds and debentures related primarily to treasury notes of Deutsche Post AG, Bonn, (EUR 917 million), bonds (EUR 299 million) and medium-term notes (EUR 330 million).

The structure of bonds and debentures was as shown below. The variable-interest bonds are assigned in accordance with the most recent interest rate fixing valid at December 31, 2009.

| Due by December 31 millions of € | up to 2% | up to 3% | up to 4% | up to 7% | up to 8% | Total |
|-------------------------------------|------------|------------|------------|----------|------------|--------------|
| 2010 | - | 13 | - | - | - | 13 |
| 2011 | 37 | - | - | - | - | 37 |
| 2012 | - | - | - | - | - | - |
| 2013 | 123 | 205 | - | - | - | 328 |
| 2014 | - | - | 265 | - | - | 265 |
| 2015 to 2020 | - | - | - | - | 917 | 917 |
| Total | 160 | 218 | 265 | - | 917 | 1,560 |

The decrease of EUR 235 million in **liabilities to banks** was mainly due to higher repayments in relation to issues of commercial paper compared with December 31, 2008.

Payables to subsidiaries mainly consisted of financial liabilities of EUR 20.2 billion (December 31, 2008: EUR 21.0 billion) and liabilities arising from cash pooling of EUR 7.0 billion (December 31, 2008: EUR 8.3 billion). The net decrease of EUR 3.6 billion in financial liabilities to subsidiaries caused by the merger of TMI into Deutsche Telekom was largely compensated at the reporting date by offsetting effects.

Payables to subsidiaries mainly consisted of the liabilities to Deutsche Telekom International Finance B.V., Amsterdam, which amounts to EUR 19.6 billion (December 31, 2008: EUR 14.7 billion). The increase was mainly attributable to the fact that the level of new debt issued was EUR 2.0 billion higher than the level of repayments and to the liabilities amounting to EUR 2.8 billion taken over in the course of the merger of TMI into Deutsche Telekom.

Deutsche Telekom International Finance B.V. (DT IF) issued bonds and medium-term notes that it passed onto Group companies. The resulting liabilities of Deutsche Telekom to DT IF were as shown below: The liabilities taken over as part of the merger of TMI into Deutsche Telekom are included in this presentation.

| 2001 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| EUR | 1,645,718,223 | 7.215 | 2011 |

| 2002 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| EUR | 1,841,269,841 | 8.195 | 2012 |
| GBP | 250,000,000 | 7.195 | 2012 |
| USD | 500,000,000 | 9.330 | 2032 |

| 2003 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| EUR | 365,000,000 | 2.818 | 2010 |
| EUR | 1,717,418,341 | 7.215 | 2011 |
| USD | 626,865,000 | 5.335 | 2013 |
| EUR | 500,000,000 | 6.706 | 2018 |
| EUR | 500,000,000 | 7.580 | 2033 |

| 2005 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| GBP | 250,000,000 | 4.950 | 2014 |
| EUR | 1,588,801,384 | 4.075 | 2015 |

| 2006 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| USD | 500,000,000 | 5.450 | 2011 |
| GBP | 250,000,000 | 5.700 | 2013 |
| EUR | 786,563,254 | 4.575 | 2013 |
| USD | 1,000,000,000 | 5.825 | 2016 |
| EUR | 500,000,000 | 4.825 | 2016 |

| 2008 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| USD | 650,000,000 | 5.950 | 2013 |
| EUR | 200,000,000 | 5.926 | 2023 |

| 2009 tranche | Nominal amount in currency | Interest rate in % | Maturity |
|--------------|----------------------------|--------------------|----------|
| EUR | 425,000,000 | 4.450 | 2014 |
| USD | 750,000,000 | 4.950 | 2014 |
| EUR | 2,000,000,000 | 6.075 | 2017 |
| USD | 750,000,000 | 6.075 | 2019 |
| EUR | 350,000,000 | 5.450 | 2021 |
| GBP | 700,000,000 | 6.575 | 2022 |

The following table shows the composition of other liabilities:

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|--|---------------|---------------|
| Liabilities from early retirement arrangements | 1,895 | 1,602 |
| Liabilities from loan notes | 1,093 | 911 |
| Liabilities from collaterals | 578 | 515 |
| Liabilities from interest | 323 | 446 |
| Tax liabilities | 242 | 541 |
| Liabilities from derivatives | 122 | 121 |
| Liabilities to employees | 52 | 27 |
| Miscellaneous other liabilities | 200 | 142 |
| | 4,505 | 4,305 |

Liabilities from the early retirement arrangements for civil servants existed vis-à-vis BPS-PT and arose from payment obligations under agreements that had already been concluded. The obligations are payable in up to seven annual installments.

Liabilities from loan notes related to insurance companies and other institutional investors. With the exception of the loans received in years 2002 to 2009 totaling EUR 621 million, all loan notes are secured by the Federal Republic of Germany.

Collateral is used to hedge the credit risk from financial instruments. In this case, Deutsche Telekom receives collateral in the form of cash from its contracting parties if the fair values of the derivatives exceed a certain limit, the so-called allowance.

Liabilities from interest related to deferred interest on loan notes, bonds and debentures, interest derivatives and other liabilities.

Tax liabilities mainly comprise income tax liabilities amounting to EUR 5 million and liabilities from other taxes amounting to EUR 237 million which in turn consisted primarily of value-added tax liabilities (EUR 210 million) and wage tax liabilities (EUR 25 million). The decrease of EUR 299 million in tax liabilities compared with December 31, 2008 was mainly the result of the settlement of trade income tax liabilities for prior years.

Liabilities from derivatives included settlement gains and losses from expired hedge transactions for rolling hedging (roll-over gains or losses).

Liabilities to employees related in particular to severance agreements concluded in connection with the staff restructuring program.

28 Deferred income.

The increase in deferred income compared with December 31, 2008 is primarily attributable to the merger of TMI into Deutsche Telekom.

Other disclosures.

29 Guarantees and commitments and transactions not included in the balance sheet in accordance with § 285 No. 3 HGB.

| millions of € | Dec. 31, 2009 | Dec. 31, 2008 |
|---|---------------|---------------|
| Liabilities from guarantees | 716 | 575 |
| Liabilities arising from warranty agreements of which: to subsidiaries € 0 million (Dec. 31, 2008: € 0 million) | 25,915 | 27,271 |
| | 26,631 | 27,846 |

Guarantees included litigation and security deposit guarantees, and warranties. Liabilities arising from warranty agreements related to third parties and in some cases were incurred for subsidiaries.

Liabilities arising from collateral granted and from warranty agreements included guarantees and comfort letters, and related predominantly to Deutsche Telekom International Finance B.V. (DT IF), Amsterdam (Netherlands) (EUR 17.4 billion), T-Mobile Deutschland GmbH, Bonn (EUR 4.1 billion) and T-Systems International GmbH, Frankfurt/Main (EUR 937 million). Guarantees mainly relate to loan collateral guarantees. Deutsche Telekom guaranteed the liabilities of DT IF to external third parties – mostly originating from bonds and medium-term notes. In cases where the funds were not passed on to Deutsche Telekom and therefore recognized as a liability, an obligation arising from warranty agreements had to be recorded.

Deutsche Telekom sold DeTe Immobilien, Deutsche Telekom Immobilien und Service GmbH, Münster (DTI), to a subsidiary of STRABAG SE, Vienna, in the prior year and concluded a framework purchasing agreement with the sold company, renamed STRABAG Property and Facility Services GmbH, Münster (STRABAG PFS, formerly DTI). Deutsche Telekom was thus able to establish a long-term contractual relationship with a highly specialized service provider for real estate management and maintenance of technical installations. Under the terms of this agreement, Deutsche Telekom guarantees to purchase from STRABAG PFS services to be used either by Deutsche Telekom directly or by its domestic subsidiaries over the next ten years. Deutsche Telekom took over the risk of an unconditional payment obligation if the equivalent value of the services ordered falls short of the equivalent value of the agreed minimum purchase quantity. In this case, Deutsche Telekom may assert claims against its domestic subsidiaries, to the extent they are responsible for this shortfall. The equivalent value of the agreed minimum purchase quantity of EUR 2.5 billion is reported under liabilities arising from warranty agreements.

In order to fulfill their obligations as set out in the agreement (operating agreement) with the Federal Republic of Germany, Deutsche Telekom AG, Daimler Financial Services AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) have concluded a consortium agreement on the development and setup of an electronic system for collecting toll charges for the use of German autobahns by commercial vehicles with a permissible total weight of more than 12 tons, and on the operation of this system via a joint venture company. Deutsche Telekom AG and Daimler Financial Services AG each hold a 45-percent stake in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect), while Cofiroute holds the remaining 10 percent stake in each.

Under the operating agreement, the toll collection system had to be operational no later than August 31, 2003. Following a delay in launching the system, which resulted in revenue losses at Toll Collect and the payment of contractual penalties, the toll collection system was launched on January 1, 2005 using on-board units that allowed for slightly less than full technical performance in accordance with the original specifications (phase 1). On January 1, 2006, the fully functioning toll collection system was installed and put into operation as required in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received the preliminary operating permit in accordance with the operating agreement. Toll Collect GmbH anticipates receiving the final operating permit and has been operating the toll collection system in the interim period using the preliminary operating permit.

On August 2, 2005, the Federal Republic of Germany initiated arbitration proceedings against Deutsche Telekom AG, Daimler Financial Services AG and Toll Collect GbR. The Federal Republic claims to have lost toll revenues of approximately EUR 3.5 billion plus interest (5 percent per year above the applicable base interest rate since the arbitration proceedings were initiated), alleging – among other things – that it was deceived as to the likelihood of operations commencing on September 1, 2003. In May 2008, the Federal Republic of Germany slightly reduced its claim to around EUR 3.3 billion plus interest (5 percent per year above the applicable base interest rate since the arbitration proceedings were initiated). The asserted claims for contractual penalties total approximately EUR 1.7 billion plus interest (5 percent per year above the applicable base interest rate since the arbitration proceedings were initiated). The contractual penalties are based on alleged violations of the operator agreement (lack of consent to subcontracting, delayed provision of on-board units and monitoring equipment). Deutsche Telekom AG believes the claims of the Federal Republic are unfounded and is contesting them. The statement of defense was submitted to the arbitration court on June 30, 2006. The plaintiff's reply was submitted to the arbitration court on February 14, 2007. The defendant's rejoinder was submitted to the arbitration court on October 1, 2007. Further declarations were received from the Federal Republic of Germany on January 7, 2008 and February 6, 2008. The initial hearing took place in June 2008 during which the arbitration court discussed legal issues with the parties. No arbitral ruling was made on the claims asserted. Under orders from the arbitra-

tion court, each party submitted documents to the other party at the end of September 2008, as well as a written statement at the end of November 2008 addressing the legal issues discussed during the hearing and in the documents submitted. On May 15, 2009, the parties presented written responses to the relevant statement from the other party. The arbitration court also scheduled another hearing for October 19 to 22, 2009. In this connection the arbitration court ordered the submission of further documents and papers as well as witness examinations and appointed three experts to evaluate by September 30, 2009 the plausibility of the expert opinions that had been presented by the parties. In July and August 2009, the defendants became aware of information that gave rise to concerns of bias regarding the arbitrator appointed by the Federal Republic, following which the defendants filed a request with the arbitration court to reject the arbitrator on the grounds of bias. On September 4, 2009, the arbitration court ruled to cancel the hearing date and the submission of expert opinions on plausibility. On September 30, 2009, the arbitration court rejected the defendant's request. Following this decision, the defendants filed a rejection request with the Berlin Administrative Court on November 6, 2009.

Toll Collect GmbH filed for arbitration against the Federal Republic of Germany on May 25, 2007 requesting, among other things, the granting of a final operating permit and the payment of outstanding claims. Following an increase in the claim by Toll Collect GmbH on May 15, 2009, the asserted claims for payment total EUR 0.7 billion plus interest. The Federal Republic of Germany filed a counterclaim against Toll Collect GmbH with rebutter dated September 30, 2009 for EUR 0.2 billion plus interest, claiming, among other things, excessive compensation had been paid and contractual penalties that were allegedly due. Just as the defendants in the arbitral proceedings initiated by the Federal Republic, Toll Collect GmbH has also applied to reject the arbitrator appointed by the Federal Republic on the grounds of bias. Following the aforementioned ruling of the arbitration court, Toll Collect GmbH also filed a rejection request with the Berlin Administrative Court on November 6, 2009.

Each consortium member has submitted guarantees for Toll Collect GmbH's obligations to the Federal Republic of Germany in connection with the completion and operation of the toll system. In addition, Deutsche Telekom AG has given a guarantee for bank loans to Toll Collect GmbH. These guarantees, which are subject to certain terms and conditions, are described below:

Bank loans guarantee. Deutsche Telekom AG guarantees to third parties bank loans of up to a maximum amount of EUR 115 million granted to Toll Collect GmbH. These guarantees for bank loans will expire on May 31, 2012.

Equity maintenance undertaking. The consortium partners have the obligation, on a joint and several basis, to provide Toll Collect GmbH with additional equity in order to ensure a minimum equity ratio of 15 percent (in the single-entity financial statements prepared in accordance with German GAAP) (equity maintenance undertaking). This obligation ends when the operating agreement expires on August 31, 2015, or earlier if the operating agreement is terminated early.

In June 2006, the Federal Republic of Germany began to partially offset its monthly advance payments for operating fees to Toll Collect GmbH of EUR 8 million against the contractual penalty claims that are already subject of the aforementioned arbitration proceedings. As a result, it may become necessary for the consortium members to provide Toll Collect GmbH with further liquidity.

Cofiroute's risks and obligations are limited to EUR 70 million. Deutsche Telekom AG and Daimler Financial Services AG have the obligation, on a joint and several basis, to indemnify Cofiroute against further claims.

Deutsche Telekom believes the claims of the Federal Republic of Germany are unfounded. Furthermore, the amount of a possible settlement attributable to the equity maintenance undertaking or the arbitration proceedings described, which may be material, cannot be estimated because of the aforementioned uncertainties.

The aforementioned guarantees and commitments are among the **transactions not included in the balance sheet**. The following financial obligations were also not included in the balance sheet (reported in the prior year as other financial obligations under Note 30):

Deutsche Telekom sold 11 items of real estate to Sireo Immobilienfonds No. 1 GmbH und Co. KG, Frankfurt/Main (referred to in the following as Sireo) in 2002 to strategically optimize its real estate portfolio. Sireo's shareholders were granted put options for their shares in the company. This resulted in a risk of a payment obligation for Deutsche Telekom of EUR 490 million at December 31, 2009. In return, Deutsche Telekom received a call option on the shares in Sireo.

Under a share purchase agreement, Deutsche Telekom has additionally granted the Greek government two put options for an additional 5 percent (put option I) and 10 percent (put option II) of the shares in Hellenic Telecommunications Organization S.A. (OTE), Athens. The Greek government exercised put option I for a total price of EUR 674 million in the reporting year. The put option II can be exercised at market price plus a premium initially of 20 percent for a period of twelve months, after which it can be exercised at market price plus a premium of 15 percent until December 31, 2011. This resulted in a risk of a payment obligation for Deutsche Telekom of EUR 605 million at December 31, 2009. The closing price of shares in Hellenic Telecommunications Organization S.A. (OTE), Athens, on December 31, 2009 was taken as the basis for measuring the payment obligation arising from the put option II.

30 Other financial obligations.

| | Dec. 31, 2009 | | | Dec. 31, 2008 | | |
|--|---------------|---------------------------------|---|---------------|---------------------------------|---|
| | Total | of which due | | Total | of which due | |
| | | in the following financial year | from the second financial year after the balance sheet date | | in the following financial year | from the second financial year after the balance sheet date |
| millions of € | | | | | | |
| Present value of payments to BPS-PT | 6,555 | 700 | 5,855 | 6,932 | 752 | 6,180 |
| Obligations under rental and lease agreements of which: to subsidiaries € 9.6 billion (Dec. 31, 2008: € 9.6 billion) | 10,136 | 1,863 | 8,273 | 10,196 | 3,416 | 6,780 |
| Purchase commitments for capital projects in progress, including obligations arising from future expenditure of which: to subsidiaries € 596 million (Dec. 31, 2008: € 633 million) | 1,814 | 1,330 | 484 | 1,787 | 1,241 | 546 |
| Commitments arising from unpaid contributions and from pending transactions of which: to subsidiaries € 4.1 billion (Dec. 31, 2008: € 2.8 billion) | 4,088 | 1,709 | 2,379 | 4,570 | 2,551 | 2,019 |
| Total other financial obligations | 22,593 | 5,602 | 16,991 | 23,485 | 7,960 | 15,525 |

The present value of payments that Deutsche Telekom is required to make in accordance with PTNeuOG to the BPS-PT on the basis of the 2005 G tables published by Prof. Klaus Heubeck amounted to EUR 6.6 billion as of December 31, 2009. The year-on-year decrease is attributable to the reduction in the number of active civil servants, in particular as a result of early retirement.

Obligations under rental and lease agreements included obligations to subsidiaries in the amount of EUR 9.6 billion. These largely consisted of EUR 9.3 billion to GMG Generalmietgesellschaft mbH, Bonn, EUR 109 million to DeTeFleetServices GmbH, Bonn, EUR 99 million to T-Systems International GmbH, Frankfurt/Main, and EUR 65 million to DFMG Deutsche Funkturm GmbH, Münster.

Purchase commitments for capital projects in progress, including obligations arising from future expenditure were composed of commitments for non-capital (EUR 1.5 billion).

Unpaid and uncalled contributions related in particular to Vivento Customer Services GmbH, Bonn (EUR 96 million), T-Mobile Venture Fund GmbH & Co. KG, Bonn (EUR 81 million), T-Mobile Venture Fund II GmbH & Co. KG, Bonn (EUR 69 million), T-Com Venture Fund GmbH & Co. KG, Bonn (EUR 31 million), Vivento Technical Services GmbH, Bonn (EUR 31 million), T-Online Venture Fund GmbH & Co. KG, Bonn (EUR 28 million) and T-Corporate Venture Fund GmbH & Co. KG, Bonn (EUR 18 million). Commitments arising from pending transactions related in particular to commitments arising from transactions with Deutsche Telekom Kundenservice GmbH, Bonn (EUR 1.1 billion), Deutsche Telekom Technischer Service GmbH, Bonn (EUR 937 million), Deutsche Telekom Netzproduktion GmbH, Bonn (EUR 827 million), Vivento Customer Services GmbH, Bonn (EUR 428 million), and GMG Generalmietgesellschaft mbH, Bonn (EUR 323 million).

Deutsche Telekom is a party to a number of lawsuits and other proceedings and issues arising from the general conduct of its business. Litigation accruals include the costs of litigation and the forecast cost of the negative outcome of proceedings.

31 Derivative financial instruments.

The volume of transactions outstanding at the balance sheet date is as follows:

| millions of € | Nominal amounts | | | | Fair values | | | |
|--|-----------------|-------------------|-------------------|---------------|--------------|-------------------|-------------------|---------------|
| | Total | Remaining term | | | Total | Remaining term | | |
| | | Due within 1 year | Due > 1 ≤ 5 years | Due > 5 years | | Due within 1 year | Due > 1 ≤ 5 years | Due > 5 years |
| Interest-related instruments | | | | | | | | |
| Interest rate swaps | 40,178 | 12,346 | 20,930 | 6,902 | (524) | (57) | (128) | (339) |
| Cross-currency and interest rate swaps | 17,695 | 4,448 | 7,600 | 5,647 | (430) | (25) | (180) | (225) |
| | 57,873 | 16,794 | 28,530 | 12,549 | (954) | (82) | (308) | (564) |
| Currency instruments | | | | | | | | |
| Future exchange transactions short | 1,389 | 1,195 | 193 | 1 | 4 | 3 | 1 | - |
| Future exchange transactions long | 7,119 | 6,924 | 194 | 1 | 53 | 54 | (1) | - |
| | 8,508 | 8,119 | 387 | 2 | 57 | 57 | - | - |
| | 66,381 | 24,913 | 28,917 | 12,551 | (897) | (25) | (308) | (564) |

The accrued interest from derivatives and the net aggregate losses resulting from the portfolios evaluation recorded as accruals for contingent losses are shown in the following table:

| millions of € | Interest receivables | Liabilities from interest | Receivables from prepayment penalties | Liabilities from prepayment penalties | Other accruals |
|--|----------------------|---------------------------|---------------------------------------|---------------------------------------|----------------|
| Interest rate swaps | 304 | (390) | 129 | (344) | (224) |
| Cross-currency and interest rate swaps | 168 | (134) | - | - | (29) |
| Foreign currency forward contracts | - | - | - | - | (15) |
| | 472 | (524) | 129 | (344) | (268) |

These receivables, liabilities and accruals were reported under the following items:

| millions of € | Interest receivables | Liabilities from interest | Receivables from prepayment penalties | Liabilities from prepayment penalties | Other accruals |
|-------------------------------|----------------------|---------------------------|---------------------------------------|---------------------------------------|----------------|
| Receivables from subsidiaries | 227 | - | 129 | - | - |
| Other assets | 245 | - | - | - | - |
| Payables to subsidiaries | - | (320) | - | (344) | - |
| Liabilities | - | (204) | - | - | - |
| Other accruals | - | - | - | - | (268) |
| | 472 | (524) | 129 | (344) | (268) |

The Company uses derivatives for the purpose of hedging exposures to interest rate and currency risks that arise from its ongoing business operations. The top priority in all cases in which derivatives are used is to limit the risk of the underlyings. Derivative financial instruments may therefore only be used to eliminate risk exposures, and may never be used to create new risks for speculative reasons.

Derivatives are designed to offset changes in the fair values and interest payments of the financial assets and liabilities to which they are allocated. Such derivatives are reviewed regularly for their effectiveness as hedge instruments. Derivative financial instruments are subject to internal controls.

The nominal amounts of the derivative financial instruments do not represent amounts exchanged by the parties, but are merely the basis for measuring these settlement payments. They do not reflect the risk exposure of the financial derivatives. Actual payments arising from derivatives are based on the market value, which is determined on the basis of current interest rates, exchange rates and other terms and conditions.

Interest rate swaps are entered into to transform the coupons on bonds, and the interest rates on loans, in accordance with a mix of fixed and floating rate interest instruments that is fixed once a year.

The Company uses foreign currency forward contracts to hedge exchange rates, and cross-currency and interest rate swaps to eliminate risks related to financing.

Foreign currency forward contracts and hedged items are assigned to foreign currency portfolios categorized by foreign currency type and marked to market as of the balance sheet date. Foreign currency forward contracts are valued at the forward exchange rate on the balance sheet date; cross-currency and interest rate swaps are recognized at the present value of future payments. Measurement gains and losses are netted portfolio for portfolio. An accrual for loss contingencies from pending transactions is established for each portfolio for the amount of the excess loss. Net gains are not recognized.

The cross-currency and interest rate swaps are primarily used to transform the original currencies of bonds, drawings on medium-term notes, and loan notes into Deutsche Telekom's target currencies (EUR and USD). In addition, various cross-currency and interest rate swaps are used to hedge currency risks in the financing of subsidiaries.

32 Exchange rates.

| € | Annual average rate | | Rate at balance sheet date | |
|-----------------------------|---------------------|----------|----------------------------|---------------|
| | 2009 | 2008 | Dec. 31, 2009 | Dec. 31, 2008 |
| 100 Swiss francs (CHF) | 66.22150 | 62.99410 | 67.38660 | 67.19960 |
| 100 Czech korunas (CZK) | 3.78123 | 4.00894 | 3.77646 | 3.75561 |
| 1 Pound sterling (GBP) | 1.12218 | 1.25601 | 1.12387 | 1.04555 |
| 100 Hong Kong dollars (HKD) | 9.24790 | 8.72870 | 8.94898 | 9.24130 |
| 100 Croatian kuna (HRK) | 13.62190 | 13.84420 | 13.70710 | 13.57610 |
| 100 Hungarian forints (HUF) | 0.35663 | 0.39769 | 0.36961 | 0.37741 |
| 100 Japanese yen (JPY) | 0.76724 | 0.65567 | 0.75101 | 0.79143 |
| 100 Polish zlotys (PLN) | 23.09760 | 28.47930 | 24.35900 | 23.94770 |
| 100 Singapore dollars (SGD) | 49.39090 | 48.15430 | 49.51500 | 49.69040 |
| 1 U.S. dollar (USD) | 0.71692 | 0.67976 | 0.69393 | 0.71617 |

33 Auditors' fees and services.

The total fees charged by the external auditors for the financial year as defined in § 285 No. 17 HGB are detailed in the relevant note in the consolidated financial statements.

34 Members of the Board of Management of Deutsche Telekom AG in 2009 including seats on the supervisory boards of other companies.

René Obermann.

Chairman of the Board of Management since November 13, 2006

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- T-Mobile International AG, Bonn (since 11/2006), Chairman of the Supervisory Board (from 12/2006 to 7/2009)
- T-Mobile USA Inc., Bellevue, United States, (since 1/2003), Chairman of the Board of Directors (since 12/2006)
- T-Systems Business Services GmbH, Bonn, Chairman of the Supervisory Board (from 12/2006 to 4/2009)
- T-Systems International GmbH (formerly T-Systems Enterprise Services GmbH), Frankfurt/Main, Chairman of the Supervisory Board (since 12/2006)

Dr. Manfred Balz.

Board member responsible for Data Privacy, Legal Affairs and Compliance since October 22, 2008

Member of comparable supervisory bodies of companies in Germany or abroad:

- Arcandor AG (insolvent), Essen (since 4/2009)

Reinhard Clemens.

Board member responsible for T-Systems since December, 1 2007
– no other seats –

Niek Jan van Damme.

Board member responsible for Germany since July 1, 2009
Board member responsible for T-Home and Sales & Service from March 1 to June 30, 2009

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- Deutsche Telekom Kundenservice GmbH, Bonn (since 8/2009)
- Deutsche Telekom Technischer Service GmbH, Bonn (since 9/2009), Chairman of the Supervisory Board (since 12/2009)
- Telekom Shop Vertriebsgesellschaft mbH (formerly T-Punkt Vertriebsgesellschaft mbH), Bonn (since 8/2009), Chairman of the Supervisory Board (since 9/2009)

Timotheus Höttges.

Board member responsible for Finance since March 1, 2009
Board member responsible for T-Home and Sales & Service from December 5, 2006 to February 28, 2009

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- Deutsche Telekom Kundenservice GmbH, Bonn (from 7/2007 to 8/2009), Chairman of the Supervisory Board (from 11/2007 to 8/2009)
- Deutsche Telekom Netzproduktion GmbH, Bonn (from 6/2007 to 9/2009), Chairman of the Supervisory Board (from 8/2007 to 9/2009)
- Deutsche Telekom Technischer Service GmbH, Bonn, Chairman of the Supervisory Board (from 6/2007 to 8/2009)
- Telekom Shop Vertriebsgesellschaft mbH (formerly T-Punkt Vertriebsgesellschaft mbH), Bonn (from 4/2004 to 8/2009), Chairman of the Supervisory Board (from 12/2006 to 8/2009)
- T-Mobile Deutschland GmbH, Bonn (since 4/2005), Chairman of the Supervisory Board (since 7/2009)
- T-Mobile International AG, Bonn (from 3/2009 to 7/2009)

Member of comparable supervisory bodies of companies in Germany or abroad:

- FC Bayern München AG, Munich (since 2/2010)

Guido Kerkhoff.

Board member responsible for Southern and Eastern Europe since March 1, 2009

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- Deutsche Telekom Accounting GmbH, Bonn (from 5/2008 to 9/2009), Chairman of the Supervisory Board (from 8/2008 to 9/2009)
- Deutsche Telekom Venture Funds GmbH, Bonn (since 11/2008)
- HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE S.A.), Maroussi, Athens, Greece (since 3/2009)
- HT-Hvratske telekomunikacije d.d., Chairman of the Supervisory Board (since 4/2009)
- Magyar Telekom Nyrt., Budapest, Hungary, Board of Directors (since 4/2009)
- Telekom Shop Vertriebsgesellschaft mbH (formerly T-Punkt Vertriebsgesellschaft mbH), Bonn (from 9/2006 to 8/2009)
- T-Mobile International AG, Bonn (from 6/2006 to 7/2009)
- T-Mobile USA, Inc., Bellevue, United States, Board of Directors (from 7/2007 to 7/2009)
- T-Systems Business Services GmbH, Bonn (from 9/2006 to 4/2009)
- T-Systems International GmbH (formerly T-Systems Enterprise Services GmbH), Frankfurt/Main, (from 1/2005 to 7/2009)
- T-Venture Holding GmbH, Bonn (since 5/2006)

Thomas Sattelberger.

Board member responsible for Human Resources since May 3, 2007

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- T-Mobile Deutschland GmbH, Bonn (since 7/2009)
- T-Mobile International AG, Bonn (from 6/2007 to 7/2009)
- T-Systems Business Services GmbH, Bonn (from 6/2007 to 4/2009)
- T-Systems International GmbH (formerly T-Systems Enterprise Services GmbH), Frankfurt/Main, (since 6/2007)

Hamid Akhavan.

Chief Operating Officer (COO) since July 1, 2009

Board member responsible for T-Mobile, Product Development, and Technology and IT Strategy from December 5, 2006 to June 30, 2009

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- Deutsche Telekom Venture Funds GmbH, Bonn, Chairman of the Supervisory Board (from 11/2008 to 2/2010)
- HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE S.A.), Maroussi, Athens, Greece (from 6/2008 to 2/2010)
- T-Mobile Deutschland GmbH, Bonn, Chairman of the Supervisory Board (from 1/2007 to 6/2009)
- T-Mobile UK Ltd., Hertfordshire, United Kingdom, Board of Directors (from 3/2004 to 5/2009)
- T-Venture Holding GmbH, Bonn (from 1/2007 to 2/2010), Chairman of the Supervisory Board (from 3/2007 to 2/2010)

Board members who left during 2009:

Dr. Karl-Gerhard Eick.

Deputy Chairman of the Board of Management

Board member responsible for Finance from January 1, 2000 to February 28, 2009

Member of the supervisory boards of the following subsidiaries, associated and related companies:

- HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE S.A.), Maroussi, Athens, Greece (from 6/2008 to 3/2009)
- T-Mobile International AG, Bonn (from 3/2000 to 2/2009)
- T-Systems Business Services GmbH, Bonn (from 12/2005 to 2/2009)
- T-Systems International GmbH (formerly T-Systems Enterprise Services GmbH), Frankfurt/Main, (from 6/2002 to 2/2009)

Member of comparable supervisory bodies of companies in Germany or abroad:

- CORPUS SIREO Holding GmbH & Co. KG, Cologne, Chairman of the Supervisory Board (since 9/2007)
- Deutsche Bank AG, Frankfurt/Main (since 8/2004)
- FC Bayern München AG, Munich (since 10/2004)
- STRABAG Property and Facility Services GmbH, Frankfurt/Main (from 10/2008 to 12/2009)
- Thomas Cook Group plc., Peterborough, United Kingdom, Board of Directors (from 12/2008 to 9/2009)

35 Members of the Supervisory Board of Deutsche Telekom AG in 2009 including seats on the supervisory boards of other companies.

Prof. Dr. Ulrich Lehner.

Member of the Supervisory Board since April 17, 2008
Chairman of the Supervisory Board since April 25, 2008
Member of the Shareholders' Committee of Henkel AG & Co. KGaA, Düsseldorf

- Porsche Automobil Holding SE, Stuttgart (since 11/2007)
- Dr. Ing. h.c. F. Porsche AG, Stuttgart (since 1/2007)
- E.ON AG, Düsseldorf (since 4/2003)
- Henkel Management AG, Düsseldorf (since 2/2008)
- HSBC Trinkaus & Burkhardt AG, Düsseldorf (since 6/2004)
- ThyssenKrupp AG, Düsseldorf (since 1/2008)

Member of comparable supervisory bodies of companies in Germany or abroad:

- Dr. August Oetker KG, Bielefeld, Member of the Advisory Board (since 3/2000)
- Novartis AG, Basle, Member of the Board of Directors (since 3/2002)

Lothar Schröder.

Member of the Supervisory Board since June 22, 2006
Deputy Chairman of the Supervisory Board since June 29, 2006
Member of the ver.di National Executive Board, Berlin

- T-Mobile Deutschland GmbH, Bonn (since 8/2003), Deputy Chairman of the Supervisory Board (since 9/2003)

Jörg Asmussen.

Member of the Supervisory Board since July 1, 2008
State Secretary, Federal Ministry of Finance, Berlin

- DB Mobility Logistics AG, Berlin (from 6/2009 to 11/2009)
- Deutsche Bahn AG, Berlin (from 4/2009 to 11/2009)
- Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), Frankfurt/Main (since 9/2008)

Hermann-Josef Becker.

Member of the Supervisory Board since January 1, 2008
Member of the management of Deutsche Telekom Direct Sales and Consulting and Chairman of the Group Executive Staff Representation Committee and Executive Staff Representation Committee at Deutsche Telekom AG, Bonn
– no other seats –

Dr. Wulf H. Bernotat.

Member of the Supervisory Board since January 1, 2010
Chairman of the Board of Management of E.ON AG, Düsseldorf

- Allianz SE, Munich (since 4/2003)
- Bertelsmann AG, Gütersloh (since 5/2006)
- E.ON Energie AG*, Munich, Chairman of the Supervisory Board (since 5/2003)
- E.ON Ruhrgas AG*, Essen, Chairman of the Supervisory Board (since 5/2003)
- Metro AG, Düsseldorf (since 5/2003)

Member of comparable supervisory bodies of companies in Germany or abroad:

- E.ON Sverige AB*, Malmö, Sweden, Chairman of the Supervisory Board (since 4/2004)
- E.ON US Investments Corp.*, Delaware, USA, Chairman of the Supervisory Board (since 1/2004)

Monika Brandl.

Member of the Supervisory Board since November 6, 2002.
Chairwoman of the Central Works Council at Group Headquarters/GHS, Deutsche Telekom AG, Bonn
– no other seats –

Hans Martin Bury.

Member of the Supervisory Board since May 15, 2008
Managing Partner, Hering Schuppener Strategieberatung für Kommunikation GmbH, Düsseldorf (since 4/2009)
Managing Director, Nomura Bank Deutschland GmbH, Frankfurt (from 11/2008 to 3/2009)
– no other seats –

Josef Falbisoner.

Member of the Supervisory Board since October 2, 1997
Chairman of the District of Bavaria, ver.di trade union, Munich

- PSD Bank eG, Munich, Augsburg office (since 6/1994)

* Supervisory board seat in companies that are part of the same group, as defined in § 100 (2), Sentence 2 AktG (German Stock Corporation Act).

Dr. Hubertus von Grünberg.

Member of the Supervisory Board since May 25, 2000
Serves on the supervisory boards of several companies, Hanover

- Allianz Versicherungs-AG, Munich (since 5/1998)
- Continental AG, Hanover, Chairman of the Supervisory Board (from 6/1999 to 3/2009)

Member of comparable supervisory bodies of companies in Germany or abroad:

- ABB Ltd., Zurich, Switzerland, Chairman of the Board of Directors (since 5/2007)
- Schindler Holding AG, Hergiswil, Switzerland, Board of Directors (since 5/1999)

Lawrence H. Guffey.

Member of the Supervisory Board since June 1, 2006
Senior Managing Director, The Blackstone Group International Ltd., London, United Kingdom

Member of comparable supervisory bodies of companies in Germany or abroad:

- Axtel Ote Corp., San Pedro Gaza Garcia, Nuevo Leon, Mexico (since 4/2000)
- Cineworld Corp., London, United Kingdom (from 10/2004 to 11/2009)
- Paris Review, New York, United States (since 7/2006)
- TDC AS Corp., Copenhagen, Denmark (since 2/2006)

Ulrich Hocker.

Member of the Supervisory Board since October 14, 2006
Manager in Chief, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Düsseldorf

- Arcandor AG (insolvent), Essen (from 7/1998 to 10/2009)
- E.ON AG, Düsseldorf (since 6/2000)
- Feri Finance AG, Bad Homburg (since 12/2001), Deputy Chairman of the Supervisory Board (since 12/2005)
- ThyssenKrupp Stainless AG, Duisburg (from 11/2005 to 9/2009)

Member of comparable supervisory bodies of companies in Germany or abroad:

- Gartmore SICAV, Luxembourg. Luxembourg (since 5/2005)
- Phoenix Mecano AG, Stein am Rhein, Switzerland (since 8/1988), President of the Administrative Board (since 7/2003)

Lothar Holzwarth.

Member of the Supervisory Board since November 6, 2002
Chairman of the Central Works Council, Deutsche Telekom Business Customers, Bonn (since April 1, 2009)
Chairman of the Group Works Council at T-Systems, Bonn (until March 31, 2009)

- PSD Bank RheinNeckarSaar eG (since 1/1996), Deputy Chairman of the Supervisory Board (since 6/2008)
- T-Systems Business Services GmbH, Bonn (from 9/2006 to 4/2009)

Hans-Jürgen Kallmeier.

Member of the Supervisory Board since October 15, 2008
Chairman of the Central Works Council at T-Systems International GmbH (formerly T-Systems Enterprise Services GmbH), Frankfurt/Main
– no other seats –

Sylvia Kühnast.

Member of the Supervisory Board since May 3, 2007
Expert consultant to the Central Works Council at T-Mobile Deutschland GmbH, Hanover
– no other seats –

Waltraud Litzenberger.

Member of the Supervisory Board since June 1, 1999
Chairwoman of the Group Works Council and the European Works Council at Deutsche Telekom AG, Bonn (since October 1, 2008; Deputy Chairwoman until September 30, 2008)

- PSD Bank Koblenz eG, Koblenz (from 9/1998 to 6/2009)

Michael Löffler.

Member of the Supervisory Board since January 1, 1995
Member of the Works Council at Deutsche Telekom Netzproduktion GmbH, Bonn, Technical Infrastructure Branch Office, Central/Eastern District
– no other seats –

Prof. h. c. (CHN) Dr.-Ing. E.h. Dr. Ulrich Middelmann.

Member of the Supervisory Board since January 1, 2010
Vice Chairman of the Executive Board, ThyssenKrupp AG, Duisburg and Essen
(until January 21, 2010)

- Commerzbank AG, Frankfurt (since 4/2006)
- E.ON Ruhrgas AG, Essen (since 9/2005)
- LANXESS AG, Leverkusen (since 3/2005)
- LANXESS Deutschland GmbH, Leverkusen (since 3/2005)
- ThyssenKrupp Elevator AG*, Düsseldorf (since 10/2006)
- ThyssenKrupp Marine Systems AG*, Hamburg (since 10/2009)
- ThyssenKrupp Materials International GmbH*, Düsseldorf (since 10/2009)
- ThyssenKrupp Nirosta GmbH*, Krefeld (since 9/1997)
- ThyssenKrupp Steel Europe AG*, Duisburg (since 9/1997)

Member of comparable supervisory bodies of companies in Germany or abroad:

- Hoberg & Driesch GmbH, Düsseldorf (since 2/2001), Chairman of the Advisory Board (since 5/2004)
- ThyssenKrupp Acciai Speciali Terni S.p.A.*, Terni, Italy (since 1/1997)
- ThyssenKrupp (China) Ltd.*, Beijing, Peoples Republic of China (since 7/2005)

Dr. Ulrich Schröder.

Member of the Supervisory Board since October 1, 2008
Chairman of the Board of Managing Directors, KfW Bankengruppe,
Frankfurt/Main

- DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH*, Cologne (since 10/2009)
- Deutsche Post AG, Bonn (since 9/2008)
- KfW IPEX-Bank GmbH*, Frankfurt/Main (since 10/2009)
- ProHealth AG, Munich (from 5/2003 to 9/2009)

Michael Sommer.

Member of the Supervisory Board since April 15, 2000
Chairman of the German Confederation of Trade Unions (DGB), Berlin

- Deutsche Postbank AG, Bonn, Deputy Chairman of the Supervisory Board (since 11/1997)

Member of comparable supervisory bodies of companies in Germany or abroad:

- KfW Bankengruppe, Frankfurt/Main, Board of Supervisory Directors (since 1/2003)

Dr. h.c. Bernhard Walter.

Member of the Supervisory Board since May 27, 1999
Former Chairman of the Board of Managing Directors, Dresdner Bank AG,
Frankfurt/Main

- Bilfinger Berger AG, Mannheim (since 7/1998), Chairman of the Supervisory Board (since 5/2006)
- Daimler AG, Stuttgart (since 5/1998)
- Henkel AG & Co. KGaA, Düsseldorf (since 5/1998)
- Hypo Real Estate Holding AG, Munich, Deputy Chairman of the Supervisory Board (from 11/2008 to 8/2009)

The following individuals resigned from the Supervisory Board in 2009:

Prof. Dr.-Ing. Wolfgang Reitzle.

Member of the Supervisory Board from February 10, 2005 to
December 31, 2009
Chairman of the Executive Board, Linde AG, Munich

- Continental AG, Hanover (since 9/2009), Chairman of the Supervisory Board (since 10/2009)
- KION Group GmbH, Wiesbaden (from 6/2007 to 12/2009)
- The BOC Group plc.*, Guildford, United Kingdom (since 9/2007)

Prof. Dr. Wulf von Schimmelmann.

Member of the Supervisory Board from May 3, 2006 to December 31, 2009
Former Chairman of the Board of Management, Deutsche Postbank AG, Bonn

- Deutsche Postbank AG, Bonn (since 8/2007), Chairman of the Supervisory Board (since 12/2008)
- maxingvest ag, Hamburg (since 8/2003)

Member of comparable supervisory bodies of companies in Germany or abroad:

- accenture Corp., Irving, Texas, United States (since 10/2001)
- BAWAG P.S.K. AG, Vienna, Austria, Chairman of the Supervisory Board (from 7/2007 to 10/2009)
- Western Union, Denver, United States (since 7/2009)

* Supervisory board seat in companies that are part of the same group, as defined in § 100 (2), Sentence 2 AktG (German Stock Corporation Act).

36 Compensation of the Board of Management and the Supervisory Board.

Compensation of the Board of Management.

The following information concerning the compensation of the Board of Management comprises notes required by law under the German Commercial Code (please refer to § 285 HGB) as well as information specified in the guidelines set out in the German Corporate Governance Code. The German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into effect on August 5, 2009. All the contracts of the Board of Management members listed in the table below were in existence before the Act entered into force. Pursuant to the Act's explanatory memorandum (document 16/13433), these contracts enjoy vested rights protection. Reporting on compensation of Board of Management members is based on German Accounting Standard (GAS) No. 17.

Composition of the Board of Management as of December 31, 2009.

The Board of Management of Deutsche Telekom AG currently comprises eight members.

| | Department |
|---------------------|---|
| René Obermann | Chairman of the Board of Management (CEO) / USA |
| Hamid Akhavan | Chief Operating Officer (COO) / Europe |
| Dr. Manfred Balz | Data Privacy, Legal Affairs and Compliance |
| Reinhard Clemens | T-Systems |
| Niek Jan van Damme | Germany |
| Timotheus Höttges | Finance (CFO) |
| Guido Kerkhoff | Southern and Eastern Europe |
| Thomas Sattelberger | Human Resources |

On December 17, 2009, the Supervisory Board agreed to Hamid Akhavan's request to resign from the Board of Management effective February 15, 2010.

Changes in the Board of Management in 2009.

In agreement with the Supervisory Board, Dr. Karl-Gerhard Eick resigned from the Board of Management with effect from midnight on February 28, 2009.

At the Supervisory Board meeting on February 26, 2009, the Supervisory Board appointed Timotheus Höttges as the new member of the Board of Management for Finance effective March 1, 2009 and Niek Jan van Damme as the new member of the Board of Management for T-Home and Sales & Service, also effective March 1, 2009. The establishment of a new Board of Management department for Southern and Eastern Europe with effect from March 1, 2009 was also approved at the meeting on February 26, 2009 to account for the growing significance of the Southern and Eastern European region and

to combine responsibility for the existing, integrated operations in the region following the takeover of management control of the Greek company OTE. The new department is headed by Guido Kerkhoff, who was appointed to the Group Board of Management effective March 1, 2009.

On April 29, 2009, the Supervisory Board decided to merge responsibility for standard fixed-network and mobile communications business for consumers and business customers in Germany into a single Board of Management department – Germany – effective July 1, 2009. This department is headed by Niek Jan van Damme. Reinhard Clemens retains responsibility for the ICT solution business with corporate customers – T-Systems. In addition, the Operating Officer's department was established, which is led by Hamid Akhavan, effective July 1, 2009. The new department brings together the Group-wide responsibility for technology, IT, procurement, products and innovations for standard business for consumers and business customers. Hamid Akhavan is also responsible for the Group's mobile communications subsidiaries in the United Kingdom, the Netherlands, Austria, the Czech Republic and Poland.

Board of Management compensation system and review.

The compensation of Board of Management members is comprised of various components. Under the terms of their service contracts, members of the Board of Management are entitled to annual fixed and annual variable performance-based remuneration, a long-term variable remuneration component (Mid-Term Incentive Plan), and fringe benefits and deferred benefits based on a company pension commitment. The structure of the compensation system and the appropriateness of compensation for the Board of Management are reviewed and established by the Supervisory Board at regular intervals.

Fixed remuneration, variable performance-based remuneration and fringe benefits.

Total compensation is generally about two-thirds variable and one-third fixed if targets are achieved in full. The non-performance-based components are comprised of a fixed remuneration, fringe benefits and pension commitments, while the performance-based components are split into variable performance-based remuneration and a long-term incentive component.

Fixed remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law (for individual figures, please refer to the table "Total compensation").

The annual variable performance-based remuneration of Board of Management members is based on the achievement of targets set by the Supervisory Board of Deutsche Telekom AG for each member of the Board of Management prior to commencement of the financial year. The set of targets is composed of corporate targets and personal targets for the individual members of the Board of Management, based on the parameters of EBITDA and net profit adjusted

for special factors and free cash flow. The level of target achievement is determined by the Supervisory Board for the respective financial year (for detailed information, please refer to the table "Total compensation").

At its discretion and after due consideration, the Supervisory Board of the Company may also reward extraordinary performance by individual or all Board of Management members in the form of a special bonus.

In accordance with market-oriented and corporate standards, the Company grants all members of the Board of Management additional benefits under the terms of their service contracts, some of which are viewed as non-cash benefits and taxed accordingly. This mainly includes being furnished with a company car and accident and liability insurance and reimbursements in connection with maintaining a second household.

Sideline employment generally requires prior approval. Generally, no additional compensation is paid for being a member of the management or supervisory board of other Group entities.

Arrangements in the event of termination of a position on the Board of Management.

The terms of the existing service contracts of the Board of Management members are linked to the term of appointment as a member of the Board of Management. If the Company is entitled to terminate the appointment as a Board of Management member without this also constituting cause for the simultaneous termination of the service contract under civil law, the Board of Management member shall be entitled to a contractually defined severance payment. This is calculated (subject to being discounted) on the basis of the imputed remaining term of appointment in the current term of office of the Board of Management (up to a maximum of 36 months) on the basis of 100 percent of the fixed annual remuneration and 75 percent of the variable remuneration based on an assumed 100 percent achievement of targets.

The service contracts for members of the Board of Management at Deutsche Telekom AG do not include any benefits in the event of the termination of a position on the Board of Management as a result of a change of control.

Service contracts for members of the Board of Management concluded during the 2009 financial year include a provision in case of premature termination without good cause allowing a compensation payment which, in line with the recommendations of the German Corporate Governance Code, is restricted to a maximum of two years' remuneration (severance cap) and may not exceed the remuneration due for the remaining term of the service contract.

Board of Management member service contracts generally stipulate a post-contractual prohibition of competition. Unless otherwise agreed, members of the Board of Management are prohibited from rendering services to or on behalf of a competitor for the duration of one year following their departure. As compensation for this restricted period, they receive a payment in the amount of the annual fixed compensation last received.

Company pension entitlement.

The members of the Board of Management are entitled to a company pension based on their respective annual salaries. This means that Board of Management members receive a company pension based on a fixed percentage of their last fixed annual remuneration for each year of service rendered prior to their date of retirement. The key features of the pension plan for Board of Management members active in 2009 are described below:

Board of Management members are entitled to pension payments in the form of a life-long retirement pension upon reaching the age of 62, a disability pension or in the form of an early retirement pension upon reaching the age of 60 (subject to the usual actuarial deductions). The amount of the company pension is calculated on the basis of the eligible period of service rendered as a Board of Management member until the date of departure. The annual retirement pension is comprised of a base percentage (6 percent for René Obermann and Dr. Karl-Gerhard Eick, and 5 percent for the remaining Board of Management members) of the fixed annual remuneration upon termination of the service relationship multiplied by the eligible service period expressed in years. After ten years of Board of Management membership, the maximum percentage of the pension level is achieved (60 percent or 50 percent, respectively). Pension payments are subject to a standard annual adjustment (3 percent for René Obermann and Dr. Karl-Gerhard Eick, and 1 percent for the remaining Board of Management members). In the event of a permanent inability to work (invalidity), the respective period of service through the scheduled end of the current period of appointment serves as the basis for the period of service eligible for calculating the pension. A "pension plan substitute" was agreed with Hamid Akhavan in lieu of a pension commitment due to his U.S. citizenship. The resulting annual payment for each full year of service rendered is included in the table "Total compensation" under "Other remuneration." Dr. Manfred Balz's pension arrangements under his previous employment relationship (Deutsche Telekom AG capital account plan) remain in place. Guido Kerkhoff and Niek Jan van Damme, who were appointed to the Board of Management in 2009, are also not covered by the Board of Management pension entitlements described above. The pension arrangements of these two Board members will be transferred to a new Board of Management pension scheme, effective from the beginning of their service on the Board of Management, to be adopted by the Supervisory Board in early 2010. They both received a pledge that their pension entitlement as members of the Board of Management will not be adversely affected in comparison to the pension commitment they had before as employees.

In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is excluded. Finally, the standard criteria for eligibility in the pension arrangements are in line with market levels.

In addition, the Company makes contributions, including the related taxes, for term life insurance with standard coverage (EUR 1.3 million) for several of its Board of Management members. The related expenses are included in the figures for non-cash benefits.

Components with mid- and long-term incentives.**Mid-Term Incentive Plan.**

Members of the Board of Management participate in the Deutsche Telekom AG Mid-Term Incentive Plan (MTIP) introduced in the 2004 financial year (please refer to the explanations regarding the MTIP under Note 23).

Incentive-based compensation from the MTIP.

| € ¹ | 2009 MTIP Maximum award amount | 2009 MTIP Fair value at grant date | Total expense for share-based payments 2009 | 2008 MTIP Maximum award amount | Total expense for share-based payments 2008 |
|------------------------------------|--------------------------------------|--|--|--------------------------------------|--|
| René Obermann | 750,000 | 76,613 | 257,518 | 750,000 | 444,591 |
| Dr. Karl-Gerhard Eick ² | 0 | 0 | (250,939) | 630,000 | 439,520 |
| Hamid Akhavan | 480,000 | 49,032 | 164,812 | 480,000 | 275,023 |
| Dr. Manfred Balz | 330,000 | 33,710 | 62,004 | 168,000 | 122,830 |
| Reinhard Clemens | 420,000 | 42,903 | 63,869 | 420,000 | 44,580 |
| Timotheus Höttges | 450,000 | 45,968 | 154,511 | 450,000 | 240,435 |
| Guido Kerkhoff ³ | 360,000 | 36,774 | 70,366 | 0 | 0 |
| Thomas Sattelberger | 515,000 | 52,607 | 173,887 | 515,000 | 152,452 |
| Niek Jan van Damme ³ | 295,000 | 30,134 | 41,502 | 0 | 0 |
| | 3,600,000 | 367,741 | 737,530 | 3,413,000 | 1,719,431 |

¹ Fair value calculated using the so-called Monte Carlo model.

² As Dr. Eick left the Group effective February 28, 2009, no further tranches of the MTIP were awarded to him in 2009. Dr. Eick forfeited the award amounts for the 2007 and 2008 tranches in accordance with the termination agreement. The provision recognized for Dr. Eick was reversed and, as a result, income generated.

³ Guido Kerkhoff and Niek Jan van Damme still participate in the 2008 MTIP tranche due to their previous positions within the Group prior to being appointed to the Board of Management.

2001 Stock Option Plan.

The Company's 2001 Stock Option Plan was terminated by resolution of the shareholders' meeting of May 18, 2004. No stock options were issued for members of the Board of Management as of the 2002 financial year.

Hamid Akhavan, Timotheus Höttges and René Obermann continue to participate in the 2002 tranche of the 2001 Stock Option Plan as a result of their prior activities at T-Mobile. Dr. Manfred Balz and Guido Kerkhoff still participate in the Stock Option Plan by virtue of their employment relationship prior to being appointed to the Board of Management. The stock options that have been granted can be exercised under the terms of the stock option plans. However, no options have yet been exercised. The number of stock options held by the Board of Management members active in the 2009 financial year is unchanged year-on-year.

The number of stock options is shown in the following table.

Incentive-based compensation from stock option plans.

| | | Number of options | Value of options | Number of options | Value of options | Weighted average |
|-----------------------------|------|-------------------|------------------|-------------------|------------------|-------------------------------------|
| | | 2001 SOP | on issue (2001) | 2001 SOP | on issue (2002) | |
| | | 2001 tranche | € | 2002 tranche | € | exercise price of stock options (€) |
| René Obermann | 2009 | 48,195 | 4.87 | 28,830 | 3.79 | 23.40 |
| | 2008 | 48,195 | 4.87 | 28,830 | 3.79 | 23.40 |
| Dr. Karl-Gerhard Eick | 2009 | 0 | 4.87 | 0 | 0.00 | 30.00 |
| | 2008 | 163,891 | 4.87 | 0 | 0.00 | 30.00 |
| Hamid Akhavan | 2009 | 0 | 0.00 | 19,840 | 3.79 | 12.36 |
| | 2008 | 0 | 0.00 | 19,840 | 3.79 | 12.36 |
| Dr. Manfred Balz | 2009 | 32,130 | 4.87 | 17,360 | 3.79 | 23.81 |
| | 2008 | 32,130 | 4.87 | 17,360 | 3.79 | 23.81 |
| Reinhard Clemens | 2009 | 0 | 0.00 | 0 | 0.00 | n/a |
| | 2008 | 0 | 0.00 | 0 | 0.00 | n/a |
| Timotheus Höttges | 2009 | 0 | 0.00 | 17,050 | 3.79 | 12.36 |
| | 2008 | 0 | 0.00 | 17,050 | 3.79 | 12.36 |
| Guido Kerkhoff ¹ | 2009 | 0 | 0.00 | 4,650 | 3.79 | 12.36 |
| | 2008 | 0 | 0.00 | 4,650 | 3.79 | 12.36 |
| Thomas Sattelberger | 2009 | 0 | 0.00 | 0 | 0.00 | n/a |
| | 2008 | 0 | 0.00 | 0 | 0.00 | n/a |
| Niek Jan van Damme | 2009 | 0 | 0.00 | 0 | 0.00 | n/a |
| | 2008 | 0 | 0.00 | 0 | 0.00 | n/a |
| Total | 2009 | 80,325 | | 87,730 | | |
| | 2008 | 244,216 | | 87,730 | | |

¹ Guido Kerkhoff still participated in the Stock Option Plan before being appointed to the Board of Management due to his previous position held at Deutsche Telekom AG. The total number of options issued for members of the Board of Management as shown in the table above increased compared with the table in the prior year, as Guido Kerkhoff who was not a member of the Board of Management in 2008 was included in this table in 2009.

The range of exercise prices of René Obermann's and Dr. Manfred Balz's options varies between EUR 12.36 and EUR 30.00.

Due to the fact that the remaining members of the Board of Management only participate in one tranche of the stock option plan, no range need be stated.

The average remaining term of the outstanding options for Board of Management members as of December 31, 2009 is 2.0 years.

Please also refer to the explanations regarding stock option plans under Note 23.

Board of Management compensation for the 2009 financial year.

In reliance on legal requirements and other guidelines, a total of EUR 13,711,623 (2008: EUR 14,910,486) is reported in the following table as total compensation for the 2009 financial year for the current members of the Board of Management. This compensation comprises fixed annual remuneration, other benefits, non-cash benefits, remuneration in kind, variable remuneration for the 2009 financial year and the fair value of the 2009 MTIP at the grant date. The pension expense resulting from the company pension plan is shown as service costs. All other remuneration is totally unrelated to performance.

Total compensation.

The compensation of the Board of Management is shown in detail in the following table.

| € | | Fixed annual remuneration | Other remuneration | Variable remuneration | MTIP (Fair value at grant date) | Total | Service costs |
|--|-------------|---------------------------|----------------------|-----------------------|------------------------------------|-------------------|------------------|
| René Obermann | 2009 | 1,250,000 | 37,233 | 1,365,000 | 76,613 | 2,728,846 | 419,396 |
| | 2008 | 1,250,000 | 86,262 | 1,762,500 | 116,738 | 3,215,500 | 409,642 |
| Dr. Karl-Gerhard Eick (until February 28, 2009) | 2009 | 183,750 | 17,371 | 183,750 | 0 | 384,871 | 2,513,877 |
| | 2008 | 1,054,375 | 49,290 | 1,513,028 | 98,060 | 2,714,753 | 932,321 |
| Hamid Akhavan | 2009 | 800,000 | 611,878 ¹ | 789,600 | 49,032 | 2,250,510 | 0 |
| | 2008 | 800,000 | 613,588 | 1,178,400 | 74,712 | 2,666,700 | 0 |
| Dr. Manfred Balz | 2009 | 660,000 | 19,204 | 468,600 | 33,710 | 1,181,514 | 39,332 |
| | 2008 | 127,742 | 4,641 | 122,485 | 26,149 | 281,017 | 41,247 |
| Reinhard Clemens | 2009 | 658,333 | 31,531 | 825,750 | 42,903 | 1,558,517 | 314,522 |
| | 2008 | 650,000 | 33,463 | 1,106,250 | 65,373 | 1,855,086 | 206,375 |
| Timotheus Höttges | 2009 | 750,000 | 21,583 | 803,250 | 45,968 | 1,620,801 | 182,070 |
| | 2008 | 750,000 | 24,506 | 1,116,000 | 70,043 | 1,960,549 | 171,402 |
| Guido Kerkhoff (from March 1, 2009) | 2009 | 433,333 | 11,874 | 692,250 | 36,774 | 1,174,231 | 226,501 |
| | 2008 | 0 | 0 | 0 | 0 | 0 | 0 |
| Thomas Sattelberger | 2009 | 800,000 | 5,687 | 976,250 | 52,607 | 1,834,544 | 1,231,244 |
| | 2008 | 800,000 | 44,221 | 1,292,500 | 80,160 | 2,216,881 | 1,168,673 |
| Niek Jan van Damme (from March 1, 2009) | 2009 | 366,667 | 31,538 | 549,450 | 30,134 | 977,789 | 241,666 |
| | 2008 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2009 | 5,902,083 | 787,899 | 6,653,900 | 367,741 | 13,711,623 | 5,168,608 |
| | 2008 | 5,432,117 | 855,971 | 8,091,163 | 531,235 | 14,910,486 | 2,929,660 |

¹ In addition to the pension substitute paid to Hamid Akhavan due to his U.S. citizenship, he also receives a monthly lump-sum payment to compensate for different tax regulations in Germany and the United States.

The additions to provisions for pensions recognized in 2009 amounted to EUR 5,168,608 (2008: EUR 2,929,660).

The termination agreement concluded with Dr. Eick effective February 28, 2009 did not result in any reportable legal obligations as of the balance sheet date. Under this agreement, all existing entitlements to stock options and the tranches awarded under the 2007 MTIP and 2008 MTIP were forfeited without compensation. In addition to the pro-rata fixed annual remuneration for the 2009 financial year, Dr. Eick was granted a pro-rata variable, performance-

based remuneration that was calculated based on 100-percent achievement of targets and pro rated for the period until February 28, 2009. Pension rights were already legally vested at the date of Dr. Eick's departure, and thus continued to be valid as at February 28, 2009.

No member of the Board of Management received benefits or corresponding commitments from a third party for his activity as a Board of Management member during the past financial year.

Former members of the Board of Management.

A total of EUR 4,249,734 (2008: EUR 4,140,947) was recorded for payments to and entitlements for former members of the Board of Management and their surviving dependents.

Accruals totaling EUR 86,584,344 (December 31, 2008: EUR 76,347,996) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents.

Several former Board of Management members are entitled to a civil servant pension from the Civil Service Pension Fund (BPS-PT). In the 2009 financial year, there was no expense incurred in this regard. The present value of the estimated pensions of these Board of Management members amounts to EUR 2,409,695 as of December 31, 2009 (December 31, 2008: EUR 2,428,967).

Other.

The Company has not extended any loans to current or former Board of Management members.

Compensation of the Supervisory Board.

The compensation received by the members of the Supervisory Board is specified under § 13 of the Articles of Incorporation of Deutsche Telekom AG. The members of the Supervisory Board receive fixed annual remuneration of EUR 20,000.00 plus variable, performance-related remuneration with short-term and long-term components, depending on the development of net income per share.

The short-term performance-related remuneration amounts to EUR 300.00 per full EUR 0.01 by which the net income per no par value share exceeds EUR 0.50 in the financial year for which the remuneration is being paid.

The long-term performance-related remuneration amounts to EUR 300.00 for every 4 percent by which the net income per no-par value share in the second financial year following the financial year in question (reference year) exceeds the net income per no-par value share in the financial year preceding the financial year in question. The long-term performance-related remuneration is limited, however, to the amount of the long-term performance-related remuneration for the financial year preceding the financial year in question, insofar as the net revenue in the reference year does not exceed the net revenue in the financial year preceding the financial year in question.

Short-term and long-term performance-related remuneration are each limited to a maximum of EUR 20,000.00.

Moreover, the short-term performance-related remuneration may not exceed a total of 0.02 percent of the Company's unappropriated net income reported in the approved annual financial statements of the financial year in question, reduced by an amount of 4 percent of the contributions made on the lowest issue price of the shares at the end of the financial year.

The chairperson of the Supervisory Board receives double, and the deputy chairperson one and a half times the remuneration of an ordinary member of the Supervisory Board. In addition, remuneration increases by half for each membership of a Supervisory Board committee (with the exception of the Mediation Committee and the Nomination Committee) and by a further half for each Supervisory Board committee chaired; total remuneration shall not exceed double the annual remuneration, however. Members of the Supervisory Board who were not in office for the entire financial year receive one twelfth of the remuneration for each month or part thereof that they held a seat.

Members of the Supervisory Board receive an attendance fee amounting to EUR 200.00 for each meeting of the Supervisory Board or its committees that they have attended. The Company reimburses value-added tax payable on remuneration and expenses.

The total remuneration of the members of the Supervisory Board in 2009 amounted to EUR 709,400.00 (plus VAT).

No loans were granted to the members of the Supervisory Board.

The **compensation of the individual members of the Supervisory Board** for 2009 is as follows:

| € Member of the Supervisory Board | Fixed remuneration including attendance fee | Short-term variable | Total (net) | Imputed long-term remuneration entitlement ^a |
|--|--|------------------------|-------------------|--|
| Asmussen, Jörg | 32,400.00 | 0.00 | 32,400.00 | 0.00 |
| Becker, Hermann Josef | 42,800.00 | 0.00 | 42,800.00 | 0.00 |
| Brandl, Monika | 21,400.00 | 0.00 | 21,400.00 | 0.00 |
| Bury, Hans Martin | 42,000.00 | 0.00 | 42,000.00 | 0.00 |
| Falbisoner, Josef | 21,400.00 | 0.00 | 21,400.00 | 0.00 |
| Dr. von Grünberg, Hubertus | 31,400.00 | 0.00 | 31,400.00 | 0.00 |
| Guffey, Lawrence H. | 42,600.00 | 0.00 | 42,600.00 | 0.00 |
| Hocker, Ulrich | 21,400.00 | 0.00 | 21,400.00 | 0.00 |
| Holzwarth, Lothar ^b | 42,400.00 | 0.00 | 42,400.00 | 0.00 |
| Kallmeier, Hans-Jürgen | 21,400.00 | 0.00 | 21,400.00 | 0.00 |
| Kühnast, Sylvia | 21,400.00 | 0.00 | 21,400.00 | 0.00 |
| Prof. Dr. Lehner, Ulrich (Chairman) | 73,400.00 | 0.00 | 73,400.00 | 0.00 |
| Litzenberger, Waltraud | 64,600.00 | 0.00 | 64,600.00 | 0.00 |
| Löffler, Michael | 21,400.00 | 0.00 | 21,400.00 | 0.00 |
| Prof. Dr. Reitzle, Wolfgang (until Dec. 31, 2009) | 20,800.00 | 0.00 | 20,800.00 | 0.00 |
| Prof. Dr. von Schimmelmann, Wulf (until Dec. 31, 2009) | 21,000.00 | 0.00 | 21,000.00 | 0.00 |
| Schröder, Lothar (Deputy Chairman) ^c | 63,400.00 | 0.00 | 63,400.00 | 0.00 |
| Dr. Schröder, Ulrich | 21,000.00 | 0.00 | 21,000.00 | 0.00 |
| Sommer, Michael | 20,600.00 | 0.00 | 20,600.00 | 0.00 |
| Dr. h.c. Walter, Bernhard | 62,600.00 | 0.00 | 62,600.00 | 0.00 |
| Total | 709,400.00 | 0.00 | 709,400.00 | 0.00 |

^a In determining the amount to be recognized as an accrual it was assumed that net income per no par value share in 2011 would equal that in 2009. Based on this assumption, there is no long-term remuneration entitlement for the total year for the period 2008 to 2011.

^b Lothar Holzwarth received compensation of EUR 2,666.66 from T-Systems Business Services GmbH (until Apr. 1, 2009 – merged into Deutsche Telekom AG), Bonn, a wholly-owned subsidiary of Deutsche Telekom AG, for the 2009 financial year for a mandate as member of the supervisory board of this company.

^c Lothar Schröder received compensation of EUR 17,400.00 from T-Mobile Deutschland GmbH, Bonn, a wholly-owned subsidiary of Deutsche Telekom AG, for the 2009 financial year for a mandate as member of the supervisory board of this company.

37 Declaration of conformity with the German Corporate Governance Code in accordance with § 161 AktG.

In accordance with § 161 AktG, the Board of Management and the Supervisory Board have submitted the mandatory declaration of conformity and made it publicly available on Deutsche Telekom's website at <http://www.telekom.com/dtag/cms/content/dt/en/802390>. The declaration is also included in the management report of Deutsche Telekom.

38 Proposal for the appropriation of net income.

The Board of Management of Deutsche Telekom proposes, subject to the approval of the shareholders' meeting, to pay shareholders a dividend of EUR 0.78 per individual no par value share carrying dividend rights and to carry forward the remaining balance as part of unappropriated net income of EUR 6,421,196,639.17.

The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

39 Statement of investment holdings in accordance with § 285 No. 11 HGB.

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|--|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 1. | 3.T-Venture Beteiligungsgesellschaft mbH (3. TVB), Bonn | 1.184. | 100.00 | | 25,000 | EUR | 5,876,757 | 48,930 | EUR | d |
| 2. | Accumio Finance Services GmbH, Heidelberg | 1.154. | 100.00 | | 2,001,000 | EUR | 9,696,600 | 0 | EUR | a |
| 3. | ActiveBilling Beteiligungsg-GmbH, Bonn | | | 100.00 | 25,000 | EUR | 25,299 | (19) | EUR | d |
| 4. | ActiveBilling GmbH & Co. KG, Bonn | | | 100.00 | 100,000 | EUR | 47,326,482 | 90,403,789 | EUR | d |
| 5. | Aesop Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 20,787 | (381) | EUR | d |
| 6. | Albania Mobile Communications Sh.A, Tirana | 1.22. | 12.58 | | 813,821,916 | ALL | 41,594,295,714 | 11,652,874,095 | ALL | d |
| 6. | Albania Mobile Communications Sh.A, Tirana | 1.32. | 85.00 | | 813,821,916 | ALL | 41,594,295,714 | 11,652,874,095 | ALL | d |
| 7. | Atrada Trading Network AG, Nuremberg | | | 100.00 | 146,302 | EUR | 470,209 | 2,024,503 | EUR | |
| 8. | Atrada Trading Network Limited, Manchester | 1.7. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 9. | AutoScout24 AS GmbH, Vienna | 1.13. | 100.00 | | 35,000 | EUR | (76,288) | 128,670 | EUR | d |
| 10. | AutoScout24 Belgium S.A., Brussels | 1.13. | 100.00 | | 62,000 | EUR | 1,729,433 | 1,020,211 | EUR | d |
| 11. | AutoScout24 España S.A., Madrid | 1.13. | 100.00 | | 153,388 | EUR | (266,056) | 396,865 | EUR | d |
| 12. | AutoScout24 France SAS, Trappes | 1.13. | 100.00 | | 95,280 | EUR | (3,162,414) | 304,572 | EUR | d |
| 13. | AutoScout24 GmbH, Munich | 1.161. | 100.00 | | 1,269,950 | EUR | 48,168,716 | 0 | EUR | a |
| 14. | AutoScout24 Italia S.R.L., Padua | 1.13. | 100.00 | | 97,000 | EUR | 3,525,169 | 1,931,732 | EUR | d |
| 15. | AutoScout24 Nederland B.V., Amsterdam | 1.13. | 100.00 | | 36,400 | EUR | 2,664,271 | 950,101 | EUR | d |
| 16. | AutoScout24 Scandinavia A.B., Stockholm | 1.13. | 100.00 | | 109,000 | SEK | 57,441 | (14,401) | SEK | d |
| 17. | AutoScout24 d.o.o., Zagreb | 1.13. | 75.00 | | 40,000 | HRK | 0 | 0 | HRK | d |
| 18. | Axelero Kft., Budapest | 1.117. | 10.00 | | 3,950,000 | HUF | 3,000,000 | 0 | HUF | |
| 18. | Axelero Kft., Budapest | 1.105. | 90.00 | | 3,950,000 | HUF | 3,000,000 | 0 | HUF | |
| 19. | BERCOS Gesellschaft für Kommunikationstechniken mbH, Bonn | 1.50. | 100.00 | | 400,000 | EUR | 233,510 | (9,570) | EUR | |
| 20. | CMobil B.V., Amsterdam | 1.194. | 100.00 | | 30,403 | EUR | 899,508,955 | 266,450,463 | EUR | d |
| 21. | COSMO-ONE HELLAS MARKET SITE SOCIETE ANONYME OF ELECTRONIC COMMERCE SERVICES, Athens | 1.92. | 30.87 | | 5,391,100 | EUR | 1,269,562 | (61,387) | EUR | d |
| 21. | COSMO-ONE HELLAS MARKET SITE SOCIETE ANONYME OF ELECTRONIC COMMERCE SERVICES, Athens | 1.22. | 30.87 | | 5,391,100 | EUR | 1,269,562 | (61,387) | EUR | d |
| 22. | COSMOTE S.A., Maroussi, Athens | 1.92. | 100.00 | | 157,899,931 | EUR | - | - | | |
| 23. | Cato Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 25,609 | (520) | EUR | d |
| 24. | Cicero Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 25,599 | (530) | EUR | d |
| 25. | Combridge S.R.L., Sfântu Gheorghe | 1.117. | 100.00 | | 29,801,490 | RON | 42,208,707 | 3,883,247 | RON | |
| 26. | Compargo Kft., Budapest | 1.109. | 80.00 | | 3,000,000 | HUF | 94,409,515 | 37,181,542 | HUF | |
| 27. | Compendo GmbH, Nuremberg | 1.7. | 100.00 | | 25,000 | EUR | 28,481 | (1,439) | EUR | |
| 28. | Cook Inlet/VS GSM IV PCS Holdings, LLC, Bellevue | 1.190. | 99.00 | | 1 | USD | 125,702,643 | (5,519,534) | USD | d |
| 28. | Cook Inlet/VS GSM IV PCS Holdings, LLC, Bellevue | 1.234. | 1.00 | | 1 | USD | 125,702,643 | (5,519,534) | USD | d |
| 29. | Cook Inlet/VS GSM VII PCS Holding, LLC, Bellevue | 1.205. | 49.90 | | 1 | USD | 0 | 0 | USD | |
| 30. | Cook Inlet/VS GSM VIII PCS L.L.C., Bellevue | 1.29. | 100.00 | | 1 | USD | 278,622,256 | 17,632,281 | USD | d |
| 31. | Cosmo Bulgaria Mobile EAD, Sofia | 1.22. | 100.00 | | 490,664,220 | BGN | 721,351,189 | 162,695,117 | BGN | d |
| 32. | Cosmo Holding Albania Societe Anonyme, Maroussi, Athens | 1.22. | 97.00 | | 94,507,000 | EUR | 133,149,412 | 32,099,991 | EUR | d |
| 33. | Cosmoholding Cyprus Limited, Limassol | 1.22. | 100.00 | | 100,000 | EUR | 1,257,147,988 | (10,094,057) | EUR | d |
| 34. | Cosmoholding Romania Ltd., Limassol | 1.22. | 100.00 | | 30,000 | EUR | - | - | | |
| 35. | Cosmote Romanian Mobile Telecommunications S.A., Bucharest | 1.155. | 30.00 | | 1,999,381,606 | RON | 167,973,920 | (409,770,283) | RON | d |
| 35. | Cosmote Romanian Mobile Telecommunications S.A., Bucharest | 1.22. | 70.00 | | 1,999,381,606 | RON | 167,973,920 | (409,770,283) | RON | d |
| 36. | Crnogorski Telekom a.d. Podgorica, Podgorica | 1.117. | 76.53 | | 140,996,394 | EUR | 186,329,518 | 38,806,572 | EUR | |
| 37. | DFMG Deutsche Funkturm GmbH, Münster | 1.192. | 16.67 | | 30,000 | EUR | 7,726,925 | 0 | EUR | a, d |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|--|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 37. | DFMG Deutsche Funkturm GmbH, Münster | 1.38. | 83.33 | | 30,000 | EUR | 7,726,925 | 0 | EUR | a, d |
| 38. | DFMG Holding GmbH, Bonn | | | 100.00 | 26,000 | EUR | 53,751 | 0 | EUR | a, d |
| 39. | DIERGASIA Interim Employment S.A., Athens | 1.136. | 100.00 | | 180,000 | EUR | - | - | EUR | |
| 40. | Dataplex Infokommunikációs Infrastruktúra Szolgáltató és Ingatlanhasznosító Korlátolt Felelősségű Társaság, Budapest | 1.117. | 100.00 | | 1,850,000,000 | HUF | 1,902,432,634 | 290,042,230 | HUF | |
| 41. | Dataware Szolgáltató Kft., Budapest | 1.96. | 100.00 | | 80,000,000 | HUF | 309,000 | 14,000 | EUR | |
| 42. | DeTeAsia Holding GmbH, Bonn | | | 100.00 | 50,000 | DEM | 99,378 | 0 | EUR | a, d |
| 43. | DeTeAssekuranz – Deutsche Telekom Assekuranz-Vermittlungsgesellschaft mbH, Monheim | | | 100.00 | 1,000,000 | EUR | 1,000,000 | 0 | EUR | a, d |
| 44. | DeTeFleetServices GmbH, Bonn | | | 100.00 | 5,000,000 | EUR | 220,262,853 | 0 | EUR | a, d |
| 45. | DeTeMedien, Deutsche Telekom Medien GmbH, Frankfurt/Main | | | 100.00 | 23,008,135 | EUR | 24,572,258 | 0 | EUR | a, d |
| 46. | Detecon (Schweiz) AG, Zurich | 1.50. | 100.00 | | 1,000,000 | CHF | 5,821,200 | 1,637,810 | EUR | |
| 47. | Detecon Asia-Pacific Ltd., Bangkok | 1.50. | 100.00 | | 49,000,000 | THB | 753,360 | (27,600) | EUR | |
| 48. | Detecon Consulting Austria GmbH, Vienna | 1.243. | 100.00 | | 72,673 | EUR | 113,000 | (3,000) | EUR | |
| 49. | Detecon Consulting España S.A., Madrid | 1.50. | 100.00 | | 250,000 | EUR | (963,670) | (11,850) | EUR | |
| 49. | Detecon Consulting España S.A., Madrid | 1.19. | 0.00 | | 250,000 | EUR | (963,670) | (11,850) | EUR | |
| 50. | Detecon International GmbH, Bonn | 1.266. | 100.00 | | 19,430,100 | EUR | 34,460,420 | 15,030,320 | EUR | d |
| 51. | Detecon Vezetési Tanácsadó Kft., Budapest | 1.50. | 100.00 | | 4,600,000 | HUF | 17,000 | 1,000 | EUR | |
| 52. | Detecon, Inc., Reston, VA | 1.50. | 100.00 | | 1,872,850 | USD | 334,560 | 106,980 | EUR | |
| 53. | Deutsche TELEKOM Asia Pte Ltd., Singapore | | | 100.00 | 136,777,793 | SGD | 3,595,691 | 50,821 | SGD | i |
| 54. | Deutsche TELEKOM Ltd., London | | | 100.00 | 240,000 | GBP | 2,330,293 | 22,980 | GBP | j |
| 55. | Deutsche Telekom Accounting GmbH, Bonn | | | 100.00 | 100,000 | EUR | 100,000 | 0 | EUR | a, d |
| 56. | Deutsche Telekom BK-Holding GmbH, Bonn | | | 100.00 | 500,000,000 | DEM | 255,645,941 | 0 | EUR | a, d |
| 57. | Deutsche Telekom España, S.L. i.L., Madrid | | | 100.00 | 10,000 | EUR | 225,375 | 89,594 | EUR | j |
| 58. | Deutsche Telekom Holding B.V., Amsterdam | | | 100.00 | 18,151 | EUR | 9,479,000 | 106,000 | EUR | k |
| 59. | Deutsche Telekom International Finance B.V., Amsterdam | | | 100.00 | 453,780 | EUR | 348,375,410 | 18,041,942 | EUR | |
| 60. | Deutsche Telekom K.K., Tokyo | | | 100.00 | 120,000,000 | JPY | 215,724,199 | 6,688,047 | JPY | i |
| 61. | Deutsche Telekom Kundenservice GmbH, Bonn | | | 100.00 | 25,000 | EUR | 19,110,240 | 0 | EUR | a, d |
| 62. | Deutsche Telekom Netzproduktion GmbH, Bonn | | | 100.00 | 27,000 | EUR | 29,651,556 | 0 | EUR | a, d |
| 63. | Deutsche Telekom North America Inc., Wilmington, DW | 1.276. | 100.00 | | 30 | USD | 2,138,630 | (615,800) | EUR | |
| 64. | Deutsche Telekom Shared Services s.r.o., Bratislava | 1.245. | 15.00 | | 5,000 | EUR | 105,000 | 1,166 | EUR | |
| 64. | Deutsche Telekom Shared Services s.r.o., Bratislava | 1.55. | 85.00 | | 5,000 | EUR | 105,000 | 1,166 | EUR | |
| 65. | Deutsche Telekom Technischer Service GmbH, Bonn | | | 100.00 | 27,000 | EUR | 56,964,589 | 0 | EUR | a, d |
| 66. | Deutsche Telekom Training GmbH, Bonn | | | 100.00 | 102,300 | EUR | 124,988 | 0 | EUR | a, d |
| 67. | Deutsche Telekom Value Added Services Austria GmbH, Vienna | | | 100.00 | 100,000 | EUR | 114,099,399 | 42,557,015 | EUR | |
| 68. | Deutsche Telekom Venture Funds GmbH, Bonn | | | 100.00 | 25,000 | EUR | 686,546 | 0 | EUR | a, d |
| 69. | Deutsche Telekom, Inc., New York, NY | | | 100.00 | 100 | USD | 7,656,802 | 360,652 | USD | i |
| 70. | E-Value Collection Ltd., Agios Stefanos | 1.71. | 100.00 | | 350,010 | EUR | - | - | | |
| 71. | E-Value Societe Anonyme of Direct Marketing and Customer Support Services, Agios Stefanos | 1.81. | 100.00 | | 4,745,062 | EUR | 3,125,870 | (197,633) | EUR | d |
| 72. | EURACCOUNT Kft., Budapest | 1.117. | 99.00 | | 450,000,000 | HUF | 379,252,256 | (53,935,174) | HUF | |
| 72. | EURACCOUNT Kft., Budapest | 1.105. | 1.00 | | 450,000,000 | HUF | 379,252,256 | (53,935,174) | HUF | |
| 73. | Elso Pesti Teleföntársaság NyRt., Budapest | 1.117. | 97.20 | | 776,899,000 | HUF | 767,953,433 | 98,909,944 | HUF | |
| 74. | Erste DFMG Deutsche Funkturm Vermögens-GmbH & Co. KG, Heusenstamm | | | 100.00 | 100,000 | EUR | 170,272,893 | 17,481,844 | EUR | d |
| 75. | Eutelis Consult GmbH, Ratingen | 1.50. | 60.00 | | 1,360,000 | DEM | - | - | | |
| 76. | Fal Dete Telecommunications S.A.L., Furn El Chebbak | 1.50. | 51.00 | | 150,000,000 | LBP | | | EUR | |
| 77. | FinanceScout24 GmbH, Munich | 1.161. | 100.00 | | 728,823 | EUR | 3,559,481 | 0 | EUR | a |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|---|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 78. | FriendScout24 GmbH, Munich | 1.161. | 100.00 | | 1,500,000 | EUR | 4,535,642 | 0 | EUR | a |
| 79. | GEMAPPS Gesellschaft für mobile Lösungen mbH, Hamburg | 1.266. | 100.00 | | 25,000 | EUR | 140,000 | (532,000) | EUR | |
| 80. | GMG Generalmietgesellschaft mbH, Bonn | | | 100.00 | 51,130,000 | EUR | 51,423,214 | 0 | EUR | a, d |
| 81. | Germanos Societe Anoyme Instrustrial & Commercial Company of Electronic Telecommunicationmaerial & Services, Agios Stefanos | 1.33. | 100.00 | | 29,600,892 | EUR | 305,452,783 | 3,306,406 | EUR | d |
| 82. | Germanos Telecom Bulgaria AD, Sofia | 1.81. | 100.00 | | 5,400,000 | BGN | 21,664,251 | (3,183,992) | BGN | d |
| 83. | Germanos Telecom Romania S.A., Ilfov, Volunatri | 1.81. | 99.99 | | 98,668,441 | RON | 42,103,502 | 9,290,706 | RON | d |
| 84. | Global TIMES Ventures Administration GmbH (GTV), Bonn | 1.297. | 100.00 | | 100,000 | EUR | 157,584 | 12,077 | EUR | d |
| 85. | Global TIMES Ventures GmbH & Co. KG, Bonn | 1.297. | 60.00 | | 47,500 | EUR | 927,078 | 19,179 | EUR | d |
| 86. | HATWAVE Hellenic-American Telecommunications Wave Ltd., Donetsk | 1.92. | 52.67 | | 100 | CYP | - | - | | |
| 87. | HELLAS-SAT Consortium Ltd., Nicosia | 1.92. | 99.05 | | 191,235,884 | EUR | 127,016,559 | 2,292,091 | EUR | d |
| 88. | HELLAS-SAT S.A. Satellite System Services & Communications, Maroussi, Athens | 1.87. | 99.05 | | 9,058,696 | EUR | 6,701,322 | (483,404) | EUR | d |
| 88. | HELLAS-SAT S.A. Satellite System Services & Communications, Maroussi, Athens | 1.131. | 0.01 | | 9,058,696 | EUR | 6,701,322 | (483,404) | EUR | d |
| 89. | HOLDCO Sp.z o o., Warsaw | 1.235. | 100.00 | | 4,000,000 | PLN | 639,670,671 | 3,532,936 | PLN | h |
| 90. | HT - Hrvatske telekomunikacije d.d., Zagreb | | | 51.00 | 8,188,853,500 | HRK | 11,055,000,000 | 2,104,000,000 | HRK | d |
| 91. | Hellascom International A.E., Athens | 1.92. | 100.00 | | 4,750,000 | EUR | 13,324,412 | (73,418) | EUR | d |
| 92. | Hellenic Telecommunications Organization S.A. (OTE), Athens | | | 30.00 | 1,171,459,430 | EUR | 3,524,000,000 | 363,300,000 | EUR | d |
| 93. | Horaz Telekommunikationsdienste GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 24,000 | 0 | EUR | |
| 94. | I.T.E.N.O.S. International Telecom Network Operation Services GmbH, Bonn | 1.266. | 100.00 | | 3,000,000 | EUR | 6,410,000 | 0 | EUR | a |
| 95. | IQSYS Informatikai és Tanácsadó Zártkörűen Működő Részvénytársaságként, Budapest | 1.117. | 100.00 | | 1,000,000,000 | HUF | 3,451,577,328 | 491,205,556 | HUF | |
| 96. | IT Services Hungary Szolgáltató Kft., Budapest | 1.266. | 100.00 | | 150,100,000 | HUF | 9,350,000 | 583,000 | EUR | |
| 97. | ImmoCom Verwaltungs GmbH, Heusenstamm | 1.80. | 100.00 | | 50,000 | DEM | (38,924,090) | (368,119) | EUR | d |
| 98. | Immobilien Scout Deutschland GmbH, Berlin | 1.99. | 100.00 | | 50,000 | DEM | 21,952 | (200) | EUR | g |
| 99. | Immobilien Scout GmbH, Berlin | 1.163. | 60.10 | | 144,250 | EUR | 4,115,566 | 0 | EUR | a |
| 99. | Immobilien Scout GmbH, Berlin | 1.161. | 39.90 | | 144,250 | EUR | 4,115,566 | 0 | EUR | a |
| 100. | Infovan (Proprietary) Limited, Midrand | 1.286. | 100.00 | | 2,000 | ZAR | 6,136,590 | 422,500 | EUR | |
| 101. | Institute of Next Generation Networks, Zilina | 1.170. | 100.00 | | 0 | EUR | 250,584 | (110,186) | EUR | |
| 102. | Interactive Media CCSP GmbH, Darmstadt | | | 100.00 | 901,000 | EUR | 7,939,571 | 0 | EUR | a, d |
| 103. | International System House Informatika Kft., Budapest | 1.117. | 100.00 | | 3,000,000 | HUF | 2,745,791,378 | 49,016,739 | HUF | |
| 104. | International System House Kereskedelmi és Szoftverfejlesztő Kft., Budapest | 1.117. | 100.00 | | 3,000,000 | HUF | 2,441,181 | (501,895) | HUF | |
| 105. | Investel Magyar Távközlési Befektetési ZRt., Budapest | 1.117. | 100.00 | | 4,453,000,000 | HUF | 8,098,160,143 | 2,553,258,924 | HUF | |
| 106. | Iskon Internet d.d., Zagreb | 1.90. | 100.00 | | 42,876,600 | HRK | (124,836,156) | (44,498,216) | HRK | |
| 107. | JobScout24 GmbH, Munich | 1.108. | 100.00 | | 25,000 | EUR | 20,324,470 | 0 | EUR | a |
| 108. | JobScout24 International Holding AG, Baar | 1.161. | 100.00 | | 1,540,000 | CHF | 11,594,743 | 284,516 | CHF | |
| 109. | KFKI Rendszerintegrációs Zártkörűen Működő Részvénytársaság, Budapest | 1.117. | 100.00 | | 2,000,000,000 | HUF | 8,561,412,386 | 2,359,832,624 | HUF | |
| 110. | KFKI-Digitális RendszerelQállító és Karbantartó Kft., Budapest | 1.117. | 100.00 | | 30,600,000 | HUF | 225,522,275 | 38,048,209 | HUF | |
| 111. | Kabelsko distributivni sustav d.o.o., Cakovec | 1.90. | 100.00 | | 1,229,600 | HRK | 3,712,952 | 929,709 | HRK | |
| 112. | Kappa Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,546 | 0 | EUR | a, d |
| 113. | Kitchen Budapest Kft., Budapest | 1.117. | 99.20 | | 25,000,000 | HUF | 20,347,288 | (10,399,970) | HUF | |
| 113. | Kitchen Budapest Kft., Budapest | 1.105. | 0.80 | | 25,000,000 | HUF | 20,347,288 | (10,399,970) | HUF | |
| 114. | Lambda Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,546 | 0 | EUR | a, d |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|--|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 115. | M Factory Kommunikációs Zártkörűen Működő Részvénytársaság, Budapest | 1.117. | 100.00 | | 20,000,000 | HUF | 131,376,967 | 17,410,344 | HUF | |
| 116. | MAGYARCOM SZOLGÁLTATÓ KOMMUNIKÁCIÓS Kft., Budapest | | | 100.00 | 50,000,000 | HUF | 93,632,000 | 15,886,000 | HUF | j |
| 117. | Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság (Magyar Telekom Telecommunications Public Limited Company) [ehem. MATAV], Budapest | 1.118. | 59.30 | | 104,274,254,300 | HUF | 600,342,000,000 | 105,593,000,000 | HUF | d |
| 118. | MagyarCom Holding GmbH, Bonn | | | 100.00 | 316,009,000 | EUR | 2,344,520,428 | 0 | EUR | a, d |
| 119. | Makedonski Telekom A.D., Skopje | 1.173. | 56.67 | | 9,583,887,760 | MKD | 22,215,026,103 | 3,725,777,629 | MKD | |
| 120. | Matáv Kft., Budapest | 1.117. | 10.00 | | 3,950,000 | HUF | 3,000,000 | 0 | HUF | |
| 120. | Matáv Kft., Budapest | 1.105. | 90.00 | | 3,950,000 | HUF | 3,000,000 | 0 | HUF | |
| 121. | Mindentudás Egyeteme Tudományos Közhasznú Nonprofit Kft., Budapest | 1.117. | 60.00 | | 5,000,000 | HUF | 14,017,157 | (3,959,781) | HUF | |
| 122. | Mobilbeep Telecommunications One Person Limited Liability, Maroussi, Athens | 1.33. | 100.00 | | 20,100 | EUR | (268,482) | (109,117) | EUR | d |
| 123. | Norma Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,592 | 0 | EUR | a, d |
| 124. | Novatel EOOD, Sofia | 1.117. | 100.00 | | 5,190,000 | BGN | 7,668,000 | 562,000 | BGN | |
| 125. | Novatel Ukraine Ltd., Kiev | 1.105. | 0.06 | | 1,656,900 | UAH | (6,253,169) | (3,297,166) | UAH | |
| 125. | Novatel Ukraine Ltd., Kiev | 1.117. | 99.94 | | 1,656,900 | UAH | (6,253,169) | (3,297,166) | UAH | |
| 126. | ORBIT Gesellschaft für Applikations- und Informationssysteme mbH, Bonn | 1.50. | 94.12 | | 128,000 | EUR | 209,480 | 940,150 | EUR | |
| 127. | OTE Academy S.A., Maroussi, Athens | 1.92. | 100.00 | | 9,405,300 | EUR | 4,155,547 | (1,867,763) | EUR | d |
| 127. | OTE Academy S.A., Maroussi, Athens | 1.160. | 0.00 | | 9,405,300 | EUR | 4,155,547 | (1,867,763) | EUR | d |
| 128. | OTE Estate S.A., Athens | 1.92. | 100.00 | | 496,882,793 | EUR | 1,674,454,446 | 117,439,995 | EUR | d |
| 128. | OTE Estate S.A., Athens | 1.136. | 0.00 | | 496,882,793 | EUR | 1,674,454,446 | 117,439,995 | EUR | d |
| 129. | OTE Insurance Agency S.A., Athens | 1.92. | 99.90 | | 586,000 | EUR | 692,052 | 55,413 | EUR | d |
| 129. | OTE Insurance Agency S.A., Athens | 1.136. | 0.10 | | 586,000 | EUR | 692,052 | 55,413 | EUR | d |
| 130. | OTE International Investments Limited, Limassol | 1.92. | 100.00 | | 414,364,085 | EUR | 576,815,004 | 570,804 | EUR | d |
| 131. | OTE International Solutions S.A., Maroussi, Athens | 1.92. | 100.00 | | 163,697,462 | EUR | 155,009,116 | (22,744,718) | EUR | d |
| 131. | OTE International Solutions S.A., Maroussi, Athens | 1.160. | 0.00 | | 163,697,462 | EUR | 155,009,116 | (22,744,718) | EUR | d |
| 132. | OTE Investment Services S.A., Maroussi, Athens | 1.130. | 100.00 | | 8,500,000 | EUR | 7,120,334 | 375,835 | EUR | d |
| 133. | OTE Plc., London | 1.92. | 100.00 | | 50,000 | GBP | 13,541,338 | 1,878,473 | EUR | d |
| 134. | OTE Properties S.A., Athens | 1.128. | 100.00 | | 30,000,000 | EUR | - | - | | |
| 135. | OTEplus Technical & Business Solutions Bulgaria EAD, Sofia | 1.136. | 100.00 | | 200,000 | BGN | - | - | | |
| 136. | OTEplus Technical & Business Solutions S.A., Athens | 1.92. | 100.00 | | 3,837,002 | EUR | 5,004,590 | 1,693,050 | EUR | d |
| 137. | Omega Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,546 | 0 | EUR | a, d |
| 138. | Omikron Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,546 | 0 | EUR | a, d |
| 139. | One 2 One Personal Communications Ltd., Hatfield | 1.186. | 100.00 | | 1 | GBP | 1 | 0 | GBP | d |
| 140. | One2One Limited, Hatfield | 1.199. | 100.00 | | 2 | GBP | 2 | 0 | GBP | d |
| 141. | Online Breedband B.V., Amsterdam | 1.209. | 100.00 | | 26,002 | EUR | 11,957,822 | (10,543,178) | EUR | d |
| 142. | Orbitel A.D., Sofia | 1.117. | 100.00 | | 12,815,500 | BGN | 8,426,962 | 137,203 | BGN | |
| 143. | P & I Holding GmbH, Darmstadt | | | 100.00 | 30,000 | EUR | (9,508,023) | 0 | EUR | a |
| 144. | PASM Power and Air Condition Solution Management Beteiligungs GmbH, Bonn | | | 100.00 | 25,000 | EUR | 32,149 | 2,604 | EUR | d |
| 145. | PASM Power and Air Condition Solution Management GmbH & Co. KG, Munich | | | 100.00 | 10,025,000 | EUR | 319,088,977 | 71,221,572 | EUR | d |
| 146. | PTC International Finance (Holding) B.V., Amsterdam | 1.147. | 100.00 | | 41,000 | NLG | 252,685 | 260,494 | EUR | d |
| 147. | PTC, Polska Telefonia Cyfrowa Sp. z o.o., Warsaw | 1.192. | 70.50 | | 471,000,000 | PLN | 7,411,051,000 | 1,385,459,000 | PLN | d |
| 147. | PTC, Polska Telefonia Cyfrowa Sp. z o.o., Warsaw | 1.220. | 22.50 | | 471,000,000 | PLN | 7,411,051,000 | 1,385,459,000 | PLN | d |
| 147. | PTC, Polska Telefonia Cyfrowa Sp. z o.o., Warsaw | 1.148. | 4.00 | | 471,000,000 | PLN | 7,411,051,000 | 1,385,459,000 | PLN | d |
| 148. | Polpager Sp. z o.o., Warsaw | 1.89. | 100.00 | | 2,000,000 | PLN | (30,615,132) | (3,425,156) | PLN | h |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|---|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 149. | Powertel Memphis Licenses, Inc., Bellevue | 1.150. | 100.00 | | 1 | USD | 179,889,891 | 0 | USD | d |
| 150. | Powertel/Memphis, Inc., Bellevue | 1.230. | 100.00 | | 32,262 | USD | 377,180,330 | 64,020,213 | USD | d |
| 151. | Pro-M Zrt, Budapest | 1.117. | 100.00 | | 5,200,000,000 | HUF | 10,222,993,786 | 1,101,697,152 | HUF | d |
| 152. | Qingdao DETECON Consulting Co. Ltd., Beijing | 1.50. | 100.00 | | 1,230,000 | USD | 122,820 | (394,720) | EUR | |
| 153. | Residenzpost GmbH & Co. Liegenschafts KG, Heusenstamm | | | 100.00 | 1 | EUR | 0 | (290,703) | EUR | d |
| 154. | SAF Forderungsmanagement GmbH, Heidelberg | 1.4. | 100.00 | | 4,101,000 | EUR | 11,796,656 | 0 | EUR | |
| 155. | SC Romtelecom S.A., Bucharest | 1.130. | 54.01 | | 5,975,037,351 | RON | 6,920,601 | (179,227) | RON | d |
| 156. | SCOUT Business Services GmbH, Munich | 1.162. | 100.00 | | 69,100 | EUR | 75,786 | (4,763) | EUR | |
| 157. | SCS Personalberatung GmbH, Düsseldorf | | | 100.00 | 100,000 | DEM | 51,129 | 0 | EUR | a, d |
| 158. | Sallust Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 27,000 | 0 | EUR | a, d |
| 159. | Satellitic Traffic Management GmbH, Berlin | 1.266. | 100.00 | | 50,000 | EUR | 50,000 | 0 | EUR | a, d |
| 160. | Satellite and Maritime Telecommunications S.A., Athens | 1.92. | 94.08 | | 12,478,500 | EUR | 15,042,434 | 1,443,778 | EUR | d |
| 160. | Satellite and Maritime Telecommunications S.A., Athens | 1.136. | 0.01 | | 12,478,500 | EUR | 15,042,434 | 1,443,778 | EUR | d |
| 161. | Scout24 AG, Baar | 1.163. | 100.00 | | 532,081 | CHF | 221,207,006 | (193,353) | CHF | |
| 162. | Scout24 GmbH, Munich | 1.163. | 100.00 | | 75,000 | DEM | 724,962 | 0 | EUR | a |
| 163. | Scout24 Holding GmbH, Munich | | | 100.00 | 1,000,000 | EUR | 244,456,120 | 0 | EUR | a |
| 164. | Scout24 International Management AG, Baar | 1.163. | 100.00 | | 250,000 | CHF | 44,305,344 | 37,600 | CHF | d |
| 165. | Scout24 S.L., Madrid | 1.161. | 100.00 | | 3,006 | EUR | 46,626 | (620) | EUR | d |
| 166. | Scout24 Schweiz AG, Flamatt | 1.167. | 85.04 | | 224,600 | CHF | 19,883,511 | 7,514,419 | CHF | d |
| 166. | Scout24 Schweiz AG, Flamatt | 1.164. | 14.96 | | 224,600 | CHF | 19,883,511 | 7,514,419 | CHF | d |
| 167. | Scout24 Schweiz Holding AG, Wünnewil-Flamatt | 1.164. | 50.10 | | 980,000 | CHF | 7,220,408 | 8,749,889 | CHF | d |
| 168. | Scout24 Verwaltungs- und Beteiligungsgesellschaft mbH, Munich | 1.163. | 100.00 | | 25,000 | EUR | 47,024 | (89) | EUR | |
| 169. | Sigma Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,546 | 0 | EUR | a, d |
| 170. | Slovak Telekom, a.s., Bratislava | | | 51.00 | 864,113,000 | EUR | 57,282,000,000 | 3,529,000,000 | SKK | d |
| 171. | Software Daten Service Gesellschaft m.b.H., Vienna | 1.266. | 100.00 | | 290,691 | EUR | 8,143,810 | 36,860 | EUR | |
| 172. | Soluciones y Proyectos Consulting, S.L., Barcelona | 1.261. | 100.00 | | 3,006 | EUR | 182,860 | (107,280) | EUR | |
| 173. | Stonebridge Communication A.D., Skopje | 1.117. | 100.00 | | 21,194,506,100 | MKD | 27,289,464,329 | 3,725,777,629 | MKD | |
| 174. | SunCom Wireless Holdings Inc., Bellevue | 1.230. | 100.00 | | 1 | USD | (655,405,329) | 6,472,695 | USD | d |
| 175. | SunCom Wireless Investment Co., LLC, Bellevue | 1.174. | 100.00 | | 1 | USD | 2,250,412,174 | 260,009 | USD | d |
| 176. | SunCom Wireless License Co., LLC, Bellevue | 1.315. | 100.00 | | 1 | USD | 526,467,803 | 2,570,814 | USD | d |
| 177. | SunCom Wireless Management Co., Inc, Bellevue | 1.180. | 100.00 | | 1 | USD | (27,311,862) | (52,486,553) | USD | d |
| 178. | SunCom Wireless Operating Co., LLC, Bellevue | 1.315. | 100.00 | | 1 | USD | - | - | | |
| 179. | SunCom Wireless Property Co., LLC, Bellevue | 1.315. | 100.00 | | 1 | USD | - | - | | |
| 180. | SunCom Wireless, Inc., Bellevue | 1.175. | 100.00 | | 1 | USD | 2,226,792,658 | (68,068,470) | USD | d |
| 181. | Sunlight Romania - Filiala Bucuresti S.R.L., Ilfov, Volunatri | 1.83. | 100.00 | | 13,067,854 | RON | 13,288,554 | 3,823,764 | RON | d |
| 182. | T SYSTEMS TELEKOMÜNİKASYON LIMITED SIRKETI, Istanbul | 1.245. | 0.60 | | 385,600 | TRY | 1,425,000 | 683,000 | EUR | |
| 182. | T SYSTEMS TELEKOMÜNİKASYON LIMITED SIRKETI, Istanbul | 1.266. | 99.40 | | 385,600 | TRY | 1,425,000 | 683,000 | EUR | |
| 183. | T-Com Venture Fund GmbH & Co. KG, Bonn | | | 98.02 | 50,500 | EUR | 9,819,929 | (2,751,704) | EUR | d |
| 183. | T-Com Venture Fund GmbH & Co. KG, Bonn | 1.298. | 1.98 | | 50,500 | EUR | 9,819,929 | (2,751,704) | EUR | d |
| 184. | T-Corporate Venture Fund GmbH & Co. KG, Bonn | | | 99.00 | 100,000 | EUR | 7,123,250 | (944,692) | EUR | d |
| 184. | T-Corporate Venture Fund GmbH & Co. KG, Bonn | 1.298. | 1.00 | | 100,000 | EUR | 7,123,250 | (944,692) | EUR | d |
| 185. | T-Kábel Magyarország Kft., Budapest | 1.117. | 10.00 | | 3,950,000 | HUF | 3,000,000 | 0 | HUF | |
| 185. | T-Kábel Magyarország Kft., Budapest | 1.105. | 90.00 | | 3,950,000 | HUF | 3,000,000 | 0 | HUF | |
| 186. | T-Mobile (UK) Limited, Hatfield | 1.199. | 100.00 | | 11,025,000 | GBP | 3,264,866,000 | 685,038,000 | GBP | |
| 187. | T-Mobile (UK) Pension Trustee Limited, Hatfield | 1.186. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|---|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 188. | T-Mobile Austria GmbH, Vienna | 1.189. | 100.00 | | 60,000,000 | EUR | 391,962,824 | 83,425,424 | EUR | |
| 189. | T-Mobile Austria Holding GmbH, Vienna | 1.194. | 100.00 | | 15,000,000 | EUR | 1,311,358,485 | 91,862,998 | EUR | d |
| 190. | T-Mobile Central LLC, Bellevue | 1.230. | 100.00 | | 1 | USD | 4,329,591,436 | 1,074,048,687 | USD | d |
| 191. | T-Mobile Czech Republic a.s., Prague | 1.20. | 60.77 | | 520,000,000 | CZK | 24,193,000,000 | 9,041,000,000 | CZK | d |
| 192. | T-Mobile Deutschland GmbH, Bonn | | | 100.00 | 520,000,000 | EUR | 1,447,000,000 | 0 | EUR | a, d |
| 193. | T-Mobile Global Holding GmbH, Bonn | 1.198. | 100.00 | | 50,000 | EUR | 19,509,442,230 | (3,069,532,989) | EUR | |
| 194. | T-Mobile Global Holding Nr. 2 GmbH, Bonn | | | 100.00 | 25,000 | EUR | 2,944,837,495 | (933,523,730) | EUR | d |
| 195. | T-Mobile Global Holding Nr. 3 GmbH, Bonn | | | 100.00 | 25,000 | EUR | 24,290 | (932) | EUR | d |
| 196. | T-Mobile Global Holding Nr. 4 GmbH, Bonn | | | 100.00 | 25,000 | EUR | 23,680 | (62) | EUR | d |
| 197. | T-Mobile Global Holding Nr. 5 GmbH, Bonn | | | 100.00 | 25,000 | EUR | 23,120 | (124) | EUR | d |
| 198. | T-Mobile Global Zwischenholding GmbH, Bonn | | | 100.00 | 26,000 | EUR | 26,546 | 0 | EUR | a, d |
| 199. | T-Mobile Holdings Limited, Hatfield | 1.193. | 100.00 | | 706,540,268 | GBP | 3,264,868,000 | (1,598,400,000) | GBP | d, m |
| 200. | T-Mobile HotSpot GmbH, Bonn | | | 100.00 | 25,000 | EUR | 6,781,717 | 1,426,939 | EUR | d |
| 201. | T-Mobile Hrvatska d.o.o., Zagreb | 1.90. | 100.00 | | 1,478,000,000 | HRK | 4,100,338,419 | 1,163,275,196 | HRK | |
| 202. | T-Mobile International Austria GmbH, Vienna | 1.188. | 100.00 | | 37,000 | EUR | 30,567 | 196,937 | EUR | |
| 203. | T-Mobile International Limited, Hatfield | 1.186. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 204. | T-Mobile International UK Ltd., Hatfield | | | 100.00 | 30,100,000 | GBP | 47,270,000 | 8,036,000 | GBP | h |
| 205. | T-Mobile License LLC, Bellevue | 1.230. | 100.00 | | 1 | USD | 977,737,474 | (358,986) | USD | d |
| 206. | T-Mobile Ltd., Hatfield | 1.199. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 207. | T-Mobile Macedonia A.D. Skopje, Skopje | 1.119. | 100.00 | | 2,344,377,000 | MKD | 7,794,676,020 | 4,197,980,600 | MKD | |
| 208. | T-Mobile Netherlands B.V., 's-Gravenhage | 1.209. | 100.00 | | 124,105 | EUR | 1,132,100,718 | (40,430,079) | EUR | d |
| 209. | T-Mobile Netherlands Holding B.V., The Hague | 1.193. | 100.00 | | 90,756,042 | EUR | 470,453,000 | (196,000,000) | EUR | d |
| 210. | T-Mobile Netherlands Klantenservice B.V., The Hague | 1.208. | 100.00 | | 1,116,950 | EUR | (185,700,472) | (53,185,151) | EUR | d |
| 211. | T-Mobile Netherlands Retail B.V., The Hague | 1.208. | 100.00 | | 18,000 | EUR | (91,619,917) | (47,417,635) | EUR | d |
| 212. | T-Mobile Newco Nr. 3 GmbH, Bonn | | | 100.00 | 25,000 | EUR | 25,000 | 0 | EUR | d |
| 213. | T-Mobile Newco Nr. 4 GmbH, Bonn | | | 100.00 | 25,000 | EUR | 25,000 | 0 | EUR | d |
| 214. | T-Mobile No. 1 Limited, Hatfield | 1.199. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 215. | T-Mobile No. 2 Limited, Hatfield | 1.199. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 216. | T-Mobile No. 4 Limited, Hatfield | 1.199. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 217. | T-Mobile No. 5 Limited, Hatfield | 1.199. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 218. | T-Mobile Northeast LLC, Bellevue | 1.230. | 100.00 | | 1 | USD | 969,239,291 | 373,408,340 | USD | d |
| 219. | T-Mobile PCS Holdings, LLC, Bellevue | 1.230. | 100.00 | | 1 | USD | (4,309,558,519) | (1,947,390,895) | USD | d |
| 220. | T-Mobile Poland Holding Nr. 1 B.V., Eindhoven | | | 100.00 | 26,719,789 | EUR | 73,341,937 | (719,038) | EUR | h |
| 221. | T-Mobile Puerto Rico Holdings LLC, Bellevue | 1.315. | 100.00 | | 1 | USD | - | - | | |
| 222. | T-Mobile Puerto Rico LLC, Bellevue | 1.221. | 100.00 | | 1 | USD | 452,119,167 | 9,177,380 | USD | d |
| 223. | T-Mobile Resources Corporation, Bellevue | 1.219. | 100.00 | | 1 | USD | 38,818,423 | (5,565,667) | USD | d |
| 224. | T-Mobile Retail Limited, Hatfield | 1.186. | 100.00 | | 105 | GBP | 105 | 0 | GBP | |
| 225. | T-Mobile Service GmbH, Vienna | 1.194. | 100.00 | | 35,000 | EUR | 100,235 | (3,226) | EUR | d |
| 226. | T-Mobile Slovensko, a.s., Bratislava | 1.170. | 100.00 | | 123,958,840 | EUR | 307,256,934 | 123,650,874 | EUR | |
| 227. | T-Mobile South LLC, Bellevue | 1.230. | 100.00 | | 1 | USD | 2,242,271,899 | 658,332,720 | USD | d |
| 228. | T-Mobile Subsidiary IV Corporation, Bellevue | 1.230. | 100.00 | | 1 | USD | (8,671) | (1,997) | USD | d |
| 229. | T-Mobile Subsidiary V Corporation, Bellevue | 1.230. | 100.00 | | 0 | USD | - | - | | |
| 230. | T-Mobile USA, Inc., Bellevue | 1.193. | 100.00 | | 292 | USD | 22,688,000,000 | 1,839,000,000 | USD | d |
| 231. | T-Mobile United Kingdom Ltd., Hatfield | 1.199. | 100.00 | | 1 | GBP | 1 | 0 | GBP | |
| 232. | T-Mobile Venture Fund GmbH & Co. KG, Bonn | | | 99.00 | 100,000 | EUR | 98,380,589 | 27,677,531 | EUR | d |
| 232. | T-Mobile Venture Fund GmbH & Co. KG, Bonn | 1.298. | 1.00 | | 100,000 | EUR | 98,380,589 | 27,677,531 | EUR | d |
| 233. | T-Mobile Venture Fund II GmbH & Co. KG, Bonn | 1.298. | 1.00 | | 100,000 | EUR | 27,859,981 | (1,840,839) | EUR | d |
| 233. | T-Mobile Venture Fund II GmbH & Co. KG, Bonn | | | 99.00 | 100,000 | EUR | 27,859,981 | (1,840,839) | EUR | d |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|--|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 234. | T-Mobile West Corporation, Bellevue | 1.230. | 100.00 | | 1,000 | USD | 6,557,825,298 | 1,737,857,572 | USD | d |
| 235. | T-Mobile Worldwide Holding GmbH, Bonn | | | 100.00 | 25,000 | EUR | 1,977,990,187 | 0 | EUR | d |
| 236. | T-Mobile Zahlungsdienste GmbH, Vienna | 1.188. | 100.00 | | 50,000 | EUR | 50,000 | 0 | EUR | |
| 237. | T-Online Beteiligungs GmbH, Darmstadt | | | 100.00 | 25,000 | EUR | 26,778 | (155) | EUR | d |
| 238. | T-Online Service GmbH, Darmstadt | | | 100.00 | 25,000 | EUR | 25,000 | 0 | EUR | a, d |
| 239. | T-Online Travel GmbH, Darmstadt | | | 100.00 | 4,000,000 | EUR | (5,713,247) | (33,055) | EUR | d |
| 240. | T-Online Venture Fund GmbH & Co. KG, Bonn | | | 99.00 | 100,000 | EUR | 35,873,992 | (4,875,712) | EUR | |
| 240. | T-Online Venture Fund GmbH & Co. KG, Bonn | 1.298. | 1.00 | | 100,000 | EUR | 35,873,992 | (4,875,712) | EUR | |
| 241. | T-Online Verwaltungs GmbH, Darmstadt | | | 100.00 | 25,000 | EUR | 23,381 | 93 | EUR | d |
| 242. | T-Systems Argentina S.A., Buenos Aires | 1.245. | 2.00 | | 8,802,500 | ARS | 1,033,000 | (1,811,000) | EUR | |
| 242. | T-Systems Argentina S.A., Buenos Aires | 1.266. | 98.00 | | 8,802,500 | ARS | 1,033,000 | (1,811,000) | EUR | |
| 243. | T-Systems Austria GesmbH, Vienna | 1.266. | 100.00 | | 185,000 | EUR | 25,796,000 | 12,410,000 | EUR | |
| 244. | T-Systems Belgium NV, Groot-Bijgaarden | 1.274. | 0.65 | | 4,731,000 | EUR | 3,414,000 | 340,000 | EUR | |
| 244. | T-Systems Belgium NV, Groot-Bijgaarden | 1.266. | 99.35 | | 4,731,000 | EUR | 3,414,000 | 340,000 | EUR | |
| 245. | T-Systems Beteiligungsverwaltungsgesellschaft mbH, Frankfurt/Main | 1.266. | 100.00 | | 25,600 | EUR | 27,000 | 0 | EUR | |
| 246. | T-Systems CIS, Moscow | 1.266. | 100.00 | | 4,630,728 | RUB | 7,834,140 | 2,876,480 | EUR | |
| 247. | T-Systems Canada, Inc., Toronto | 1.276. | 100.00 | | 2,031,554 | CAD | 6,102,230 | 1,194,500 | EUR | |
| 248. | T-Systems China Limited, Hong Kong | 1.266. | 100.00 | | 24,000,000 | HKD | 3,319,000 | 1,032,000 | EUR | |
| 249. | T-Systems Czech Republic a.s., Prague | 1.266. | 100.00 | | 251,300,000 | CZK | 63,720,000 | 7,808,000 | EUR | |
| 250. | T-Systems DDM GmbH, Weingarten | 1.266. | 100.00 | | 154,400 | EUR | 3,788,750 | 0 | EUR | a |
| 251. | T-Systems Eltec, S.L., Barcelona | 1.261. | 100.00 | | 663,400 | EUR | 3,805,230 | (124,660) | EUR | |
| 252. | T-Systems Field Services, S.A., Madrid | 1.261. | 100.00 | | 1,682,800 | EUR | 3,165,650 | 737,480 | EUR | |
| 253. | T-Systems France SAS, Courbevoie | 1.266. | 100.00 | | 9,500,000 | EUR | 14,343,000 | (26,806,760) | EUR | |
| 254. | T-Systems GEI GmbH, Aachen | 1.266. | 100.00 | | 11,301,600 | EUR | 11,301,000 | 0 | EUR | a |
| 255. | T-Systems Hosting Services GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 256. | T-Systems IT Epsilon GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 257. | T-Systems IT Eta GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 258. | T-Systems IT Gamma GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 259. | T-Systems IT Theta GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 24,000 | 0 | EUR | |
| 260. | T-Systems IT Zeta GmbH, Bonn | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 261. | T-Systems ITC Iberia, S.A., Barcelona | 1.266. | 100.00 | | 1,241,100 | EUR | 5,797,400 | (25,266,670) | EUR | |
| 262. | T-Systems ITS Austria GmbH, Vienna | 1.266. | 100.00 | | 35,000 | EUR | 9,000 | (4,000) | EUR | |
| 263. | T-Systems Individual Desktop Solutions GmbH, Frankfurt/Main | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 264. | T-Systems Information and Communication Technology E.P.E., Athens | 1.245. | 1.00 | | 18,000 | EUR | 295,000 | 111,000 | EUR | |
| 264. | T-Systems Information and Communication Technology E.P.E., Athens | 1.266. | 99.00 | | 18,000 | EUR | 295,000 | 111,000 | EUR | |
| 265. | T-Systems Information and Communication Technology India Private Limited, Pune | 1.245. | 0.00 | | 1,000,000 | INR | (3,850) | (12,800) | EUR | |
| 265. | T-Systems Information and Communication Technology India Private Limited, Pune | 1.266. | 100.00 | | 1,000,000 | INR | (3,850) | (12,800) | EUR | |
| 266. | T-Systems International GmbH, Frankfurt/Main | | | 100.00 | 154,441,900 | EUR | 1,021,838,443 | 0 | EUR | a, d |
| 267. | T-Systems Italia S.p.A., Vicenza | 1.266. | 100.00 | | 1,000,000 | EUR | 1,290,000 | (20,350,000) | EUR | |
| 268. | T-Systems Japan K.K., Tokyo | 1.266. | 100.00 | | 495,000,000 | JPY | (1,507,000) | (3,646,000) | EUR | |
| 269. | T-Systems Limited, London | 1.266. | 100.00 | | 550,001 | GBP | 120,000 | (26,394,000) | EUR | |
| 270. | T-Systems Luxembourg S.A., Luxembourg | 1.245. | 0.02 | | 1,500,000 | EUR | 3,458,000 | 465,000 | EUR | |
| 270. | T-Systems Luxembourg S.A., Luxembourg | 1.266. | 99.98 | | 1,500,000 | EUR | 3,458,000 | 465,000 | EUR | |
| 271. | T-Systems Malaysia Sdn. Bhd., Kuala Lumpur | 1.266. | 100.00 | | 4,000,000 | MYR | 3,871,000 | 2,996,000 | EUR | |
| 272. | T-Systems Mexico, S.A. de C.V., Puebla | 1.266. | 99.95 | | 2,000,000 | MXN | 1,733,060 | 2,019,540 | EUR | |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|--|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 273. | T-Systems Multimedia Solutions GmbH, Dresden | 1.266. | 100.00 | | 4,090,400 | EUR | 4,090,000 | 0 | EUR | a |
| 274. | T-Systems Nederland B.V., Vianen (Utrecht) | 1.266. | 100.00 | | 908,000 | EUR | 94,658,000 | 43,818,000 | EUR | |
| 275. | T-Systems Nordic TC Services A/S, Farum | 1.266. | 100.00 | | 5,500,000 | DKK | 1,500,000 | (1,845,000) | EUR | |
| 276. | T-Systems North America, Inc., Wilmington, DW | 1.266. | 100.00 | | 34 | USD | 17,938,640 | 2,431,980 | EUR | |
| 277. | T-Systems P.R. China Ltd., Beijing | 1.266. | 100.00 | | 13,500,000 | EUR | (2,526,000) | (1,742,000) | EUR | |
| 278. | T-Systems Polska Sp. z o.o., Wroclaw | 1.266. | 100.00 | | 8,327,000 | PLN | 5,397,000 | (459,000) | EUR | |
| 279. | T-Systems Regional Services and Solutions GmbH, Frankfurt/Main | 1.266. | 100.00 | | 25,000 | EUR | 25,000 | 0 | EUR | a |
| 280. | T-Systems SFPH GmbH, Düsseldorf | 1.266. | 100.00 | | 511,300 | EUR | 2,160,800 | 0 | EUR | a |
| 281. | T-Systems Schweiz AG, Münchenbuchsee | 1.266. | 100.00 | | 13,000,000 | CHF | 9,627,530 | 179,430 | EUR | |
| 282. | T-Systems Singapore Pte. Ltd., Singapore | 1.266. | 100.00 | | 38,905,000 | SGD | 7,840,010 | 328,340 | EUR | |
| 283. | T-Systems Slovakia s.r.o., Kosice | 1.245. | 2.50 | | 258,581 | EUR | 7,856,030 | 2,845,910 | EUR | |
| 283. | T-Systems Slovakia s.r.o., Kosice | 1.266. | 97.50 | | 258,581 | EUR | 7,856,030 | 2,845,910 | EUR | |
| 284. | T-Systems Solutions (Proprietary) Limited, Midrand | 1.286. | 100.00 | | 4,000 | ZAR | 981,860 | 476,890 | EUR | |
| 285. | T-Systems Solutions for Research GmbH, Weßling | 1.266. | 100.00 | | 5,000,000 | EUR | 5,427,270 | 0 | EUR | a |
| 286. | T-Systems South Africa (Proprietary) Limited, Midrand | 1.287. | 70.00 | | 4,000 | ZAR | (17,023,520) | (18,434,030) | EUR | |
| 287. | T-Systems South Africa Holdings (Proprietary) Limited, Midrand | 1.266. | 100.00 | | 4,100,085 | ZAR | 60,552,180 | 1,941,560 | EUR | |
| 288. | T-Systems Spring Italia S.r.l., Fiumicino | 1.266. | 100.00 | | 494,000 | EUR | 1,435,850 | (26,000) | EUR | |
| 289. | T-Systems TMT Limited, Milton Keynes | 1.269. | 100.00 | | 500,000 | GBP | 563,000 | (2,628,000) | EUR | |
| 290. | T-Systems Telecomunicacoes e Servicos Ltda., Sao Paulo | 1.294. | 100.00 | | 4,182,560 | BRL | 1,798,780 | (138,550) | EUR | |
| 290. | T-Systems Telecomunicacoes e Servicos Ltda., Sao Paulo | 1.245. | 0.00 | | 4,182,560 | BRL | 1,798,780 | (138,550) | EUR | |
| 291. | T-Systems Venture Fund GmbH & Co. KG, Bonn | 1.266. | 99.00 | | 50,000 | EUR | 8,323,000 | (5,752,000) | EUR | |
| 291. | T-Systems Venture Fund GmbH & Co. KG, Bonn | 1.298. | 1.00 | | 50,000 | EUR | 8,323,000 | (5,752,000) | EUR | |
| 292. | T-Systems d.o.o., Belgrade | 1.266. | 100.00 | | 500 | EUR | 20,000 | (3,000) | EUR | |
| 293. | T-Systems d.o.o., Sarajevo | 1.266. | 100.00 | | 2,000 | KM | 47,000 | 2,000 | EUR | |
| 294. | T-Systems do Brasil Ltda., Sao Paulo | 1.245. | 0.01 | | 15,000,000 | BRL | 19,942,670 | 5,430,580 | EUR | |
| 294. | T-Systems do Brasil Ltda., Sao Paulo | 1.266. | 99.99 | | 15,000,000 | BRL | 19,942,670 | 5,430,580 | EUR | |
| 295. | T-Systems on site services GmbH, Berlin | 1.266. | 100.00 | | 154,000 | EUR | 154,000 | 0 | EUR | a |
| 296. | T-Systems, informacijski sistemi, d.o.o., Ljubljana | 1.266. | 100.00 | | 8,763 | EUR | 43,000 | 28,000 | EUR | |
| 297. | T-Venture Holding GmbH, Bonn | | | 100.00 | 10,225,900 | EUR | (9,203,588) | 997,341 | EUR | d |
| 298. | T-Venture Telekom Funds Beteiligungs-GmbH, Bonn | 1.297. | 100.00 | | 25,100 | EUR | 3,619,859 | 0 | EUR | d |
| 299. | T-Venture of America, Inc., Foster City | 1.297. | 100.00 | | 100 | USD | 864,027 | 68,150 | USD | d |
| 300. | TAMBURO Telekommunikationsdienste GmbH, Heusenstamm | | | 100.00 | 25,000 | EUR | 48,160 | 3,243 | EUR | d |
| 301. | TOB T-Systems Ukraine, Kiev | 1.245. | 0.10 | | 35,000 | UAH | 22,000 | 5,000 | EUR | |
| 301. | TOB T-Systems Ukraine, Kiev | 1.266. | 99.90 | | 35,000 | UAH | 22,000 | 5,000 | EUR | |
| 302. | Tele-Data Távközlési Adattfeldolgozó és Hirdetésszervező Kft., Budaörs | 1.117. | 50.98 | | 38,640,000 | HUF | 126,709,514 | 40,263,745 | HUF | |
| 303. | Telekom Content and Rights Média és Technológia Ügynökség Kft., Budapest | 1.304. | 100.00 | | 3,000,000 | HUF | 6,386,885 | (695,504) | HUF | |
| 304. | Telekom Média Holding Zártkörűen Működő Részvénytársaság, Budapest | 1.117. | 100.00 | | 1,669,930,000 | HUF | 1,806,068,256 | 60,593,256 | HUF | |
| 305. | Telekom New Media Szolgáltató Kft., Budapest | 1.304. | 100.00 | | 50,000,000 | HUF | 753,498,674 | 100,039,719 | HUF | |
| 306. | Telekom Sec, s.r.o., Bratislava | 1.170. | 100.00 | | 6,639 | EUR | 10,232 | (6,749) | EUR | |
| 307. | Telekom Shop Vertriebsgesellschaft mbH, Bonn | | | 100.00 | 10,000,000 | EUR | 44,258,116 | 0 | EUR | a, d |
| 308. | Telemacedónia A.D., Skopje | 1.117. | 100.00 | | 621,300 | MKD | 69,607,950 | 2,998,685 | MKD | |
| 309. | Telemobil S.A., Bucharest | 1.34. | 100.00 | | 228,090,000 | RON | - | - | | |
| 310. | Theta Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,546 | 0 | EUR | a, d |
| 311. | Tibull Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 27,000 | 0 | EUR | a, d |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|------------------------|---|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 1. Subsidiaries | | | | | | | | | | |
| 312. | Transparent Goods GmbH, Cologne | 1.266. | 100.00 | | 800,000 | EUR | (7,146,000) | (2,170,000) | EUR | d |
| 313. | Traviata Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,000 | EUR | 26,592 | 0 | EUR | a, d |
| 314. | Triton PCS Finance Co, Inc., Bellevue | 1.180. | 100.00 | | 1 | USD | 1,365,316,340 | 64,616,590 | USD | d |
| 315. | Triton PCS Holdings Company, LLC, Bellevue | 1.180. | 100.00 | | 1 | USD | 471,343,872 | (26,201,844) | USD | d |
| 316. | Tulip B.V., The Hague | 1.209. | 100.00 | | 45,398,022 | EUR | (191,468,164) | (31,402,032) | EUR | d |
| 317. | VIOLA Kabelgesellschaft (Deutschland) mbH, Bonn | | | 5.00 | 1,000,000 | EUR | 1,000,000 | 0 | EUR | a, |
| 317. | VIOLA Kabelgesellschaft (Deutschland) mbH, Bonn | 1.56. | 95.00 | | 1,000,000 | EUR | 1,000,000 | 0 | EUR | a |
| 318. | VOICENET Limited Company Telecommunications Services & Infrastructures SA, Athens | 1.92. | 100.00 | | 5,650,050 | EUR | 1,958,708 | (1,036,032) | EUR | d |
| 319. | Vidanet ZRt., Budapest | 1.117. | 67.50 | | 2,000,000,000 | HUF | 5,352,965,869 | 649,741,603 | HUF | |
| 319. | Vidanet ZRt., Budapest | 1.105. | 22.50 | | 2,000,000,000 | HUF | 5,352,965,869 | 649,741,603 | HUF | |
| 320. | Vivento Customer Services GmbH, Bonn | | | 100.00 | 100,000 | EUR | 122,173,009 | 0 | EUR | a, d |
| 321. | Vivento Technical Services GmbH, Bonn | | | 100.00 | 100,000 | EUR | 38,374,000 | 0 | EUR | a, d |
| 322. | VoiceStream PCS Iowa Corporation, Bellevue | 1.230. | 100.00 | | 1 | USD | 24,605,515 | 8,183,280 | USD | d |
| 323. | VoiceStream Pittsburgh General Partner, Inc., Bellevue | 1.230. | 100.00 | | 100 | USD | 106,599,292 | (1,434,968) | USD | d |
| 324. | VoiceStream Pittsburgh, L.P., Bellevue | 1.323. | 54.00 | | 1 | USD | (251,927,539) | 3,119,496 | USD | d |
| 324. | VoiceStream Pittsburgh, L.P., Bellevue | 1.218. | 46.00 | | 1 | USD | (251,927,539) | 3,119,496 | USD | d |
| 325. | XL AG, Munich | 1.161. | 100.00 | | 50,000 | EUR | 38,072 | (1,296) | EUR | d |
| 326. | ZODIAC Telekommunikationsdienste GmbH, Bonn | | | 100.00 | 25,600 | EUR | 10,529 | (995) | EUR | d |
| 327. | Zoznam Mobile, s.r.o., Bratislava | 1.170. | 100.00 | | 6,639 | EUR | 1,887,137 | 188,495 | EUR | |
| 328. | Zoznam, s.r.o., Bratislava | 1.170. | 100.00 | | 6,639 | EUR | 2,424,449 | (338,830) | EUR | |
| 329. | Zweite DFMG Deutsche Funkturm Vermögens - GmbH & Co. KG, Heusenstamm | 1.192. | 100.00 | | 100,000 | EUR | 37,124,753 | 3,977,582 | EUR | |
| 330. | [origo] Média és Kommunikációs Zrt, Budapest | 1.117. | 100.00 | | 300,000,000 | HUF | 1,670,453,484 | (859,278,079) | HUF | |
| 331. | congstar GmbH, Cologne | | | 100.00 | 250,000 | EUR | 3,740,665 | 0 | EUR | a |
| 332. | d-Core NETWORK IBERIA, S.L., Tarragona | 1.261. | 100.00 | | 3,010 | EUR | 84,820 | 14,520 | EUR | |
| 333. | operational services Beteiligungs-GmbH, Frankfurt/Main | 1.334. | 100.00 | | 25,000 | EUR | 30,000 | 1,000 | EUR | |
| 334. | operational services GmbH & Co. KG, Frankfurt/Main | 1.266. | 50.00 | | 250,000 | EUR | 1,976,000 | (2,627,000) | EUR | |
| 335. | NextGen Communications SRL, Bucharest | 1.155. | 100.00 | | 182,000 | RON | - | - | | |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|--|---|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 2. Associated and other related companies | | | | | | | | | | |
| 1. | Atypisch stille Beteiligung am Deutschen Adreßbuchverlag für Wirtschaft und Verkehr GmbH, Hamburg | 1.45. | 28.30 | | 0 | EUR | 0 | 0 | EUR | d |
| 2. | Axentra Corporation, Ottawa | 1.240. | 46.03 | | 54,153,209 | USD | (1,831,958) | (3,703,698) | USD | d |
| 3. | Budakalász KTV Kft., Budakalász | 1.117. | 25.00 | | 70,000,000 | HUF | 162,207,000 | 30,839,000 | HUF | |
| 4. | CTDI GmbH, Malsch | | | 49.00 | 2,500,000 | EUR | 27,891,893 | 3,954,239 | EUR | d |
| 5. | Callahan Nordrhein-Westfalen GmbH i.L., Cologne | 1.56. | 45.00 | | 2,595,000 | EUR | - | - | | |
| 6. | Central Georgian Communications Co. Ltd., Roustavi | 1.91. | 25.00 | | 280,000 | GEL | - | - | | |
| 7. | Cittadino GmbH, Düsseldorf | 1.291. | 42.86 | | 43,750 | EUR | 462,447 | (584,328) | EUR | d |
| 8. | CoreMedia AG, Hamburg | 1.240. | 27.31 | | 3,786,106 | EUR | 6,950,511 | 15,637 | EUR | b |
| 9. | Cosmo-Megala Katastimata Societe Anonyme, Glyfada | 1.22. | 40.00 | | 587,000 | EUR | 94,962 | (139,033) | EUR | d |
| 10. | Cyworld Europe GmbH i.L., Frankfurt/Main | 1.240. | 49.80 | | 25,000 | EUR | 1,565,573 | (4,068,317) | EUR | h |
| 11. | DETECON AL SAUDIA Co. Ltd., Riyadh | 1.50. | 46.50 | | 4,000,000 | SAR | 17,793,200 | 6,227,640 | EUR | |
| 12. | DT-FT Italian Holding GmbH i.L., Bonn | | | 50.00 | 50,000 | DEM | 5,462,091 | 89,431 | EUR | j |
| 13. | Das Telefonbuch Servicegesellschaft mbH, Frankfurt/Main | 1.45. | 25.10 | | 500,000 | EUR | 550,206 | 19,035 | EUR | d |
| 14. | Das Örtliche Service- und Marketinggesellschaft mbH, Essen | 1.45. | 25.10 | | 500,000 | EUR | 650,792 | 44,627 | EUR | d |
| 15. | Deutscher Adreßbuchverlag für Wirtschaft und Verkehr GmbH (DAV), Hamburg | 1.45. | 25.10 | | 700,000 | DEM | - | 248,538 | EUR | c |
| 16. | Donbass Telecom Ltd., Donetsk | 1.91. | 49.00 | | 342,700 | UAH | - | - | | |
| 17. | EDEKT-OTE Asset management S.A., Athens | 1.92. | 40.00 | | 2,935,000 | EUR | - | - | | |
| 18. | Electrocyling Anlagen GmbH, Goslar | | | 25.00 | 9,000,000 | DEM | 4,933,356 | 331,730 | EUR | d |
| 19. | Electrocyling GmbH, Goslar | | | 25.50 | 1,500,000 | EUR | 5,282,266 | 3,782,266 | EUR | d |
| 20. | European Center for Information and Communications Technologies – EICT GmbH, Berlin | | | 20.00 | 25,000 | EUR | 347,017 | 252,994 | EUR | d |
| 21. | Firstgate Holding AG, Zug | | | 9.01 | 2,335,505 | CHF | - | - | | |
| 21. | Firstgate Holding AG, Zug | 1.240. | 12.83 | | 2,335,505 | CHF | - | - | | |
| 22. | Gelbe Seiten Marketing Gesellschaft mbH, Hamburg | 1.45. | 25.10 | | 500,000 | EUR | 787,037 | 47,317 | EUR | d |
| 23. | HWW-Höchstleistungsrechner für Wissenschaft und Wirtschaft Betriebsgesellschaft mbH, Stuttgart | 1.266. | 20.00 | | 50,000 | EUR | 865,000 | 5,000 | EUR | |
| 23. | HWW-Höchstleistungsrechner für Wissenschaft und Wirtschaft Betriebsgesellschaft mbH, Stuttgart | 1.285. | 20.00 | | 50,000 | EUR | 865,000 | 5,000 | EUR | |
| 24. | HiProCall, Inc., Wilmington, DE | 1.183. | 43.06 | | 567 | USD | 396,221 | (2,165,690) | USD | d |
| 25. | Hrvatska posta d.o.o., Mostar | 1.90. | 30.29 | | 25,953,720 | BAM | 25,314,637 | 427,157 | BAM | |
| 26. | Hrvatske telekomunikacije d.o.o., Mostar, Mostar | 1.90. | 39.10 | | 307,668,239 | BAM | 324,128,129 | 8,258,544 | BAM | |
| 27. | Hunsat Magyar Urtávközlés ZRt., Budapest | 1.117. | 50.00 | | 100,000,000 | HUF | 291,000,000 | 190,000,000 | HUF | |
| 28. | Internet Service Provider, E-Commerce, Telecommunication Kai Site Management, Maroussi, Athens | 1.92. | 50.00 | | 733,500 | EUR | - | - | | |
| 29. | Iowa Wireless Services LLC, Bellevue | 1.322. | 36.42 | | 37,553,367 | USD | 38,404,070 | 15,686,353 | USD | d |
| 30. | LOCANIS AG, Unterföhring | 1.291. | 25.28 | | 424,200 | EUR | (5,778,350) | (3,414,905) | EUR | d |
| 31. | Logalty Servicios de Tercero de Confianza, S.L., Madrid | 1.261. | 30.00 | | 10,000 | EUR | (2,929,000) | (2,300,000) | EUR | |
| 32. | MGRID B.V., Amsterdam | 1.68. | 21.05 | | 22,800 | EUR | - | - | | |
| 33. | MindMatics AG, Munich | 1.232. | 21.79 | | 185,879 | EUR | 2,402,733 | (2,307,598) | EUR | d |
| 34. | Mobile Broadband Network Limited, Borehamwood | 1.186. | 50.00 | | 20,000,000 | GBP | 3,524,000 | 75,000 | GBP | d |
| 35. | Mobile TV SP.z o. o., Warsaw | 1.147. | 25.00 | | 440,000 | PLN | 110,000 | - | PLN | |
| 36. | NETREKÉSZ Nonprofit Közhasznú Kft. i.L., Budapest | 1.117. | 33.33 | | 9,000,000 | HUF | 9,000,000 | 0 | HUF | |
| 37. | Portavita B.V., Amsterdam | 1.68. | 21.05 | | 22,800 | EUR | (1,152,175) | (568,629) | EUR | d |
| 38. | PrimaCom Osnabrück Beteiligungs-GmbH, Osnabrück | | | 24.00 | 50,000 | DEM | 53,949 | 2,159 | EUR | d |
| 39. | SEARCHTEQ GmbH, Frankfurt/Main | 1.45. | 25.10 | | 7,239,000 | EUR | 5,140,951 | (1,277,115) | EUR | d |
| 40. | Scortel-FMS Ltd., Sofia | 1.91. | 40.00 | | 55,000 | BGN | - | - | | |
| 41. | Sones GmbH, Erfurt | 1.240. | 27.85 | | 34,650 | EUR | 1,194,737 | (172,454) | EUR | d |

| No. | Name and registered office | Via | Indirectly % | Directly % | Total nominal value | Currency | Shareholders' equity | Net income/ net loss | Currency | Note |
|--|---|--------|--------------|------------|---------------------|----------|----------------------|----------------------|----------|------|
| 2. Associated and other related companies | | | | | | | | | | |
| 42. | South Eastern Europe Telecommunications & Informatics Research Institute S.A., Thessaloniki | 1.92. | 10.56 | | 1,320,060 | EUR | - | - | | |
| 42. | South Eastern Europe Telecommunications & Informatics Research Institute S.A., Thessaloniki | 1.91. | 10.56 | | 1,320,060 | EUR | - | - | | |
| 43. | T-Systems Telecomunicaciones de Mexico, S.A. de C.V., Puebla | 1.266. | 49.00 | | 50,000 | MXN | 1,000 | 0 | EUR | |
| 44. | TVG Telefon- und Verzeichnisverlag GmbH & Co. KG i.G., Frankfurt/Main | 1.45. | 25.10 | | 2,501,000 | EUR | 6,421,901 | 3,920,901 | EUR | d |
| 45. | Tele-Auskunft Online GmbH, Frankfurt/Main | 1.45. | 25.32 | | 250,000 | EUR | 1,257,938 | 177,062 | EUR | d |
| 46. | TeleOp Gesellschaft mit beschränkter Haftung, Oberpfaffenhofen | 1.266. | 32.40 | | 25,000 | EUR | 116,624 | (124,334) | EUR | d |
| 47. | Telekom SRBIJA a.d. Belgrade, Belgrade | 1.92. | 20.00 | | 82,512,552,000 | RSD | 102,339,731,000 | 5,567,184,000 | RSD | d |
| 48. | Telesens KSCL AG i.L., Cologne | 1.297. | 24.09 | | 23,588,222 | EUR | 574,505,000 | (70,283,001) | DEM | l |
| 49. | Toll Collect GbR, Berlin | | | 45.00 | | EUR | - | - | | |
| 50. | Toll Collect GmbH, Berlin | | | 45.00 | 5,000,000 | EUR | 358,722,000 | 36,551,000 | EUR | f |
| 51. | Trans Jordan For Communication Services Company Ltd., Amman | 1.92. | 40.00 | | 3,500,000 | JOD | - | - | | |
| 51. | Trans Jordan For Communication Services Company Ltd., Amman | 1.91. | 10.00 | | 3,500,000 | JOD | - | - | | |
| 52. | Ukrainian Wave Ltd., Lviv | 1.86. | 48.80 | | 100 | UAH | - | - | | |
| 53. | Vivento Interim Services GmbH, Frankfurt/Main | | | 49.02 | 51,000 | EUR | 1,468,234 | 1,415,234 | EUR | d |
| 54. | Wireless Alliance, LLC, Bellevue | 1.190. | 30.00 | | 31,679,296 | USD | (16,360,326) | (1,443,549) | USD | d |
| 55. | Yemen Public Payphone Company Ltd., Sana'a | 1.92. | 10.00 | | 2,960,000 | USD | - | - | | |
| 55. | Yemen Public Payphone Company Ltd., Sana'a | 1.91. | 15.00 | | 2,960,000 | USD | - | - | | |
| 56. | e-fellows.net GmbH & Co. KG, Munich | | | 33.33 | 150,000 | EUR | 1,160,843 | 1,733,339 | EUR | d |
| 57. | e-fellows.net Verwaltungs-GmbH, Munich | | | 33.33 | 30,000 | EUR | 35,397 | 856 | EUR | d |
| 58. | iesy Holdings GmbH, Oberursel (Taunus) | 1.56. | 35.00 | | 1,000,000 | EUR | - | - | | |
| 59. | jCOM 1 AG, Rohrbach | 1.68. | 31.04 | | 286,339 | EUR | (1,183,286) | (1,222,129) | EUR | d |
| 60. | mediapeers GmbH, Berlin | 1.240. | 24.10 | | 37,350 | EUR | 498,867 | (707,662) | EUR | d |
| 61. | myON-ID Media GmbH, Munich | 1.240. | 33.36 | | 59,800 | EUR | 250,164 | (241,604) | EUR | d |
| 62. | solute holding GmbH & Co. KG, Hanover | 1.45. | 25.10 | | 1,000,000 | EUR | 752,049 | (247,951) | EUR | d |
| 63. | swoodoo AG, Munich | 1.240. | 29.42 | | 50,000 | EUR | 1,379,286 | (779,490) | EUR | d |

^a Net income/loss taking into account profit and loss transfer agreements

^b Shareholders' equity and net income/loss as of June 30, 2009

^c Shareholders' equity and net income/loss as of Apr. 30, 2009

^d Shareholders' equity and net income/loss as of Dec. 31, 2008

^e Shareholders' equity and net income/loss as of Sept. 30, 2008

^f Shareholders' equity and net income/loss as of Aug. 31, 2008

^g Shareholders' equity and net income/loss as of June 30, 2008

^h Shareholders' equity and net income/loss as of Dec. 31, 2007

ⁱ Shareholders' equity and net income/loss as of Dec. 31, 2006

^j Shareholders' equity and net income/loss as of Dec. 31, 2005

^k Shareholders' equity and net income/loss as of Dec. 31, 2004

^l Shareholders' equity and net income/loss as of Dec. 31, 2000

| | |
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Responsibility statement.

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Deutsche Telekom AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development

and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Bonn, February 8, 2010

Deutsche Telekom AG
Board of Management



René Obermann



Hamid Akhavan



Dr. Manfred Balz



Reinhard Clemens



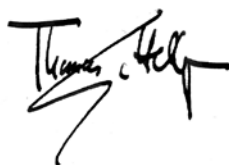
Niek Jan van Damme



Timotheus Höttges



Guido Kerckhoff



Thomas Sattelberger

Auditors' report.

We have audited the annual financial statements, consisting of the statement of income, the balance sheet, and the notes to the financial statements, together with the bookkeeping system, and the management report of Deutsche Telekom AG, Bonn for the financial year from January 1 to December 31, 2009. 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 and the additional rules as laid down in the Company's Articles of Incorporation are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the annual financial statements in conformity with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the 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 Board of Management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on our findings from our audit, the annual financial statements are in line with statutory requirements and the supplementary provisions of the Articles of Incorporation of the Company 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 corresponds to the annual financial statements, gives a true overall picture of the Company's position, and suitably presents the opportunities and risks of future development.

Stuttgart/Frankfurt, February 8, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|----------------------|-------------------|
| (Prof. Dr. Wollmert) | (Forst) |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---------------------|-------------------|
| (Prof. Dr. Kämpfer) | (Tandetzki) |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

Further Information

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List of abbreviations.

| | |
|--------------------|--|
| ADS | American depository share(s) |
| ADSL | Asymmetrical digital subscriber line |
| ADSL 2+ | Further development of ADSL |
| AG | Aktiengesellschaft (stock corporation under German law) |
| AktG | Aktiengesetz (German Stock Corporation Act) |
| BilMoG | Bilanzrechtsmodernisierungsgesetz (German Accounting Law Modernization Act) |
| Bitkom | Bundesverband Informationswirtschaft Telekommunikation und neue Medien (German Association for Information Technology, Telecommunications and New Media) |
| BNetzA | Federal Network Agency |
| BPS-PT | Bundes-Pensions-Service für Post und Telekommunikation e.V., Bonn (joint pension fund for civil servants of Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom) |
| CEO | Chief Executive Officer |
| Cofiroute | Compagnie Financière et Industrielle des Autoroutes S.A., Sèvres Cedex |
| COO | Chief Operating Officer |
| CR | Corporate responsibility |
| DECT | Digital European Cordless Telecommunication (European standard for cordless telephones) |
| DeTeFleet Services | DeTeFleet Services GmbH, Bonn |
| Deutsche Telekom | Deutsche Telekom AG, Bonn |
| DNeuG | Dienstrechtsneuordnungsgesetz (German Act for the Reform of Civil Service Law) |
| DSL | Digital subscriber line |
| DT IF | Deutsche Telekom International Finance B.V., Amsterdam |
| DT KS | Deutsche Telekom Kundenservice GmbH, Bonn |
| DT NP | Deutsche Telekom Netzproduktion GmbH, Bonn |
| DT TS | Deutsche Telekom Technischer Service GmbH, Bonn |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, tax, depreciation and amortization |
| EMF | Electromagnetic fields |
| Ernst & Young | Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart |
| EStG | Einkommensteuergesetz (German Income Tax Act) |
| etc. | et cetera |
| EU | European Union |
| EU CLG | Copenhagen Communiqué der European Leaders Group on Climate Change |
| EUR | Euro |
| FTE | Full-time equivalent |
| FTTX | Fiber to the exchange |
| GBP | Pound sterling |
| GbR | Gesellschaft bürgerlichen Rechts (non-trading partnership under German law) |
| GDP | Gross domestic product |
| GG | Grundgesetz (Basic Law) |
| GHS | Group Headquarters & Shared Services |
| GHz | Gigahertz |
| GmbH | Gesellschaft mit beschränkter Haftung (limited liability company under German law) |
| GMG | GMG Generalmietgesellschaft mbH, Bonn |
| HD | High definition |
| HGB | Handelsgesetzbuch (German Commercial Code) |
| HR | Human resources |
| ICT | Information and communication technology |
| IDM | Idea Management |
| IfW | Institut für Weltwirtschaft (Institute for the World Economy) |

| | |
|-------------------------|---|
| IP | Internet protocol |
| IT | Information technology |
| KfW | Kreditanstalt für Wiederaufbau, Frankfurt/Main |
| KPI | Key performance indicator |
| LTE | Long term evolution |
| M&A | Mergers & Acquisitions |
| Magyar Telekom | Magyar Telekom Telecommunications plc., Budapest |
| Mbit/s | Megabits per second |
| MHz | Megahertz |
| MTIP | Mid-Term Incentive Plan |
| NG IT | Next-generation IT |
| NGA | Next-generation access |
| OTE | Hellenic Telecommunications Organization S.A. (OTE), Athen |
| PC | Personal computer |
| Powertel | Powertel, Inc., Bellevue |
| PPR | Performance & Potential Review |
| PTC | Polska Telefonia Cyfrowa Sp. z o.o., Warsaw |
| PTNeuOG | Postneuordnungsgesetz (Posts and Telecommunications Reorganization Act) |
| PwC | PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main |
| QdP | Workforce Quality (program) |
| ROCE | Return on capital employed |
| SAR | Stock appreciation right |
| SEC | Securities and Exchange Commission |
| Service companies | Deutsche Telekom Kundenservice GmbH, Bonn, Deutsche Telekom Technischer Service GmbH, Bonn und Deutsche Telekom Netzproduktion GmbH, Bonn |
| SOP | Stock option plan |
| STRABAG PFS | STRABAG Property and Facility Services GmbH, Münster |
| TAN | Transaction number |
| Telekom Training | Organizational unit assigned to GHS |
| T-Home | Organizational unit at Deutsche Telekom AG |
| TKG | Telekommunikationsgesetz (German Telecommunications Act) |
| TMD | T-Mobile Deutschland GmbH, Bonn |
| TMGH | T-Mobile Global Holding GmbH |
| TMGZ | T-Mobile Global Zwischenholding GmbH, Bonn |
| TMI | T-Mobile International AG, Bonn |
| T-Mobile UK | T-Mobile United Kingdom, Hertfordshire |
| T-Mobile USA | T-Mobile USA, Inc., Bellevue |
| Toll Collect | Toll Collect GmbH, Berlin |
| T-Online | T-Online International AG, Darmstadt |
| Triple play/triple-play | Combination of telephony, Internet and TV |
| TS BS | T-Systems Business Services GmbH, Bonn |
| TS ES | T-Systems Enterprise Services GmbH, Bonn |
| T-Share | Deutsche Telekom share |
| TU Berlin | Technische Universität Berlin (Berlin Technical University) |
| UK | United Kingdom |
| ULL | Unbundled local loop |
| UMTS | Universal Mobile Telecommunications System |
| UmwG | Umwandlungsgesetz (German Reorganization and Transformation Act) |
| US | United States |

| | |
|-------------|--|
| USA | United States of America |
| USD | U.S. dollar |
| VDSL | Very high bit rate Digital Subscriber Line (new technology used to transmit exceptionally high data rates via a fiber-optic network) |
| ver.di | ver.di - Vereinte Dienstleistungsgewerkschaft (service industry trade union) |
| Vivendi | Vivendi S.A., Paris; Vivendi S.A., Geneva; Vivendi S.A., Seattle |
| Vivento | Service provider of Deutsche Telekom AG for personnel and business (legally dependent organizational unit) |
| VoiceStream | VoiceStream Pittsburgh General Partner, Inc., Bellevue |
| VoIP | Voice over Internet protocol (technology enabling telephone calls via the Internet) |
| WHO | World Health Organization |
| WIA | Wholesale Internet access |
| WLAN | Wireless local area network |
| WpHG | Wertpapierhandelsgesetz (German Securities Trading Act) |

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

KNr. 642200173 – German
KNr. 642200174 – English

Disclaimer.

This Report (particularly the chapter titled "Outlook") contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. They are generally identified by the words "expect," "anticipate," "believe," "intend," "estimate," "aim," "goal," "plan," "will," "seek," "outlook" or similar expressions and include generally any information that relates to expectations or targets for revenue or other performance measures. Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control, including those described in the sections "Forward-Looking Statements" and "Risk Factors" of the Company's Form 20-F report filed with the U.S. Securities and Exchange Commission. Among the relevant factors are the progress of Deutsche Telekom's workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions and business combinations. In addition, regulatory rulings, stronger than expected competition, technological change, litigation and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved.

Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to those figures prepared in accordance with the German Commercial Code, this report also cites non-GAAP financial performance measures e.g. the investment ratio, the ratio of noncurrent asset to total assets and the ratio of current assets to total assets, none of which is governed by accounting standards. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with the German Commercial Code. Non-GAAP financial performance measures are not subject to any generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to non-GAAP financial performance measures please refer to the chapter on "Development of business" in the Annual Report and Deutsche Telekom's Investor Relations Web site at www.telekom.com

