



Deutsche Telekom AG

Bonn, Federal Republic of Germany

CHF 400,000,000
3.75 per cent. Notes 2009 – 2014
 (with reopening clause)

Issued under the Euro 25,000,000,000 Debt Issuance Programme of Deutsche Telekom AG and Deutsche Telekom International Finance B.V. (the "Programme")

The Issuer's long-term debts are rated "BBB+" by Standard & Poor's Rating Services Group, "Baa1" by Moody's Investors Service Inc. and "A-" by Fitch Ratings Ltd.

Issuer	Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn, Germany
Interest Rate	3.75 per cent. per annum.
Issue Price	100.547 per cent. (before commissions and expenses).
Price for Placement	Based on supply and demand.
Payment Date	22 April 2009
Maturity Date	Final redemption is on 22 April 2014, at par.
Early Redemption	For tax reasons only, on any Interest Payment Date at par in accordance with the Terms and Conditions of the Notes.
Reopening	The Issuer reserves the right to reopen the issue according to the Terms and Conditions of the Notes.
Denominations	CHF 5,000 nominal and integral multiples thereof.
Form of the Notes	The Notes will be represented by a Permanent Global Note . Noteholders do not have the right to request the printing and/or delivery of definitive Notes.
Assurances	Pari Passu and Cross Default Clause according to the Terms and Conditions of the Notes; Negative Pledge Clause.
Sales Restrictions	U.S.A. and U.S. persons (Tefra D), European Economic Area and United Kingdom.
Governing Law and Jurisdiction	The Notes and all contractual documentation are governed by and shall be construed in accordance with the laws of Germany. Place of jurisdiction will be Frankfurt am Main.
Listing	Will be applied for on the main segment of the SIX Swiss Exchange. Notes are expected to be admitted for provisional trading as of 17 April 2009.

The financial institutions named below (the "**Joint-Lead Managers**") have entered into a Subscription Agreement dated 16 April 2009 (the "**Subscription Agreement**") relating to the sale of the Notes by the Issuer to the Joint-Lead Managers:

ABN AMRO BANK N.V., AMSTERDAM, ZURICH BRANCH

BNP PARIBAS (SUISSE) SA

THE ROYAL BANK OF SCOTLAND

Swiss Security Number
10067352

ISIN Code
CH0100673521

Common Code
042152358



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SELLING RESTRICTIONS

United States of America, U.S. Persons

In addition to the selling restrictions relating to the United States on pages 170 – 172 of the Prospectus dated 24 April 2008 (attached hereto as Annex A), each of the Joint-Lead Managers has represented and agreed that, (i) except to the extent permitted under Regulation § 1.163-5(c)(2)(i)(D) (the "**D Rules**"), (a) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Notes that are sold during the restricted period; (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules; (iii) reasonable efforts will be used to sell the Notes in Switzerland; (iv) more than 80 per cent. of (a) the aggregate principal amount of the Notes, (b) the value of the Notes, measured by the proceeds received by distributors with respect of the Notes, and (c) the value of the Notes, measured by the proceeds received by the Issuer with respect to the Notes, will be offered and sold to non-distributors by distributors maintaining an office in Switzerland; and (v) if it is a U.S. person, it is accepting the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will do so only in accordance with the requirements of Regulation § 1.163-5(c)(2)(i)(D)(6). Whether or not an offer, sale or delivery is treated as made within the United States or its possessions or to a U.S. person will depend upon the provisions of the D Rules.

General

Each of the Joint-Lead Managers agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Swiss Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries.

For selling restrictions in general and specifically regarding the **United States, the European Economic Area and the United Kingdom**, please refer also to pages 170 – 173 in Annex A hereto.

IMPORTANT NOTICE TO INVESTORS

This issue of the CHF 400,000,000 (Swiss Francs four hundred million) 3.75 per cent. Notes 2009 – 2014 (the "**Notes**") is made under the Euro 25,000,000,000 Debt Issuance Programme (the "**Programme**") of Deutsche Telekom AG (the "**Issuer**").

Unless otherwise specified herein, terms defined in the Base Prospectus (as defined below) shall have the same meaning in this Swiss Prospectus (the "**Swiss Prospectus**").

Specific terms set out in the Final Terms dated as of 16 April 2009 must be read in conjunction with the Terms and Conditions of the Notes contained in the Prospectus related to the Programme dated 24 April 2008 as supplemented by a First Supplement and a Second Supplement dated 9 June 2008 and 4 March 2009, respectively (together the "**Base Prospectus**"). Information on the Issuer is also contained in this Swiss Prospectus. Investors are advised to familiarise themselves with the entire content of this Swiss Prospectus.

The contractual documents relating to the Programme and the Notes are governed by German law. The place of jurisdiction shall be Frankfurt am Main.

Copies of this Swiss Prospectus are available free of charge from ABN AMRO Bank N.V., Amsterdam, Zurich Branch, at Beethovenstrasse 33, CH-8002 Zurich, or may be obtained by telephone (+41 44 631 64 30) or fax (+41 44 285 56 18).

GENERAL INFORMATION

Authorisation

Pursuant to (i) the authorisation of the Issuer given under the Programme (see p. 174 of Annex A) and (ii) the Subscription Agreement among the Issuer and ABN AMRO Bank N.V., Amsterdam, Zurich Branch, the Issuer has decided to issue the Notes to be paid on 22 April 2009 and maturing on 22 April 2014 at an issue price of 100.547 per cent. (minus commissions and expenses).

Use of Proceeds

The net proceeds in the total amount of CHF 399,138,000 from the issue of the Notes will be used by the Issuer for general corporate purposes. The Joint-Lead Managers shall have no responsibility for, or be obliged to concern itself with, the use of such net proceeds.

Clearing

The Notes have been accepted for clearance through SIX SIS AG ("**SIS**").

Listing on SIX Swiss Exchange

Application to list the Notes on the main segment of the SIX Swiss Exchange will be made.

Representative

In accordance with Article 50 of the Listing Rules of the SIX Swiss Exchange, the Issuer has appointed ABN AMRO Bank N.V., Amsterdam, Zurich Branch, as its representative in order to apply for the listing of the Notes on the main segment of the SIX Swiss Exchange.

Litigation

Except as disclosed in this Swiss Prospectus, neither the Issuer nor any member of the Group (as defined in the Base Prospectus) is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Swiss Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or the Group.

Significant or Material Change

Save as disclosed in this Swiss Prospectus, there has been no material adverse change in the assets and liabilities, financial or trading position or prospect of Deutsche Telekom Group since 31 December 2008.

Corporate and Financial Information

According to article 2 of its articles of incorporation the Issuer's object is the activity in all areas of telecommunications, information technology, multimedia, information and entertainment, as well as security services and any services connected to these areas, and also in related areas in Germany and abroad.

For further information on Deutsche Telekom Group, see Annex A, Annex B, Annex C and Annex D of this Swiss Listing Prospectus.

Responsibility

The Issuer confirms that this Swiss Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material and such information is true and accurate in all respects and is not misleading. The Issuer accepts responsibility for the information contained in this Swiss Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Swiss Prospectus is in accordance with the facts and does not omit anything that would affect the import of such information.

Bonn, 16 April 2009

For: Deutsche Telekom AG

By: _____

TAXES

Withholding Tax

All payments in respect of the Notes by the Issuer are currently not subject to the Swiss withholding tax.

EU Savings Tax Directive

In the context of the EU Savings Tax Directive (2003/48/EC), the EU and Switzerland have negotiated an agreement (in this section, the "**Agreement**") on the taxation of savings income by way of a withholding tax system or a voluntary exchange of information in the case of transactions between parties in EU member states and Switzerland. Switzerland has introduced a retention tax on interest payments or other similar income paid by a paying agent within Switzerland to EU resident individuals effective as of July 1, 2005. Such tax shall be withheld at a rate of 15 per cent. for the first three years of the transitional period, 20 per cent. for the subsequent three years and 35 per cent. thereafter. The beneficial owner of the interest payments may be entitled to a refund of the tax if certain conditions are met. Alternatively, such individual may opt for a notification of the interest payment to the relevant EU-tax authority to avoid the withholding.

FINAL TERMS

FINAL TERMS ENDGÜLTIGE BEDINGUNGEN

16 April 2009
16 April 2009

Final Terms Endgültige Bedingungen

CHF 400,000,000 3.75 per cent. Notes due 22 April 2014 (the "Notes")
CHF 400.000.000 3,75% Schuldverschreibungen fällig 22. April 2014 (die "Schuldverschreibung")

issued pursuant to the
begeben aufgrund des

Euro 25,000,000,000
Debt Issuance Programme
dated 24 April 2008
vom 24. April 2008

of
der

Deutsche Telekom AG
and
und

Deutsche Telekom International Finance B.V.

Issue Price: 100.547 per cent.
Ausgabepreis: 100.547%

Issue Date: 22 April 2009
Tag der Begebung: 22. April 2009

These are the Final Terms of an issue of Notes under the Euro 25,000,000,000 Debt Issuance Programme of Deutsche Telekom AG and Deutsche Telekom International Finance B.V. (the "**Programme**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Prospectus dated 24 April 2008 as supplemented (the "**Prospectus**") and these Final Terms .

Dies sind die Endgültigen Bedingungen einer Emission von Schuldverschreibungen unter dem Euro 25.000.000.000 Debt Issuance Programme der Deutsche Telekom AG und der Deutsche Telekom International Finance B.V. (das "Programm"). Vollständige Informationen über die Emittentin und das Angebot der Schuldverschreibungen sind nur verfügbar, wenn die Endgültigen Bedingungen und der Prospekt vom 24. April 2008 in der jeweils geltenden Fassung (der "Prospekt") zusammengenommen werden.

Part I. TERMS AND CONDITIONS Teil I. EMISSIONSBEDINGUNGEN

The Integrated Conditions applicable to the Notes (the "**Conditions**") and the German or English language translation thereof, if any, are attached hereto and replace in full the Terms and Conditions of the Notes as set out in the Prospectus and take precedence over any conflicting provisions set forth in part I of the Final Terms.

Die für die Schuldverschreibungen geltenden konsolidierten Bedingungen (die "Bedingungen") und eine etwaige deutsch- oder englischsprachige Übersetzung sind diesen Endgültigen Bedingungen beigelegt. Die Bedingungen ersetzen in Gänze die im Prospekt abgedruckten Emissionsbedingungen und gehen etwaigen abweichenden Bestimmungen in Teil I der Endgültigen Bedingungen vor.

Issuer

Deutsche Telekom AG

Emittentin

Form of Conditions

Form der Bedingungen

- Long-Form
Nicht-konsolidierte Bedingungen
- Integrated
Konsolidierte Bedingungen

Language of Conditions

Sprache der Bedingungen

- German only
ausschließlich Deutsch
- English only
ausschließlich Englisch
- English and German (English controlling)
Englisch und Deutsch (englischer Text maßgeblich)
- German and English (German controlling)
Deutsch und Englisch (deutscher Text maßgeblich)

CURRENCY, DENOMINATION, FORM AND TITLE, CERTAIN DEFINITIONS (§ 1)

WÄHRUNG, NENNBETRAG, FORM UND EIGENTUMSRECHT, DEFINITIONEN (§ 1)

Currency and Denomination

Währung und Nennbetrag

Specified Currency <i>Festgelegte Währung</i>	Swiss Francs ("CHF") <i>Schweizer Franken ("CHF")</i>
Aggregate Principal Amount <i>Gesamtnennbetrag</i>	CHF 400,000,000 <i>CHF 400.000.000</i>
Specified Denomination(s) <i>Festgelegte(r) Nennbetrag/Nennbeträge</i>	CHF 5,000 <i>CHF 5.000</i>
Number of Notes to be issued in each Specified Denomination <i>Zahl der in jedem festgelegten Nennbetrag auszugebenden Schuldverschreibungen</i>	80,000 <i>80.000</i>

New Global Note

No

New Global Note

Nein

- TEFRA C
TEFRA C
- Temporary Global Note exchangeable for:
Vorläufige Globalurkunde austauschbar gegen:
 - Definitive Notes
Einzelurkunden
 - Definitive Notes and Collective Global Note(s)
Einzelurkunden und Sammelglobalurkunden
- Permanent Global Note
Dauerglobalurkunde
- TEFRA D
TEFRA D

- Definitive Notes
Einzelurkunden
- Permanent Global Note
Dauerglobalurkunde
- NEITHER TEFRA D NOR TEFRA C
WEDER TEFRA D NOCH TEFRA C
Permanent Global Note
Dauerglobalurkunde

Definitive Notes
Einzelurkunden

No
Nein

- Coupons
Zinsscheine
- Talons
Talons
- Receipts
Rückzahlungsscheine

Certain Definitions
Definitionen

Clearing System

- Clearstream Banking AG, Frankfurt am Main (CBF)
Neue Börsenstraße 1
60487 Frankfurt am Main
Bundesrepublik Deutschland
- Clearstream Banking, société anonyme, Luxembourg (CBL)
42 Avenue JF Kennedy
1855 Luxembourg
Luxembourg
- Euroclear Bank SA/NV (Euroclear)
1 Boulevard du Roi Albert II
1210 Brussels
Belgium

- Other – specify
sonstige (angeben)

SIX SIS AG
SIX SIS AG

Calculation Agent
Berechnungsstelle

No
Nein

- Fiscal Agent
Fiscal Agent
- Other (specify)
sonstige (angeben)

INTEREST (§ 4)
ZINSEN (§ 4)

- Fixed Rate Notes**
Festverzinsliche Schuldverschreibungen
Rate of Interest and Interest Payment Dates
Zinssatz und Zinszahlungstage

Rate of Interest <i>Zinssatz</i>	3.75 per cent. per annum <i>3,75 % per annum</i>
Interest Commencement Date <i>Verzinsungsbeginn</i>	22 April 2009 <i>22. April 2009</i>
Fixed Interest Date(s) <i>Festzinstermine</i>	22 April in each year <i>22. April in jedem Jahr</i>
First Interest Payment Date <i>Erster Zinszahlungstag</i>	22 April 2010 <i>22. April 2010</i>
Initial Broken Amount(s) (per Specified Denomination) <i>Anfängliche(r) Bruchteilzinsbetrag(-beträge) (für jede festgelegte Stückelung)</i>	
Final Broken Amount(s) (per Specified Denomination) <i>Abschließende(r) Bruchteilzinsbetrag(-beträge) (für jede festgelegte Stückelung)</i>	

Day Count Fraction

Zinstagequotient

- Actual/Actual (ICMA 251)
- Actual/Actual (ISDA)
- Actual/365 (Fixed)
- Actual/360
- 30/360 or 360/360 (Bond Basis)
- 30E/360 (Eurobond Basis)

Payment Business Day

Zahlungstag

Relevant Financial Centre(s) (specify all)	Zurich
<i>Relevante(s) Finanzzentrum(en) (alle angeben)</i>	<i>Zürich</i>

REDEMPTION (§ 6)

RÜCKZAHLUNG (§ 6)

Final Redemption

Rückzahlung bei Endfälligkeit

Notes other than Instalment Notes

Schuldverschreibungen außer Raten-Schuldverschreibungen

Maturity Date <i>Fälligkeitstag</i>	22 April 2014 <i>22. April 2014</i>
Redemption Month <i>Rückzahlungsmonat</i>	April <i>April</i>
Final Redemption Amount (per Specified Denomination) <i>Rückzahlungsbetrag (für jede festgelegte Stückelung)</i>	CHF 5,000 <i>CHF 5.000</i>

Instalment Notes

Raten-Schuldverschreibungen

- Instalment Date(s)
Ratenzahlungstermin (e)
- Instalment Amount(s)
Rate(n)

Early Redemption at the Option of the Issuer No (except for taxation reasons)
Vorzeitige Rückzahlung nach Wahl der Emittentin Nein (außer aus Steuergründen)

Early Redemption at the Option of a Holder No
Vorzeitige Rückzahlung nach Wahl des Gläubigers Nein

Early Redemption Amount
Vorzeitiger Rückzahlungsbetrag

Notes other than Zero Coupon Notes:
Schuldverschreibungen außer Nullkupon-Schuldverschreibungen

Final Redemption Amount No
Rückzahlungsbetrag Nein

PRINCIPAL PAYING AGENT AND PAYING AGENTS (§ 7)
HAUPTZAHLSTELLE UND DIE ZAHLSTELLEN (§ 7)

Swiss Principal Paying Agent ABN AMRO Bank N.V., Amsterdam,
Schweizer Hauptzahlstelle Zurich Branch
Beethovenstrasse 33
CH-8002 Zurich

Swiss Paying Agent ABN AMRO Bank (Schweiz) AG
Schweizer Zahlstellen Beethovenstrasse 33
CH-8002 Zurich

BNP Paribas (Suisse) SA
Place de Hollande 2
CH-1204 Geneva

Calculation Agent/specified office No
Berechnungsstelle/bezeichnete Geschäftsstelle Nein

required location of Calculation Agent (specify)
vorgeschriebener Ort für Berechnungsstelle (angeben)

NOTICES (§ 13)

MITTEILUNGEN (§ 13)

Place and medium of publication

Ort und Medium der Bekanntmachung

Website of the Luxembourg Stock Exchange (www.bourse.lu)
Internetseite der Luxemburger Börse (www.bourse.lu)

Luxemburger Wort
Luxemburger Wort

Clearing System
Clearing System

Other (specify)

sonstige (angeben)

Website of the SIX Swiss Exchange
(www.six-swiss-exchange.com)
Internetseite der SIX Swiss Exchange
(www.six-swiss-exchange.com)

GOVERNING LAW (§ 14)

ANWENDBARES RECHT (§ 14)

Governing Law German Law
Anwendbares Recht Deutsches Recht

Part II. ADDITIONAL DISCLOSURE REQUIREMENTS RELATED TO NOTES
Teil II. ZUSÄTZLICHE ANGABEN BEZOGEN AUF SCHULDVERSCHREIBUNGEN

A. Risk Factors
A. Risikofaktoren

B. Key Information
B. Wichtige Informationen

Interests of natural and legal persons involved in the issue/offer
Interessen von Seiten natürlicher und juristischer Personen, die an der Emission/dem Angebot beteiligt sind

Reasons for the offer
Gründe für das Angebot

Estimated net proceeds <i>Geschätzter Nettobetrag der Erträge</i>	CHF 399,138,000 <i>CHF 399.138.000</i>
Estimated total expenses of the issue <i>Geschätzte Gesamtkosten der Emission</i>	CHF 71,000 <i>CHF 71.000</i>

C. Information concerning the Notes to be offered/admitted to trading
C. Informationen über die anzubietenden bzw. zum Handel zuzulassenden Schuldverschreibungen

Eurosystem eligibility
EZB-Fähigkeit

Intended to be held in a manner which would allow Eurosystem eligibility <i>Soll in EZB-fähiger Weise gehalten werden</i>	No <i>Nein</i>
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Securities Identification Numbers
Wertpapier-Kenn-Nummern

Common Code <i>Common Code</i>	042152358 <i>042152358</i>
ISIN Code <i>ISIN Code</i>	CH0100673521 <i>CH0100673521</i>
German Securities Code <i>Deutsche Wertpapier-Kenn-Nummer (WKN)</i>	
Any other securities number <i>Sonstige Wertpapiernummer</i>	Swiss Security Code: 10067352 <i>Schweizer Valorennummer: 10067352</i>

Yield
Rendite

Yield <i>Rendite</i>	3.627 per cent. per annum <i>3,627% per annum</i>
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Method of calculating the yield
Berechnungsmethode der Rendite

- ICMA method: The ICMA method determines the effective interest rate of notes taking into account accrued interest on a daily basis.
ICMA Methode: Die ICMA Methode ermittelt die Effektivverzinsung von Schuldverschreibungen unter Berücksichtigung der täglichen Stückzinsen.

Other method (specify)

Andere Methoden (angeben)

Investor yield calculated on
15 April 2009
*Investitionsrendite ermittelt am
15. April 2009*

Selling Restriction

Verkaufsbeschränkungen

The Selling Restrictions set out in the Prospectus shall apply.
Es gelten die im Prospekt wiedergegebenen Verkaufsbeschränkungen.

TEFRA C
TEFRA C

TEFRA D
TEFRA D

TEFRA D Rules are applicable in accordance with usual Swiss practice
TEFRA D Rules sind anwendbar in Übereinstimmung mit Schweizer Usanz

Neither TEFRA C nor TEFRA D
Weder TEFRA C noch TEFRA D

Additional Selling Restrictions (specify)
Zusätzliche Verkaufsbeschränkungen (angeben)

Non-exempt Offer
Nicht-befreites Angebot

Not applicable
Nicht anwendbar

Taxation

Besteuerung

Information on taxes on the income from the notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought
Informationen über die an der Quelle einbehaltene Einkommensteuer auf die Schuldverschreibungen hinsichtlich der Länder in denen das Angebot unterbreitet oder die Zulassung zum Handel beantragt wird

None
keine

Restrictions on the free transferability of the Notes

Beschränkungen der freien Übertragbarkeit der Wertpapiere

None
Keine

D. TERMS AND CONDITIONS OF THE OFFER

D. BEDINGUNGEN UND KONDITIONEN DES ANGEBOTS

Expected price at which the notes will be offered / method of determining the price and the process for its disclosure and mount of any expenses and taxes specifically charged to the subscriber or purchaser
Kurs, zu dem die Schuldverschreibungen angeboten werden / Methode, mittels deren der Angebotskurs festgelegt wird und Angaben zum Verfahren für die Offenlegung sowie der Kosten und Steuern, die speziell dem Zeichner oder Käufer in Rechnung gestellt werden

Method of distribution

Vertriebsmethode

Non-syndicated
Nicht syndiziert

Syndicated
Syndiziert

Date of Subscription Agreement
Datum des Subscription Agreements

16 April 2009
16. April 2009

Management Details including form of commitment
Einzelheiten bezüglich des Bankenkonsortiums einschließlich der Art der Übernahme

Dealer/Management Group (specify)
Platzeur/Bankenkonsortium (angeben)

ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Beethovenstrasse 33
CH-8002 Zurich

BNP Paribas (Suisse) SA
Place de Hollande 2
CH-1204 Geneva

The Royal Bank of Scotland plc
135 Bishopsgate
GB-London EC2M 3UR

firm commitment
feste Zusage

no firm commitment / best efforts arrangements
Keine feste Zusage / zu den bestmöglichen Bedingungen

Commissions
Provisionen

Management/Underwriting Commission (specify)
Management- und Übernahme provision (angeben) 0.75 per cent.
0,75%

Selling Concession (specify)
Verkaufsprovision (angeben)

Listing Commission (specify)
Börsenzulassungsprovision (angeben)

Other (specify)
Andere (angeben)

Stabilising Dealer/Manager ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Kursstabilisierender Dealer/Manager ABN AMRO Bank N.V., Amsterdam, Zweigeneidlerlassung Zürich

E. ADMISSION TO TRADING AND DEALING ARRANGEMENTS
E. ZULASSUNG ZUM HANDEL UND HANDELSREGELN

Listing(s) **Yes**
Notierung(en) **Ja**

- Luxembourg Stock Exchange
 - Regulated Market "Bourse de Luxembourg"
Geregelter Markt "Bourse de Luxembourg"
 - Euro MTF
Euro MTF

Other (insert details)
Sonstige (Einzelheiten einfügen)

SIX Swiss Exchange
SIX Swiss Exchange

Date of admission
Termin der Zulassung

17 April 2009
17. April 2009

Estimate of total expenses related to admission to trading
Geschätzte Gesamtkosten für die Zulassung zum Handel

CHF 21,000
CHF 21.000

F. ADDITIONAL INFORMATION
F. ZUSÄTZLICHE INFORMATIONEN

Rating
Rating

A- (Fitch) / Baa1 (Moody's) / BBB+ (S&P)
A- (Fitch) / Baa1 (Moody's) / BBB+ (S&P)

Other relevant terms and conditions (specify)
Andere relevante Bestimmungen (einfügen)

A. ABN AMRO Bank N.V., Amsterdam, Zurich Branch, Beethovenstrasse 33, CH-8002 Zurich, shall act as Swiss Principal Paying Agent in respect of the Notes.

ABN AMRO Bank N.V., Amsterdam, Zweigniederlassung Zürich, Beethovenstrasse 33, CH-8002 Zürich, handelt als Schweizer Hauptzahlstelle in Bezug auf die Schuldverschreibungen.

B. § 1 sub-paragraphs (3) and (4) of the Terms and Conditions of the Notes shall be amended as follows:

(3) *Permanent Global Note.* The Notes are represented by a permanent Global Note (the "Permanent Global Note") without coupons. The Permanent Global Note shall be signed manually by two authorized signatories of the Issuer and shall be authenticated by or on behalf of the Swiss Principal Paying Agent. Definitive Notes and interest coupons will not be issued except in accordance with subparagraph (4) below.

(4) *Definitive Notes.* The Permanent Global Note will not be exchangeable at the option of the Holders but may be exchanged for definitive Notes in whole but not in part solely at the option of the Swiss Principal Paying Agent should it deem such exchange to be necessary or useful or if the presentation of definitive Notes and interest coupons is required by Swiss or foreign laws and regulations in connection with the enforcement of rights in respect of the Notes. In such case, the definitive Notes and interest coupons shall be signed in facsimile by two authorised signatories of the Issuer and shall be authenticated by or on behalf of the Swiss Principal Paying Agent and printed in accordance with the rules and regulations of the SIX Swiss Exchange.

§ 1 Absätze (3) und (4) der Emissionsbedingungen werden wie folgt geändert:

(3) *Dauerglobalurkunde.* Die Schuldverschreibungen sind durch eine Globalurkunde in Form einer Dauerglobalurkunde (die "Dauerglobalurkunde") ohne Zinsscheine verbrieft. Die Dauerglobalurkunde trägt die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und ist von der Schweizer Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden ausser in den in § 1(4) vorgesehenen Fällen nicht ausgegeben.

(4) *Einzelurkunden und Zinsscheine.* Die Dauerglobalurkunde wird nicht nach Wahl der Gläubiger, sondern ausschliesslich auf Verlangen der Schweizer Hauptzahlstelle vollständig und nicht teilweise gegen Einzelurkunden ausgetauscht, wenn die Schweizer Hauptzahlstelle einen solchen Austausch für notwendig oder nützlich hält oder wenn dies nach schweizerischem oder einem anderen Recht im Zusammenhang mit der gerichtlichen Geltendmachung von Rechten aus den Schuldverschreibungen erforderlich wird. In einem solchen Fall werden die Einzelurkunden und Zinsscheine die faksimilierten Unterschriften zweier ordnungsgemäss bevollmächtigter Vertreter der Emittentin tragen, von der Schweizer Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen und gemäss den Vorschriften der SIX Swiss Exchange gedruckt.

C. § 5 sub-paragraphs (1), (2) and (3) shall be amended as follows:

(1)(a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to subparagraph (2) below, to the Swiss Principal Paying Agent for payment to the Clearing System or

to its order for credit to the accounts of the relevant holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the Global Note representing the Notes at the time of payment at the specified office of the Swiss Principal Paying Agent.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to subparagraph (2), to the Swiss Principal Paying Agent for payment to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the legal currency which on the respective due date is the currency of the country of the Specified Currency. The amounts required for the servicing of this Issue will be made available by the Issuer to the Swiss Principal Paying Agent in good time on each due date in freely available Swiss Francs, without cost for the Holders, under all circumstances and notwithstanding any future transfer restrictions and outside the scope of any bilateral or multilateral payment or clearing agreement which may exist on the due dates between the Federal Republic of Germany and Switzerland.

(3) *Discharge.* The Issuer shall be discharged by payment to the Swiss Principal Paying Agent.

§ 5 Absätze (1), (2) und (3) werden wie folgt geändert:

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 an die Schweizer Hauptzahlstelle zur Weiterleitung an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und (ausser im Fall von Teilzahlungen) Einreichung der die Schuldverschreibungen zum Zeitpunkt der Zahlung verbriefenden Globalurkunde bei der bezeichneten Geschäftsstelle der Schweizer Hauptzahlstelle.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz 2 an die Schweizer Hauptzahlstelle zur Weiterleitung an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der gesetzlichen Währung, die am entsprechenden Fälligkeitstag die Währung des Staates der festgelegten Währung ist. Die für den Zahlungsdienst dieser Emission benötigten Mittel wird die Emittentin der Schweizer Hauptzahlstelle rechtzeitig vor jedem Zahlungstermin in freien Schweizer Franken zur Verfügung stellen, kostenfrei für die Gläubiger, welches die Umstände auch sein mögen, und ohne Rücksicht auf irgendwelche zukünftigen Transferbeschränkungen und ausserhalb irgendeines bilateralen oder multilateralen Zahlungs- oder Clearingabkommens, das zur Zeit solcher Zahlungen oder Rückzahlungen zwischen der Bundesrepublik Deutschland einerseits und der Schweiz andererseits bestehen könnte.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an die Schweizer Hauptzahlstelle von ihrer Zahlungspflicht befreit.

D. § 6 sub-paragraph (2) shall be amended as follows:

Early Redemption for Reasons of Taxation. If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer is required to pay Additional Amounts (as defined in § 8 herein) on the next succeeding Interest Payment Date (as defined in § 4(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Swiss Principal Paying Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts where a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Prior to the publication of any notice of redemption pursuant to this paragraph (3), the Issuer shall deliver to the Swiss Principal Paying Agent a certificate signed by a director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

§ 6 Absatz (2) wird wie folgt geändert:

Vorzeitige Rückzahlung aus Steuergründen. Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Schweizer Hauptzahlstelle und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt diese Änderung oder Ergänzung wird am oder nach dem Ausgabetag wirksam) zur Zahlung von zusätzlichen Beträgen (wie in § 8 dieser Bedingungen, definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen der Emittentin zur Verfügung stehender und ihr zumutbarer Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühest möglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, und (ii) zu dem Zeitpunkt, zu dem die Kündigung erfolgt, muss die Verpflichtung zur Zahlung von zusätzlichen Beträgen noch wirksam sein.

Vor der Veröffentlichung einer Kündigung gemäß dieser Bestimmung muss die Emittentin der Hauptzahlstelle eine Bescheinigung vorlegen, die von einem Vorstandsmitglied der Emittentin unterschrieben ist und welche darlegt, dass die Voraussetzungen dieses Kündigungsrechts vorliegen und außerdem eine Stellungnahme eines unabhängigen und anerkannten Rechtsberaters enthält, in der festgestellt wird, dass die Emittentin verpflichtet ist oder sein wird, solche zusätzlichen Beträge aufgrund einer solchen Rechts- oder Auslegungsänderung zu zahlen.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die Umstände darlegt, die das Rückzahlungsrecht der Emittentin begründen.

E. § 7 shall be amended as follows:

(1) *Appointment, Specified Office.* The initial Swiss Principal Paying Agent and the initial Swiss Paying Agents and their initial specified offices shall be:

Swiss Principal Paying Agent: ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Beethovenstrasse 33
CH-8002 Zurich

Swiss Paying Agents: ABN AMRO Bank (Schweiz) AG
Beethovenstrasse 33
CH-8002 Zurich

BNP Paribas (Suisse) SA
Place de Hollande 2
CH-1204 Geneva

The Swiss Principal Paying Agent and the Swiss Paying Agents reserve the right at any time to change their specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Swiss Principal Paying Agent and the Swiss Paying Agents and to appoint another Swiss Principal Paying Agent and Swiss Paying Agents. The Issuer shall at all times maintain (i) a Swiss Principal Paying Agent and (ii) so long as the Notes are listed on the SIX Swiss Exchange, a Swiss Paying Agent (which may be the Swiss Principal Paying Agent) with a specified office in Switzerland and/or in such other place as may be required by the rules of such stock exchange. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

§ 7 Emissionsbedingungen wird wie folgt geändert:

(1) *Ernennung; bezeichnete Geschäftsstellen.* Die anfänglich bestellte Hauptzahlstelle und die anfänglich bestellten Zahlstellen und deren bezeichnete Geschäftsstellen lauten wie folgt:

Hauptzahlstelle: ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Beethovenstrasse 33
CH-8002 Zürich

Zahlstellen: ABN AMRO Bank (Schweiz) AG
Beethovenstrasse 33
CH-8002 Zürich

BNP Paribas (Suisse) SA
Place de Hollande 2
CH-1204 Genf

Die Hauptzahlstelle und die Zahlstellen behalten sich das Recht vor, jederzeit ihre jeweiligen bezeichneten Geschäftsstellen durch andere bezeichnete Geschäftsstellen in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle oder einer Zahlstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle oder zusätzliche oder andere Zahlstellen zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Schweizer Hauptzahlstelle unterhalten und (ii) solange die Schuldverschreibungen an der SIX Swiss Exchange notiert sind, eine Schweizer Zahlstelle (die die Schweizer Hauptzahlstelle sein kann) mit bezeichneter Geschäftsstelle in der Schweiz und/oder an solchen anderen Orten unterhalten, die die Regeln dieser Börse verlangen. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

F. § 9 shall be amended as follows:

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (German Civil Code) is reduced to ten years for the Notes. The presentation period for interest coupons is four years in accordance with § 801 subparagraph 2 BGB (German Civil Code).

§ 9 wird wie folgt ergänzt:

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt. Die Vorlegungsfrist für Zinsscheine ist vier Jahre in Übereinstimmung mit § 801 Absatz 2 BGB.

G. § 13 shall be amended as follows:

Publication. All notices concerning the Notes shall be published through the Swiss Principal Paying Agent on the website of the SIX Swiss Exchange (www.six-swiss-exchange.com) in accordance with the rules and regulations of the SIX Swiss Exchange. Any notice so given will be deemed to have been validly given on the date of such electronic publication.

§ 13 wird wie folgt geändert:

Bekanntmachung. Alle die Schuldverschreibungen betreffenden Mitteilungen sind durch die Schweizer Hauptzahlstelle auf der Website der SIX Swiss Exchange (www.six-swiss-exchange.com) gemäss den Vorschriften der SIX Swiss Exchange zu veröffentlichen. Jede derartige elektronische Mitteilung gilt mit dem Tag der Veröffentlichung als wirksam erfolgt.

Listing:**Notierung:**

The above Final Terms comprise the details required to list this issue of Notes pursuant to the Euro 25,000,000,000 Debt Issuance Programme of Deutsche Telekom AG and Deutsche Telekom International Finance B.V. (as from 22 April 2009).

Die vorstehenden Endgültigen Bedingungen enthalten die Angaben, die für die Zulassung dieser Emission von Schuldverschreibungen gemäß des Euro 25.000.000.000 Debt Issuance Programme der Deutsche Telekom AG und der Deutsche Telekom International Finance B.V. (ab dem 22. April 2009) erforderlich sind.

Responsibility:**Verantwortlichkeit:**

The Issuer accepts responsibility for the information contained in these Final Terms as set out in the section Responsibility Statement on page 4 of the Prospectus.

Die Emittentin übernimmt die Verantwortung für die in diesen Endgültigen Bedingungen enthaltenen Informationen wie im Abschnitt Responsibility Statement auf Seite 4 des Prospekts bestimmt.

Deutsche Telekom AG

TERMS AND CONDITIONS

Terms and Conditions (English language version)

This Series of Notes is issued pursuant to an Amended and Restated Agency Agreement, dated 24 April 2008 (the "**Programme Agency Agreement**") between Deutsche Telekom AG ("**Deutsche Telekom**"), Deutsche Telekom International Finance B.V. ("**Finance**"), Deutsche Bank Aktiengesellschaft, as fiscal agent and paying agent (the "**Fiscal Agent**" which expression shall include any successor fiscal agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents), as such agreement was supplemented by a supplemental paying agency agreement dated 16 April 2009 (the "**Supplemental Paying Agency Agreement**" and, together with the Programme Agency Agreement, the "**Agency Agreement**") between the Issuer, the Fiscal Agent, ABN AMRO Bank N.V, Amsterdam, Zurich Branch as Swiss principal paying agent (the "**Swiss Principal Paying Agent**") and the other parties named therein.

§ 1

Currency, Denomination, Form and Title, Certain Definitions

(1) *Currency and Denomination.* This Series of Notes of Deutsche Telekom AG (the "**Issuer**") is issued in Swiss Francs ("**CHF**") (the "**Specified Currency**") in the aggregate principal amount of CHF 400,000,000 (in words: four hundred million) in denominations of CHF 5,000 (the "**Specified Denominations**").

(2) *Form.* The Notes are in bearer form and represented by one or more global notes (each a "**Global Note**").

(3) *Permanent Global Note.* The Notes are represented by a permanent Global Note (the "**Permanent Global Note**") without coupons. The Permanent Global Note shall be signed manually by two authorized signatories of the Issuer and shall be authenticated by or on behalf of the Swiss Principal Paying Agent. Definitive Notes and interest coupons will not be issued except in accordance with subparagraph (4) below.

(4) *Definitive Notes.* The Permanent Global Note will not be exchangeable at the option of the Holders but may be exchanged for definitive Notes in whole but not in part solely at the option of the Swiss Principal Paying Agent should it deem such exchange to be necessary or useful or if the presentation of definitive Notes and interest coupons is required by Swiss or foreign laws and regulations in connection with the enforcement of rights in respect of the Notes. In such case, the definitive Notes and interest coupons shall be signed in facsimile by two authorised signatories of the Issuer and shall be authenticated by or on behalf of the Swiss Principal Paying Agent and printed in accordance with the rules and regulations of the SIX Swiss Exchange.

(5) *Clearing System.* The Global Note representing the Notes will be kept in custody by or on behalf of the Clearing System. "**Clearing System**" means the following: SIX SIS AG.

(6) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

§ 2

Status

The Notes constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

§ 3

Negative Pledge of the Issuer

Negative Pledge. So long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Swiss Principal Paying Agent, the Issuer undertakes not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness issued or guaranteed by the Issuer or by any other person, without at the same time having the Holders share equally and rateably in such security. "**Capital Market Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer, the expression "assets"

as used in this § 3 does not include assets of the Issuer that are sold on a non-recourse basis determined in accordance with the civil law applicable to such transaction.

§ 4 Interest

(1) *Rate of Interest and Interest Payment Dates.* The Notes bear interest on their principal amount at the rate of 3.75 per cent. per annum from (and including) 22 April 2009 to (but excluding) the Maturity Date. Interest shall be payable in arrear on 22 April in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on 22 April 2010.

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes until the expiry of the day preceding the day of actual redemption of the Notes at the default rate of interest established by law.

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

(4) *Day Count Fraction.* "**Day Count Fraction**" means with regard to the calculation of the amount of interest for any period of time (the "**Calculation Period**"): the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month February in which case the month of February shall not be considered to be lengthened to a 30-day month).

§ 5 Payments

(1)(a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to subparagraph (2) below, to the Swiss Principal Paying Agent for payment to the Clearing System or to its order for credit to the accounts of the relevant holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the Global Note representing the Notes at the time of payment at the specified office of the Swiss Principal Paying Agent.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to subparagraph (2), to the Swiss Principal Paying Agent for payment to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the legal currency which on the respective due date is the currency of the country of the Specified Currency. The amounts required for the servicing of this Issue will be made available by the Issuer to the Swiss Principal Paying Agent in good time on each due date in freely available Swiss Francs, without cost for the Holders, under all circumstances and notwithstanding any future transfer restrictions and outside the scope of any bilateral or multilateral payment or clearing agreement which may exist on the due dates between the Federal Republic of Germany and Switzerland.

(3) *Discharge.* The Issuer shall be discharged by payment to the Swiss Principal Paying Agent.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in Zurich.

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 8.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the Amtsgericht in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 6 Redemption

(1) *Redemption at Maturity.*

Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on 22 April 2014 (the "**Maturity Date**"). The redemption amount of this series of Notes shall be 100 per cent. of the aggregate principal amount of the Notes. The Final Redemption Amount in respect of each Note shall be CHF 5,000.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer is required to pay Additional Amounts (as defined in § 8 herein) on the next succeeding Interest Payment Date (as defined in § 4(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Swiss Principal Paying Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts where a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Prior to the publication of any notice of redemption pursuant to this paragraph (3), the Issuer shall deliver to the Swiss Principal Paying Agent a certificate signed by a director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(3) *Early Redemption Amount.*

For purposes of subparagraph (2) of this § 6 and § 10, the Early Redemption Amount of a Note shall be its Final Redemption Amount.

§ 7 Swiss Principal Paying Agent and Swiss Paying Agents

(1) *Appointment, Specified Office.* The initial Swiss Principal Paying Agent and the initial Swiss Paying Agents and their initial specified offices shall be:

Swiss Principal Paying Agent: ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Beethovenstrasse 33
CH-8002 Zurich

Swiss Paying Agents: ABN AMRO Bank (Schweiz) AG
Beethovenstrasse 33
CH-8002 Zurich

BNP Paribas (Suisse) SA
Place de Hollande 2
CH-1204 Geneva

The Swiss Principal Paying Agent and the Swiss Paying Agents reserve the right at any time to change their specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Swiss Principal Paying Agent and the Swiss Paying Agents and to appoint another

Swiss Principal Paying Agent and Swiss Paying Agents. The Issuer shall at all times maintain (i) a Swiss Principal Paying Agent and (ii) so long as the Notes are listed on the SIX Swiss Exchange, a Swiss Paying Agent (which may be the Swiss Principal Paying Agent) with a specified office in Switzerland and/or in such other place as may be required by the rules of such stock exchange. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

§ 8 Taxation

Principal and interest shall be payable by the Issuer without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the Federal Republic of Germany or by or on behalf of any political subdivision or authority therein having power to tax (hereinafter together called "**Withholding Taxes**"), unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the Holder after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which

- (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or
- (c) are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with such directive, regulation, treaty or understanding; or
- (d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for, and notice thereof is published in accordance with the Conditions whichever occurs later.

§ 9 Presentation Period

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (German Civil Code) is reduced to ten years for the Notes. The presentation period for interest coupons is four years in accordance with § 801 subparagraph 2 BGB (German Civil Code).

§ 10 Acceleration

(1) *Right of Acceleration.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Early Redemption Amount (as described in § 6(3), together with accrued interest (if any) to the date of repayment, in the event that any of the following events (each, an "**Acceleration Event**") occurs:

- (a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or
- (b) the Issuer fails duly to perform any other obligation arising from the Notes which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 days after the Swiss Principal Paying Agent has received notice thereof from a Holder, or

- (c) any Capital Market Indebtedness (as defined in § 3 (1)) of the Issuer becomes prematurely repayable as a result of a default in respect of the terms thereof, or the Issuer fails to fulfil any payment obligation in excess of EUR 25,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantee or suretyship given for any Capital Market Indebtedness of others within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer, shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked, or if a security granted therefor is enforced on behalf of or by the creditor(s) entitled thereto, or
- (d) the Issuer announces its inability to meet its financial obligations or ceases its payments, or
- (e) a court opens insolvency proceedings against the Issuer, or the Issuer applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or
- (f) the Issuer goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer, as the case may be, in connection with this issue, or
- (g) any governmental order, decree or enactment shall be made in or by the Federal Republic of Germany whereby the Issuer is prevented from observing and performing in full its obligations as set forth in these Conditions and this situation is not cured within 90 days.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Quorum.* In the events specified in § 10 subparagraph (1)(b) or subparagraph (1)(c), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in § 10 subparagraph (1)(a), (1)(d), (1)(e), (1)(f) or (1)(g) entitling Holders to declare their Notes due has occurred, become effective only when the Swiss Principal Paying Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding.

(3) *Form of Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a written declaration delivered by hand or registered mail to the specified office of the Swiss Principal Paying Agent.

§ 11 Substitution

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal or interest on any of the Notes is in default, at any time substitute for the Issuer any Subsidiary (as defined below) of it as principal debtor in respect of all obligations arising from or in connection with this issue (the "**Substitute Debtor**") provided that:

- (a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes and the Coupons;
- (b) the Substitute Debtor has obtained all necessary authorisations and may transfer to the Swiss Principal Paying Agent in the Specified Currency and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes and Coupons;
- (c) the Issuer irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes and such guarantee contains a covenant by the guarantor corresponding to the provisions in § 3.
- (d) there shall have been delivered to the Swiss Principal Paying Agent an opinion or opinions of lawyers of recognised standing to the effect that subparagraphs (a), (b) and (c) above have been satisfied.

For purposes of these Conditions "**Subsidiary**" shall mean any corporation or partnership in which Deutsche Telekom directly or indirectly in the aggregate holds not less than 90% of the capital of any class or of the voting rights.

(2) *Notice.* Any notice of such substitution shall be published in accordance with § 13.

(3) *References.* In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor.

§ 12

Further Issues, Purchases and Cancellation

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes and Coupons in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Swiss Principal Paying Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith together with all unmatured Coupons surrendered therewith or attached thereto and may not be reissued or resold.

§ 13

Notices

Publication. All notices concerning the Notes shall be published through the Swiss Principal Paying Agent on the website of the SIX Swiss Exchange (www.six-swiss-exchange.com) in accordance with the rules and regulations of the SIX Swiss Exchange. Any notice so given will be deemed to have been validly given on the date of such electronic publication.

§ 14

Applicable Law, Place of Performance, Place of Jurisdiction and Enforcement

(1) *Applicable Law.* The Notes, and the Coupons, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Place of Performance.* Place of performance shall be Frankfurt am Main.

(3) *Submission to Jurisdiction.* The exclusive place of jurisdiction for all legal proceedings arising out of or in connection with the Notes or the Coupons shall be Frankfurt am Main. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

§ 15

Language

The Conditions are written in the English language and provided with a German language translation. The English text shall be controlling and binding. The German language translation is provided for convenience only.

Eine deutsche Übersetzung der Emissionsbedingungen wird bei der Deutsche Telekom Aktiengesellschaft, Friedrich-Ebert-Allee 140, 63105 Bonn, Bundesrepublik Deutschland, und den Zahlstellen zur kostenlosen Ausgabe bereitgehalten.

Emissionsbedingungen (German Language Version of the Terms and Conditions)

Diese Serie von Schuldverschreibungen wird gemäß einem geänderten und neugefaßten Agency Agreement vom 24. April 2008 (das "**Programme Agency Agreement**") zwischen Deutsche Telekom AG ("**Deutsche Telekom**"), Deutsche Telekom International Finance B.V. ("**Finance**"), Deutsche Bank Aktiengesellschaft, als Fiscal Agent und Zahlstelle (der "**Fiscal Agent**", wobei dieser Begriff auch Nachfolger des Fiscal Agent einschließt) sowie den weiteren darin genannten Zahlstellen (gemeinsam mit dem Fiscal Agent die "**Zahlstellen**" genannt, wobei dieser Begriff auch Nachfolger dieser Zahlstellen oder weitere Zahlstellen einschließt) begeben ergänzt durch ein Supplemental Paying Agency Agreement vom 16. April 2009 (das "**Supplemental Paying Agency Agreement**" und zusammen mit dem Programme Agency Agreement, das "**Agency Agreement**") zwischen der Emittentin, dem Fiscal Agent, ABN AMRO Bank N.V., Amsterdam, Zweigniederlassung Zürich als Schweizer Hauptzahlstelle (die "**Schweizer Hauptzahlstelle**") und den anderen darin genannten Parteien.

§ 1

Währung, Nennbetrag, Form und Eigentumsrecht Definitionen

(1) *Währung und Nennbetrag.* Diese Serie der Schuldverschreibungen der Deutsche Telekom AG (die "**Emittentin**") wird in **Schweizer Franken** (die "**festgelegte Währung**") im Gesamtnennbetrag von **CHF 400.000.000** (in Worten: vier hundert Millionen Schweizer Franken) begeben und ist eingeteilt in 80.000 Schuldverschreibungen im Nennbetrag von CHF 5.000 (die "**festgelegten Nennbeträge**").

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber und sind durch eine oder mehrere Globalurkunden verbrieft (jede eine "**Globalurkunde**").

(3) *Dauerglobalurkunde.* Die Schuldverschreibungen sind durch eine Globalurkunde in Form einer Dauerglobalurkunde (die "**Dauerglobalurkunde**") ohne Zinsscheine verbrieft. Die Dauerglobalurkunde trägt die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und ist von der Schweizer Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden ausser in den in § 1(4) vorgesehenen Fällen nicht ausgegeben.

(4) *Einzelurkunden und Zinsscheine.* Die Dauerglobalurkunde wird nicht nach Wahl der Gläubiger, sondern ausschliesslich auf Verlangen der Schweizer Hauptzahlstelle vollständig und nicht teilweise gegen Einzelurkunden ausgetauscht, wenn die Schweizer Hauptzahlstelle einen solchen Austausch für notwendig oder nützlich hält oder wenn dies nach schweizerischem oder einem anderen Recht im Zusammenhang mit der gerichtlichen Geltendmachung von Rechten aus den Schuldverschreibungen erforderlich wird. In einem solchen Fall werden die Einzelurkunden und Zinsscheine die faksimilierten Unterschriften zweier ordnungsgemäss bevollmächtigter Vertreter der Emittentin tragen, von der Schweizer Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen und gemäss den Vorschriften der SIX Swiss Exchange gedruckt.

(5) *Clearing System.* Die Globalurkunde, die die Schuldverschreibungen verbrieft, wird von einem oder für ein Clearing System verwahrt. "Clearing System" bedeutet folgendes: SIX SIS AG.

(6) *Gläubiger von Schuldverschreibungen.* "Gläubiger" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

§ 2

Status

Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind.

§ 3

Negativverpflichtung der Emittentin

Negativverpflichtung. Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Schweizer Hauptzahlstelle zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit, die von der Emittentin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichen Verhältnis teilnehmen zu lassen. "**Kapitalmarktverbindlichkeit**" ist jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldscheine verbrieft, verkörpert oder dokumentiert ist oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt

notiert oder gehandelt werden oder werden können. Um etwaige Zweifel bezüglich von asset-backed financings der Emittentin zu vermeiden, schließt das in diesem § 3 benutzte Wort "Vermögen" nicht solche Vermögensgegenstände der Emittentin ein, die nach dem jeweils auf die Transaktion anwendbaren Zivilrecht ohne Rückgriffsmöglichkeiten veräußert sind.

§ 4 Zinsen

(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden in Höhe ihres Nennbetrages verzinst, und zwar vom 22. April 2009 (einschließlich) bis zum Fälligkeitstag (ausschließlich) mit jährlich 3,75 %. Die Zinsen sind nachträglich am 22. April eines jeden Jahres zahlbar (jeweils ein "**Zinszahlungstag**"). Die erste Zinszahlung erfolgt am 22. April 2010.

(2) *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, erfolgt die Verzinsung der Schuldverschreibungen vom Tag der Fälligkeit bis zu dem Tag, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht, in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen.¹⁾

(3) *Berechnung der Zinsen für gebrochene Zeiträume.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).

(4) *Zinstagequotient.* "**Zinstagequotient**" bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der "**Zinsberechnungszeitraum**") die Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360, wobei die Anzahl der Tage auf der Grundlage eines Jahres von 360 Tagen mit zwölf Monaten zu je 30 Tagen zu ermitteln ist (es sei denn, (A) der letzte Tag des Zinsberechnungszeitraumes fällt auf den 31. Tag eines Monats, während der erste Tag des Zinsberechnungszeitraumes weder auf den 30. noch den 31. Tag eines Monats fällt, in welchem Fall der diesen Tag enthaltende Monat nicht als ein auf 30 Tage gekürzter Monat zu behandeln ist, oder (B) der letzte Tag des Zinsberechnungszeitraumes fällt auf den letzten Tag des Monats Februar, in welchem Fall der Monat Februar nicht als ein auf 30 Tage verlängerter Monat zu behandeln ist).

§ 5 Zahlungen

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 an die Schweizer Hauptzahlstelle zur Weiterleitung an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und (ausser im Fall von Teilzahlungen) Einreichung der die Schuldverschreibungen zum Zeitpunkt der Zahlung verbriefenden Globalurkunde bei der bezeichneten Geschäftsstelle der Schweizer Hauptzahlstelle.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz 2 an die Schweizer Hauptzahlstelle zur Weiterleitung an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der gesetzlichen Währung, die am entsprechenden Fälligkeitstag die Währung des Staates der festgelegten Währung ist. Die für den Zahlungsdienst dieser Emission benötigten Mittel wird die Emittentin der Schweizer Hauptzahlstelle rechtzeitig vor jedem Zahlungstermin in freien Schweizer Franken zur Verfügung stellen, kostenfrei für die Gläubiger, welches die Umstände auch sein mögen, und ohne Rücksicht auf irgendwelche zukünftigen Transferbeschränkungen und ausserhalb irgendeines bilateralen oder multilateralen Zahlungs- oder Clearingabkommens, das zur Zeit solcher Zahlungen oder Rückzahlungen zwischen der Bundesrepublik Deutschland einerseits und der Schweiz andererseits bestehen könnte.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an die Schweizer Hauptzahlstelle von ihrer Zahlungspflicht befreit.

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung oder einen Zinsschein auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

¹ Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem Geschäftsbanken und Devisenmärkte Zahlungen in Zürich abwickeln.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 8 zahlbaren zusätzlichen Beträge einschließen.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

§ 6 Rückzahlung

(1) *Rückzahlung bei Endfälligkeit.*

Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am 22. April 2014 (der "**Fälligkeitstag**") zurückgezahlt. Der Rückzahlungsbetrag dieser Serie von Schuldverschreibungen beträgt 100% des Gesamtnennbetrages der Schuldverschreibungen. Der Rückzahlungsbetrag in Bezug auf jede Schuldverschreibung beträgt CHF 5.000.

(2) *Vorzeitige Rückzahlung aus Steuergründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Schweizer Hauptzahlstelle und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt diese Änderung oder Ergänzung wird am oder nach dem Ausgabetag wirksam) zur Zahlung von zusätzlichen Beträgen (wie in § 8 dieser Bedingungen, definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen der Emittentin zur Verfügung stehender und ihr zumutbarer Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühest möglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, und (ii) zu dem Zeitpunkt, zu dem die Kündigung erfolgt, muss die Verpflichtung zur Zahlung von zusätzlichen Beträgen noch wirksam sein.

Vor der Veröffentlichung einer Kündigung gemäß dieser Bestimmung muss die Emittentin der Hauptzahlstelle eine Bescheinigung vorlegen, die von einem Vorstandsmitglied der Emittentin unterschrieben ist und welche darlegt, dass die Voraussetzungen dieses Kündigungsrechts vorliegen und außerdem eine Stellungnahme eines unabhängigen und anerkannten Rechtsberaters enthält, in der festgestellt wird, dass die Emittentin verpflichtet ist oder sein wird, solche zusätzlichen Beträge aufgrund einer solchen Rechts- oder Auslegungsänderung zu zahlen.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die Umstände darlegt, die das Rückzahlungsrecht der Emittentin begründen.

(3) *Vorzeitiger Rückzahlungsbetrag.*

Für die Zwecke des § 6 Absatz 2 und § 10 entspricht der vorzeitige Rückzahlungsbetrag dem Rückzahlungsbetrag.

§ 7

Die Schweizer Hauptzahlstelle und die Zahlstellen

(1) *Ernennung; bezeichnete Geschäftsstellen.* Die anfänglich bestellte Schweizer Hauptzahlstelle und die anfänglich bestellten Zahlstellen und deren bezeichnete Geschäftsstellen lauten wie folgt:

Schweizer Hauptzahlstelle: ABN AMRO Bank N.V., Amsterdam, Zurich Branch
Beethovenstrasse 33
CH-8002 Zürich

Zahlstellen: ABN AMRO Bank (Schweiz) AG
Beethovenstrasse 33
CH-8002 Zürich

BNP Paribas (Suisse) SA
Place de Hollande 2
CH-1204 Genf

Die Schweizer Hauptzahlstelle und die Zahlstellen behalten sich das Recht vor, jederzeit ihre jeweiligen bezeichneten Geschäftsstellen durch andere bezeichnete Geschäftsstellen in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Schweizer Hauptzahlstelle oder einer Zahlstelle zu ändern oder zu beenden und eine andere Schweizer Hauptzahlstelle oder zusätzliche oder andere Zahlstellen zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Schweizer Hauptzahlstelle unterhalten und (ii) solange die Schuldverschreibungen an der SIX Swiss Exchange notiert sind, eine Schweizer Zahlstelle (die die Schweizer Hauptzahlstelle sein kann) mit bezeichneter Geschäftsstelle in der Schweiz und/oder an solchen anderen Orten unterhalten, die die Regeln dieser Börse verlangen. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

§ 8

Steuern

Kapital und Zinsen werden von der Emittentin ohne Abzug oder Einbehalt wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art gezahlt, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden (nachstehend zusammen "**Quellensteuern**" genannt), es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem letzteren Fall wird die Emittentin die zusätzlichen Beträge an Kapital und Zinsen zahlen, die erforderlich sind, damit der dem Gläubiger nach diesem Abzug oder Einbehalt zufließende Nettobetrag jeweils den Beträgen an Kapital und Zinsen entspricht, die ihm zustehen würden, wenn der Abzug oder Einbehalt nicht erforderlich wäre. Solche zusätzlichen Beträge sind jedoch nicht zahlbar wegen Steuern, Abgaben oder amtlicher Gebühren, die

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Gläubigers zu der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
- (d) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß den Bedingungen wirksam wird.

§ 9 Vorlegungsfrist

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt. Die Vorlegungsfrist für Zinsscheine beträgt gemäß § 801 Absatz 2 BGB vier Jahre und beginnt mit dem Ablauf des Kalenderjahres, in dem der betreffende Zinsschein zur Zahlung fällig geworden ist.

§ 10 Kündigung

(1) *Kündigungsrecht.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibungen zu kündigen und deren sofortige Tilgung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 6 Absatz 3 beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls einer der folgenden Kündigungsgründe ("**Kündigungsgründe**") vorliegt:

- (a) die Emittentin zahlt Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag; oder
- (b) die Emittentin unterlässt die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen und diese Unterlassung, falls sie geheilt werden kann, länger als 60 Tage fort dauert, nachdem die Schweizer Hauptzahlstelle hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder
- (c) eine Kapitalmarktverbindlichkeit (wie in § 3 Absatz 1 definiert) der Emittentin vorzeitig zahlbar wird aufgrund einer Nicht- oder Schlechterfüllung des dieser Kapitalmarktverbindlichkeit zugrunde liegenden Vertrages, oder die Emittentin einer Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als EUR 25.000.000 aus einer Kapitalmarktverbindlichkeit oder aufgrund einer Bürgschaft oder Garantie, die für eine Kapitalmarktverbindlichkeit Dritter gegeben wurde, nicht innerhalb von 30 Tagen nach ihrer Fälligkeit bzw. im Falle einer Bürgschaft oder Garantie nicht innerhalb von 30 Tagen nach Inanspruchnahme aus dieser Bürgschaft oder Garantie nachkommt, es sei denn die Emittentin bestreitet in gutem Glauben, dass diese Zahlungsverpflichtung besteht oder fällig ist bzw. diese Bürgschaft oder Garantie berechtigterweise geltend gemacht wird, oder falls eine für solche Verbindlichkeiten bestellte Sicherheit für die oder von den daraus berechtigten Gläubiger(n) in Anspruch genommen wird, oder
- (d) die Emittentin ihre Zahlungsunfähigkeit bekannt gibt oder ihre Zahlungen einstellt, oder
- (e) ein Gericht ein Insolvenzverfahren gegen die Emittentin eröffnet, oder die Emittentin ein solches Verfahren einleitet oder beantragt, oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft, oder beantragt, oder
- (f) die Emittentin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist, oder
- (g) in der Bundesrepublik Deutschland irgendein Gesetz, eine Verordnung oder behördliche Anordnung erlassen wird oder ergeht, aufgrund derer die Emittentin daran gehindert wird, die von ihr gemäß diesen Bedingungen übernommenen Verpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Quorum.* In den Fällen des § 10 Absatz 1 (b) oder 1 (c) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in § 10 Absatz 1(a), 1(d), 1(e), 1(f) oder 1(g) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei der Schweizer Hauptzahlstelle Kündigungserklärungen von Gläubigern von Schuldverschreibungen im Nennbetrag von mindestens $\frac{1}{10}$ der dann ausstehenden Schuldverschreibungen eingegangen sind.

(3) *Form der Erklärung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz 1 ist schriftlich gegenüber der Schweizer Hauptzahlstelle zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln.

§ 11 Ersetzung der Emittentin

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger, eine Tochtergesellschaft (wie nachstehend definiert) der Emittentin an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit dieser Emission einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen und Zinsscheine übernimmt;
- (b) die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erlangt hat und berechtigt ist, an die Schweizer Hauptzahlstelle die zur Erfüllung ihrer Zahlungsverpflichtungen aus den Schuldverschreibungen oder Zinsscheinen zahlbaren Beträge in der festgelegten Währung zu zahlen, ohne verpflichtet zu sein, in dem Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat, erhobene Steuern oder sonstige Abgaben jeder Art, abzuziehen oder einzubehalten;
- (c) die Emittentin unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge garantiert und diese Garantie eine Verpflichtung der Garantin gemäß den Bestimmungen des § 3 enthält;
- (d) der Schweizer Hauptzahlstelle ein oder mehrere Rechtsgutachten von anerkannten Rechtsanwälten vorgelegt wurden, die bestätigen, dass die Bestimmungen in vorstehenden Unterabsätzen (a), (b) und (c) erfüllt wurden.

Im Sinne dieser Bedingungen bedeutet "**Tochtergesellschaft**" eine Kapital- oder Personengesellschaft, an der die Deutsche Telekom direkt oder indirekt insgesamt nicht weniger als 90% des Kapitals jeder Klasse oder der Stimmrechte hält.

(2) *Bekanntmachung.* Jede solche Ersetzung wird gemäß § 13 bekannt gegeben.

(3) *Änderung von Bezugnahmen.* Im Falle einer solchen Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin, und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

§ 12 Begebung weiterer Schuldverschreibungen, Ankauf und Entwertung

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, Schuldverschreibungen und Zinsscheine im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Schweizer Hauptzahlstelle zwecks Entwertung eingereicht werden. Sofern diese Käufe durch öffentliches Angebot erfolgen, muss dieses Angebot allen Gläubigern gemacht werden.

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 13 Mitteilungen

Bekanntmachung. Alle die Schuldverschreibungen betreffenden Mitteilungen sind durch die Schweizer Hauptzahlstelle auf der Website der SIX Swiss Exchange (www.six-swiss-exchange.com) gemäss den Vorschriften der SIX Swiss Exchange zu veröffentlichen. Jede derartige elektronische Mitteilung gilt mit dem Tag der Veröffentlichung als wirksam erfolgt.

§ 14 Anwendbares Recht, Erfüllungsort, Gerichtsstand und gerichtliche Geltendmachung

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen und Zinsscheine sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Erfüllungsort.* Erfüllungsort ist Frankfurt am Main.

(3) *Gerichtsstand.* Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit den Schuldverschreibungen oder den Zinsscheinen ist Frankfurt am Main. Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhandengekommener oder vernichteter Schuldverschreibungen. Die Emittentin unterwirft sich hiermit der Gerichtsbarkeit der nach diesem Absatz zuständigen Gerichte.

§ 15 Sprache

Diese Emissionsbedingungen sind in englischer Sprache abgefasst und mit einer Übersetzung in die deutsche Sprache versehen. Der englische Text soll bindend und maßgeblich sein. Die deutsche Übersetzung ist unverbindlich.

DEBT ISSUANCE PROGRAMME PROSPECTUS DATED 24 APRIL 2008

This document constitutes two prospectuses: (i) the prospectus of Deutsche Telekom AG in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 ("**Non-Equity Securities**") and (ii) the prospectus of Deutsche Telekom International Finance B.V. in respect of Non-Equity Securities (together, the "**Prospectus**").



Deutsche Telekom AG

Bonn, Federal Republic of Germany

as Issuer and as Guarantor for Notes issued by

Deutsche Telekom International Finance B.V.

a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands and having its corporate seat in Amsterdam, The Netherlands

as Issuer

Euro 25,000,000,000 Debt Issuance Programme

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") for its approval of this Prospectus.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme (the "**Programme**") to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the official list of the Luxembourg Stock Exchange. Notes issued under the Programme may also be listed on an alternative stock exchange or may not be listed at all.

Each Issuer has requested the CSSF to provide the competent authorities in the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland and the Republic of Austria, with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 into Luxembourg law ("**Notification**"). Each Issuer may request the Commission to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

See "Risk Factors" for a discussion of certain factors which should be considered by prospective investors in connection with an investment in any of the Notes. This Debt Issuance Programme Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Arranger

Deutsche Bank

Dealers

**Commerzbank Corporates &
Markets**

Dresdner Kleinwort

Lehman Brothers

UniCredit (HVB)

Deutsche Bank

Goldman Sachs International

Merrill Lynch International

DZ BANK AG

JPMorgan

UBS Investment Bank

WestLB AG

This Prospectus has been filed with the CSSF and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) and the website of each Issuer. This Prospectus replaces the Prospectus dated 26 April 2007 pertaining to the Programme.

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Responsibility Statement

Deutsche Telekom AG ("**Deutsche Telekom**", the "**Guarantor**" or the "**Company**") with its registered office in Bonn and Deutsche Telekom International Finance B.V. ("**Finance**") with its registered office in Amsterdam (each an "**Issuer**" and together the "**Issuers**") are solely responsible for the information given in this Prospectus,

provided that:

Finance is not responsible for the description of Deutsche Telekom.

Each Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Notice

This Prospectus should be read and construed in conjunction with any supplement thereto and with any document incorporated herein by reference (the "**Reference Documents**"). Full information on each Issuer and any tranche of Notes (as hereinafter defined) is only available on the basis of the Prospectus as supplemented, together with the Reference Documents and the relevant final terms (the "**Final Terms**").

Each Issuer has confirmed to the dealers set forth on the cover page and any additional dealer appointed from time to time under the Programme (each a "**Dealer**" and together the "**Dealers**") that this Prospectus contains all information with regard to the Issuers and the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder; that the information contained herein with respect to the Issuers and the Notes is accurate in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts, the omission of which would make any statement, whether fact or opinion, in this Prospectus misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

No person has been authorised to give any information which is not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by any Issuer or such other information as in the public domain and, if given or made, such information must not be relied upon as having been authorised by the Issuers, the Guarantor, the Dealers or any of them.

Neither the Arranger nor any Dealer nor any other person mentioned in this Prospectus, excluding the Issuers, is responsible for the information contained in this Prospectus or any supplement thereof, or any Final Terms or any other Reference Document, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility as to the accuracy and completeness of the information contained in any of these documents.

This Prospectus is valid for 12 months from the date of publication and this Prospectus and any supplement hereto as well as any Final Terms reflect the status as of their respective dates of issue. The delivery of this Prospectus as supplemented or any Final Terms and the offering, sale or delivery of any Notes may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of each of the Issuers since such date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Each of the Issuers has undertaken with the Dealers to supplement this Prospectus or publish a new Prospectus at any time after submission of the Prospectus for approval to the Commission if and when the information herein should become materially inaccurate or incomplete or in the event of any significant new factor, that is capable of affecting the assessment of the Notes by potential Investors.

The Notes will not be registered under the United States Securities Act of 1933, as amended, and will include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons, see "Selling Restrictions".

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see "Selling Restrictions".

This Prospectus is drawn up in the English language. The English version shall prevail over any part of this Prospectus translated into the German language except for the Terms and Conditions in respect of the issue of any Tranche (as hereinafter defined) of Notes under the Programme where the prevailing language will be specified in the applicable Final Terms. The Issuers accept responsibility for the information contained in this Prospectus and confirm that the non-binding translation of the

Terms and Conditions, either in the German or English language, correctly and adequately reflects the respective binding language version.

The Notes issued under the Programme may be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange - the Luxembourg Stock Exchange's "Regulated Market" is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

This Prospectus may only be used for the purpose for which it has been published.

This Prospectus and any Final Terms must not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer(s) who is(are) specified in the relevant Final Terms as the stabilising manager(s) (or persons acting on its(their) behalf) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that such Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin at any time after the adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilising action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

All terms not otherwise defined in this Prospectus shall have the meaning as set out in the "Terms and Conditions" of the Notes.

Summary

The following constitutes the summary (the "Summary") of the essential characteristics and risks associated with the Issuer and the Notes to be issued under the Programme. This Summary does not purport to be complete and should be read as an introduction to this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole, as supplemented from time to time, including the Reference Documents, any supplements thereto and the relevant Final Terms. Where a claim relating to the information contained in this Prospectus, the Reference Documents, any supplement thereto and the relevant Final Terms is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus, the Reference Documents, any supplement thereto and the relevant Final Terms before the legal proceedings are initiated. Civil liability attaches to the Issuer who has tabled this Summary including any translation thereof, and applied for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Summary in respect of the Notes

Issuers:	Deutsche Telekom AG Deutsche Telekom International Finance B.V.
Guarantor:	Deutsche Telekom AG, in respect of Notes issued by Deutsche Telekom International Finance B.V.
Arranger:	Deutsche Bank Aktiengesellschaft
Dealers:	Bayerische Hypo- und Vereinsbank AG Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Goldman Sachs International J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International UBS Limited WestLB AG
Fiscal and Principal Paying Agent:	Deutsche Bank Aktiengesellschaft
Paying Agents:	Fortis Banque Luxembourg S.A. and other institutions, all as indicated in the applicable Final Terms.
Currencies:	Notes may be denominated in euro as well as any other currency or unit of account as an Issuer and any Dealer may agree subject always to all applicable laws and regulations and requirements of the relevant central bank (or equivalent body).
Denomination of Notes:	Notes will be issued in such denominations as indicated in the applicable Final Terms save that the minimum denomination of the Notes will be, if in euro, EUR 1,000, if in any currency other than euro, an amount in such other currency nearly equivalent to EUR 1,000 at the time of the issue of the Notes.

Maturities:	<p>Such maturities as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency.</p> <p>Notes of the relevant Issuer in respect of which the issue proceeds are to be accepted in the United Kingdom will have a minimum redemption amount of GBP 100,000 (or its equivalent in other currencies) and can only be issued to a limited class of professional investors, unless such Notes may not be redeemed until on or after the first anniversary of their date of issue.</p>
Form of Notes:	The Notes may be issued in bearer form only.
Fixed Rate Notes:	Fixed Rate Notes bear a fixed interest income throughout the entire term of the Notes. Notes for which the interest rate is fixed will be payable on such basis (as specified in the applicable Final Terms).
Floating Rate Notes:	<p>Floating Rate Notes bear a variable interest income. Notes for which the interest rate is variable will be payable on such basis as specified in the relevant Final Terms plus or minus a margin.</p> <p>The "Agent" (which expression shall in this context mean the Fiscal Agent or the Calculation Agent, as specified in the applicable Final Terms) will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (herein called the "Interest Amount") payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction detailed in the applicable Final Terms to each Specified Denomination, and rounding the resultant figure to the nearest smallest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.</p> <p>Interest Periods for Floating Rate Notes will be one, two, three, six or twelve months or such other period(s) as the relevant Issuer and the relevant Dealers may agree, as specified in the applicable Final Terms.</p>
Index-linked Notes:	<p>Index-linked Notes may be issued as Index-linked Interest Notes only.</p> <p><i>Index-linked Interest Notes</i></p> <p>Payments of interest in respect of Index-linked Interest Notes will be made by reference to a single index or other factors (including changes in the price of securities and commodities or movements in exchange rates) and/or such formula as may be specified by the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms).</p>
Other provisions in relation to Floating Rate Notes and Index-linked Interest Notes:	<p>Floating Rate Notes and Index-linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index-linked Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealers, will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated as specified in the applicable Final Terms.</p>

Dual Currency Notes:	Dual Currency Notes are Notes where payment of principal and/or payment of interest can be made in different currencies. Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealers may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their principal amount and will not bear interest other than in the case of late payment.
Other Notes:	Notes may be of any other type of security, such as Instalment Notes, Credit Linked Notes or may have any other structure all upon terms provided in the applicable Final Terms.
Redemption:	<p>The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (except for taxation reasons or upon the occurrence of an event of default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Holders upon giving notice within the notice period (if any) indicated in the applicable Final Terms to the Holders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity.</p> <p>Notes of the relevant Issuer in respect of which the issue proceeds are to be accepted in the United Kingdom will have a minimum redemption amount of GBP 100,000 (or its equivalent in other currencies) and can only be issued to a limited class of professional investors, unless such Notes may not be redeemed until on or after the first anniversary of their date of issue.</p> <p>The redemption amount will be no more or less than 100% of the aggregate principal amount of the Notes.</p>
Taxation:	All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the country where the relevant Issuer is resident or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction, subject to certain exceptions as described in the Terms and Conditions.
Early Redemption for Taxation Reasons:	Early redemption of the Notes for reasons of taxation will be permitted if as a result of any amendment to, or change in, the laws or regulations (including any amendment to, or change in, an official interpretation or application of such laws or regulations) of the Federal Republic of Germany or in case of Notes issued by Finance, The Netherlands, or any political subdivision or taxing authority thereto, the Issuer or in case of Notes issued by Finance, the Guarantor, will become obligated to pay additional amounts on the Notes, all as more fully set out in the Terms and Conditions.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in the Terms and Conditions of the Notes.

Acceleration Events and Cross Default:	<p>The Notes will provide for Acceleration Events entitling Holders to demand immediate redemption of the Notes, all as more fully set out in the Terms and Conditions.</p> <p>The terms of the Notes will contain a cross default provision of the relevant Issuer and the Guarantor as further described in the Terms and Conditions of the Notes.</p>
Status of the Notes:	<p>The Notes will constitute unsecured and unsubordinated obligations of the relevant Issuer and rank <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with all other unsecured and unsubordinated obligations of the relevant Issuer.</p>
Guarantee:	<p>Notes issued by Finance will be unconditionally and irrevocably guaranteed by the Guarantor. The terms of the Guarantee contain a negative pledge of the Guarantor. The Guarantee will be governed by German law.</p>
Governing Law:	<p>The Notes will be governed by German law.</p>
Jurisdiction:	<p>Non-exclusive place of jurisdiction for any legal proceedings arising under the Notes is Frankfurt am Main.</p>
Clearance and Settlement:	<p>Notes will be accepted for clearing through one or more Clearing Systems as specified in the applicable Final Terms. These systems will include those operated by Clearstream Banking AG, Frankfurt am Main ("CBF"), Clearstream Banking, société anonyme, Luxembourg ("CBL") and Euroclear Bank SA/NV ("Euroclear").</p>

Summary in respect of Risk Factors

Risk Factors in respect of Deutsche Telekom

The risk related to Deutsche Telekom's ability to fulfill its obligations as Issuer of debt securities is described by reference to the ratings assigned to Deutsche Telekom. Deutsche Telekom is rated by Fitch (as defined herein), Moody's (as defined herein) and S&P (as defined herein).

As of the Publication Date, the ratings assigned to Deutsche Telekom by the Rating Agencies were as follows:

by Fitch:	long-term rating:	A-
	short-term rating:	F2
by Moody's:	long-term rating:	A3
	short-term rating:	P-2
by S&P:	long-term rating:	A-
	short-term rating:	A-2

Notes issued under the Programme may have a different rating or no rating at all.

Deutsche Telekom's financial condition, results of operations, the trading prices of its securities or other financial data could be adversely affected by any of the following risks:

- An economic downturn, a substantial slowdown in economic growth or deterioration in consumer spending could adversely affect Deutsche Telekom's customers' purchases of products and services in each of the operating segments, which could have a negative impact on the operating results and financial condition of Deutsche Telekom.
- Because Deutsche Telekom operates in heavily regulated business environments, decisions that regulatory authorities impose on Deutsche Telekom restrict flexibility in managing its business and may force it to offer services to competitors, or reduce the prices it charges for products and services, either of which could have a material negative impact on Deutsche Telekom's revenues, profits and market shares.
- Deutsche Telekom faces intense competition in all areas of its business, which could lead to reduced prices for its products and services and a decrease in market share in certain service areas, thereby having an adverse effect on Deutsche Telekom's revenues and net profit.
- Deutsche Telekom may realise neither the expected level of demand for its products and services, nor the expected level or timing of revenues generated by those products and services, as a result of lack of market acceptance, technological change or delays from suppliers, which could adversely affect Deutsche Telekom's cash flows.
- Failure to achieve the planned reduction and restructuring of personnel could negatively affect Deutsche Telekom's financial objectives and profitability.
- Failure to reach the goals set forth for Deutsche Telekom's recently established call center, technical customer service and technical infrastructure units in Germany (Telekom Service) may jeopardise its aspirations of improved customer service quality and further cost-cutting.
- As a result of dispositions of certain non-core businesses in Germany, there is an increased risk of return of civil servants transferred out of the Group, which could have a negative impact on the staff and cost reduction objectives.
- Alleged health risks of wireless communications devices have led to litigation affecting T-Mobile, and could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations and, thus, adversely affect the financial condition and results of operations of Deutsche Telekom's mobile telecommunications services business.
- Deutsche Telekom continuously engages in large-scale programmes to reshape its IT-infrastructure to adapt to changing customer needs and organisational requirements. Failure

to effectively plan and monitor these activities could lead to misallocations of resources and impaired processes with negative consequences for Deutsche Telekom's operations.

- System failures due to natural or man-made disruptions could result in reduced user traffic and reduced revenues and could harm Deutsche Telekom's reputation and results.
- Shortcomings in Deutsche Telekom's supply and procurement process could negatively affect its product portfolio, revenues and profits.
- Deutsche Telekom is continuously involved in disputes and litigation with regulators, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on Deutsche Telekom's results of operations and financial condition.
- Future sales of our shares by the Federal Republic of Germany or KfW Bankengruppe (KfW) may adversely affect the trading prices of Deutsche Telekom's shares and American Depository Shares ("ADS").
- Unexpected difficulties related to the integration of SunCom Wireless Holdings and Orange Nederland or other acquired entities could adversely affect Deutsche Telekom's business and profits.
- Exchange-rate and interest-rate risks have had, and may continue to have, an adverse effect on Deutsche Telekom's revenue and cost development.
- Developments in the telecommunications sector have resulted, and may in the future result, in substantial write-downs of the carrying value of certain of Deutsche Telekom's assets.

Risk Factors in respect of Finance

Payment of principal and interest on notes issued by Finance are guaranteed by Deutsche Telekom AG. Therefore the risks in respect of Finance substantially correspond with the ones of Deutsche Telekom.

Risk Factors in respect of the Notes

Notes may not be a suitable investment

A potential investor should not invest in Notes which are complex financial Notes unless the investor has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Currency Risk / Dual Currency Notes

A holder of a Note denominated in a foreign currency and a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes.

Liquidity Risk

There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices.

Risk of Early Redemption

If the Issuer has the right to redeem the Notes prior to maturity, a holder of such Notes is exposed to the risk that due to early redemption his investment will have a lower than expected yield. Also, the holder may only be able to reinvest on less favourable conditions as compared to the original investment.

Fixed Rate Notes

A holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate.

Floating Rate Notes

A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the profitability of Floating Rate Notes.

Zero Coupon Notes

A holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

Index-linked Notes

A holder of Index-linked Notes is exposed to the risk of fluctuating interest rate levels which makes it impossible to determine the yield of Index-linked Notes in advance. The more volatile the relevant index is, the greater is the uncertainty in respect of interest income.

Structured Notes

An investment in Note(s) the premium and/or the interest on which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or inversely, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security at the same time.

Risk of potential Conflicts of Interest

In case of Notes linked to an underlying, the Issuer, each Dealer or any of their respective affiliates may from time to time engage in transactions relating to such underlying which could create conflicts of interest and may have a negative impact on the underlying value.

Summary in respect of Deutsche Telekom**Information about the Company**

Pursuant to the Second Postal Reform Law (*Gesetz zur Neuordnung des Postwesens und der Telekommunikation*), Deutsche Bundespost TELEKOM, a public law entity and the predecessor of Deutsche Telekom AG, was transformed into a German private law stock corporation, with effect from 1 January 1995. Deutsche Telekom is registered in the Commercial Register of Bonn under No. HRB 6794 and its legal and commercial name is Deutsche Telekom AG. The Second Postal Reform Law also provided the framework for the privatisation of the Company. In November 1996, Deutsche Telekom's capital was increased and the new shares were offered internationally to the general public. Due to a series of transfers of shares to Kreditanstalt für Wiederaufbau commencing in January 1998, a second capital increase in June 1999, a third public offering of shares in June 2000 and a fourth capital increase in May 2001, now approximately 68% of the current share capital is held by institutional and private investors.

Deutsche Telekom is the parent company of Deutsche Telekom group which is a full-service telecommunications group whose major lines of business include providing public fixed-network voice telephony, mobile communications services, leased lines, text and data services, on-line services, corporate network design and supply, and network management services within the German market and in certain international markets.

Its registered office is at Friedrich-Ebert-Allee 140, 53113 Bonn, Germany.

Integrated company

Deutsche Telekom provides network access, communication services and value-added services with ever increasing bandwidth via fixed and mobile networks. With innovative products and services, the Company promotes the personal and social networking between people. There are three customer brands under the global umbrella brand "T": T-Home for all products and services at home; T-Mobile for products and services while on the go; and the brand T-Systems offers medium to large-sized customers ICT solutions around the world.

The focus of T-Home is on the high-growth broadband market with top customer care and retention in voice and data communication. The fixed network paves the way for increasingly higher bandwidths and interactive services, such as the IPTV product Entertain, and is the starting point for the continuing convergence of IT and telecommunications services.

T-Mobile is where Deutsche Telekom bundles its mobile communications activities. T-Mobile International AG is one of the world's leading mobile communications providers, with more than 110 million customers in Europe and the United States. Here, too, the focus of further development is on mobile broadband services with innovative voice and data solutions, such as the mobile Internet service web'n'walk or the social networking feature MyFaves.

T-Systems, Deutsche Telekom's business customer brand, offers multinational corporations and around 160,000 large and medium-sized companies within Germany integrated ICT solutions from one source.

Internationalisation and sustainability

As an internationally oriented company, Deutsche Telekom AG is represented in about 50 countries around the globe. More than half of the revenues from the first half-year of 2007 were generated outside of Germany. The Group is committed to the principles of sustainability and uses economic as well as social and ecological criteria as the basis for its actions. With its environmental and social performance, Deutsche Telekom is regularly at the top of international sustainability indexes.

Financial Information

The consolidated financial statements of Deutsche Telekom as of and for the years ended 31 December 2006 and 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**"), in 2006 as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a(1) HGB (*Handelsgesetzbuch* - German Commercial Code), and in 2007 as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a(1) HGB (*Handelsgesetzbuch* - German Commercial Code) and as issued by the International Accounting Standards Board. In each case an unqualified auditors' report has been provided.

Share Capital

As of 1 February 2008 the share capital of Deutsche Telekom amounted to €11,164,979,182.08 divided into 4,361,319,993 registered ordinary shares without par value (*Stückaktien*). All shares have been issued and are fully paid. Deutsche Telekom held approximately 0.04% of its total ordinary shares.

Summary in respect of Finance

Finance was incorporated on 30 October 1995 under the laws of the Netherlands as a private company with limited liability for an unlimited duration. Finance is a 100% subsidiary of Deutsche Telekom AG. Finance has its corporate seat in Amsterdam and is registered with the Trade Register in Amsterdam under number 33274743. Its address is World Trade Center, Strawinskylaan 1243, 1077 XX Amsterdam, The Netherlands.

Finance is the finance organisation of the Deutsche Telekom Group. Finance issues various notes at the capital market.

Financial Information

The unconsolidated financial statements under Dutch GAAP as of and for the years ended 31 December 2006 and 31 December 2007 have been audited by Ernst & Young Accountants. In each case an unqualified auditors' report has been provided.

Share capital

The authorised share capital of Finance consists of 5,000 shares of common stock at a par value of EUR 453.78 each. The issued share capital amounts to EUR 453,780 and consists of 1,000 shares of common stock at a par value of EUR 453.78. The remaining 4,000 shares are unissued.

German Translation of the Summary

Die nachfolgenden Ausführungen stellen eine Zusammenfassung ("**Zusammenfassung**") der wesentlichen Merkmale und Risiken, die auf die Emittentin und die unter dem Programm zu begebenden Schuldverschreibungen zutreffen, dar. Diese Zusammenfassung erhebt keinen Anspruch auf Vollständigkeit und soll als Einleitung zu diesem Prospekt verstanden und gelesen werden. Jede Entscheidung eines Anlegers zu einer Investition in die Schuldverschreibungen sollte sich auf die Prüfung des gesamten Prospektes wie von Zeit zu Zeit geändert oder ergänzt, einschließlich der durch Verweis einbezogenen Dokumente, etwaiger Nachträge und der jeweiligen Endgültigen Bedingungen stützen. Für den Fall, dass ein als Kläger auftretender Anleger vor einem Gericht Ansprüche aufgrund der in diesem Prospekt, einschließlich der durch Verweis einbezogenen Dokumente, etwaigen Nachträgen und der in den jeweiligen Endgültigen Bedingungen enthaltenen Angaben geltend macht, kann dieser Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften die Kosten für die Übersetzung dieses Prospektes, der durch Verweis einbezogenen Dokumente, etwaiger Nachträge und der jeweiligen Endgültigen Bedingungen vor Prozessbeginn zu tragen haben. Die Emittentin, die die Zusammenfassung einschließlich einer Übersetzung davon vorlegt und deren Notifizierung beantragt hat, kann haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospektes gelesen wird.

Zusammenfassung in Bezug auf die Schuldverschreibungen

Emittentinnen:	Deutsche Telekom AG Deutsche Telekom International Finance B.V.
Garantin:	Deutsche Telekom AG, in Bezug auf Schuldverschreibungen begeben von Deutsche Telekom International Finance B.V.
Arrangeur:	Deutsche Bank Aktiengesellschaft
Platzeure:	Bayerische Hypo- und Vereinsbank AG Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Goldman Sachs International J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International UBS Limited WestLB AG
Fiscal Agent und Hauptzahlstelle:	Deutsche Bank Aktiengesellschaft
Zahlstellen:	Fortis Banque Luxembourg S.A. and other institutions, all as indicated in the applicable Final Terms.
Währungen:	Vorbehaltlich der Einhaltung aller anwendbaren gesetzlichen oder behördlichen Beschränkungen sowie der Vorschriften der betreffenden Zentralbank (oder einer entsprechenden Behörde) können die Schuldverschreibungen in Euro oder anderen zwischen einer Emittentin und dem/den Plazeur(en) jeweils vereinbarten Währungen oder Recheneinheiten begeben werden.

**Stückelung der
Schuldverschreibungen:**

Die Schuldverschreibungen werden in den Stückelungen begeben, wie in den maßgeblichen Endgültigen Bedingungen angegeben, mit der Maßgabe, dass die Mindeststückelung der auf Euro lautenden Schuldverschreibungen EUR 1.000 betragen wird, bzw., falls die Schuldverschreibungen auf eine andere Währung lauten, einen Betrag in dieser anderen Währung, der zur Zeit der Begebung der Schuldverschreibungen annähernd dem Gegenwert von EUR 1.000 entspricht.

Laufzeiten:

Die Laufzeiten, die in den maßgeblichen Endgültigen Bedingungen angegeben werden, allerdings vorbehaltlich der Mindest- oder Höchstlaufzeiten, die jeweils seitens der betreffenden Zentralbank, Währungs- oder sonstiger Aufsichtsbehörden oder gemäß den für die Relevante Währung geltenden Gesetzen und Vorschriften zulässig oder erforderlich sind.

Schuldverschreibungen, deren Emissionserlös von der betreffenden Emittentin im Vereinigten Königreich empfangen werden soll, und die innerhalb von einem Jahr nach ihrem Begebungstag zurückgezahlt werden sollen, werden (a) einen Rückzahlungsbetrag von nicht weniger als £100.000 (oder dessen Gegenwert in einer anderen Währung als Pfund Sterling) vorsehen und (b) vorsehen, dass solche Schuldverschreibungen nur an einen bestimmten Kreis professioneller Investoren übertragen werden dürfen, es sei denn, der Rückzahlungsbetrag dieses Teils beträgt nicht weniger als £100.000 (oder dessen Gegenwert)

**Form der
Schuldverschreibungen:**

Die Schuldverschreibungen können ausschliesslich als Inhaberpapiere begeben werden.

**Festverzinsliche
Schuldverschreibungen:**

Festverzinsliche Schuldverschreibungen verbriefen einen festen Zinsertrag über die gesamte Laufzeit der Schuldverschreibungen. Ein Festzins wird auf dieser Basis gezahlt und in den Endgültigen Bedingungen angegeben.

**Variabel verzinsliche
Schuldverschreibungen:**

Variabel verzinsliche Schuldverschreibungen verbriefen einen variablen Zinsertrag, der die Basis für die Verzinsung dieser Schuldverschreibungen darstellt und in den anwendbaren Endgültigen Bedingungen angegeben ist.

Der "**Beauftragte**" (in diesem Zusammenhang bezeichnet dieser Begriff die Emissionsstelle oder die Berechnungsstelle, wie in den maßgeblichen Endgültigen Bedingungen angegeben) wird zu jedem Zeitpunkt (bzw. baldmöglichst danach), zu dem der Zinssatz festzulegen ist, den Zinssatz bestimmen und den Zinsbetrag errechnen (nachstehend der "**Zinsbetrag**"), der auf die variabel verzinslichen Schuldverschreibungen für jede festgelegte Stückelung für die betreffende Zinsperiode fällig ist. Jeder Zinsbetrag wird auf Basis des Zinssatzes und des Zinstagequotienten berechnet, die in den maßgeblichen Endgültigen Bedingungen für jede festgelegte Stückelung angegeben sind; das Ergebnis wird auf die nächste kleinste Einheit der festgelegten Währung gerundet, wobei 0,5 einer solchen Einheit aufgerundet wird.

Die Zinsperioden für variabel verzinsliche Schuldverschreibungen umfassen einen, zwei, drei, sechs oder zwölf Monate bzw. einen oder mehrere andere zwischen der betreffenden Emittentin und dem/den betreffenden Platzeur(en) vereinbarte Zeiträume (wie in den Endgültigen Bedingungen festgelegt).

**Indexierte
Schuldverschreibungen:**

Indexierte Schuldverschreibungen können nur als Schuldverschreibungen mit indexabhängiger Verzinsung begeben werden.

Schuldverschreibungen mit indexabhängiger Verzinsung

Zinszahlungen auf Schuldverschreibungen mit indexabhängiger Verzinsung erfolgen auf Basis eines einzelnen Indizes oder anderer Faktoren (einschließlich Kurs- bzw. Preisänderungen von Wertpapieren und Waren oder Wechselkursbewegungen) und/oder auf Basis einer von der betreffenden Emittentin und dem betreffenden Platzeur festgelegten Formel (wie in den maßgeblichen Endgültigen Bedingungen angegeben).

**Andere für variabel verzinsliche
Schuldverschreibungen und
Schuldverschreibungen mit
indexabhängiger Verzinsung
geltende Bestimmungen:**

Für variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit indexabhängiger Verzinsung kann ein Höchstzinssatz, ein Mindestzinssatz oder beides festgelegt sein. Zinsen auf Variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit indexabhängiger Verzinsung sind in Bezug auf jede vor Ausgabe der Schuldverschreibungen jeweils zwischen der betreffenden Emittentin und dem/den betreffenden Platzeur(en) bestimmten Zinsperiode an den Zinszahlungstagen fällig, die in den maßgeblichen Endgültigen Bedingungen angegeben oder gemäß diesen Bedingungen bestimmt werden, und gemäß den maßgeblichen Endgültigen Bedingungen zu berechnen.

**Doppelwährungs-
Schuldverschreibungen:**

Doppelwährungs-Schuldverschreibungen sind Schuldverschreibungen, bei denen die Kapitalzahlung und/oder die Zinszahlung in unterschiedlichen Währungen erfolgen können. Zahlungen (von Zinsen oder Kapital, sei es zum Rückzahlungstag oder zu einem anderen Zeitpunkt) auf Doppelwährungs-Schuldverschreibungen erfolgen in den Währungen und auf der Grundlage der Wechselkurse, die zwischen der betreffenden Emittentin und dem(n) betreffenden Platzeur(en) vereinbart werden (wie in den anwendbaren Endgültigen Bedingungen angegeben).

**Nullkupon-
Schuldverschreibungen:**

Nullkupon-Schuldverschreibungen werden mit einem Abschlag auf ihren Kapitalbetrag angeboten und verkauft und nicht verzinst (außer im Falle von Zahlungsverzug).

**Andere Arten von
Schuldverschreibungen:**

Schuldverschreibungen können in anderer Form begeben werden, wie Raten-Schuldverschreibungen, Kredit-gebundene Schuldverschreibungen oder mit anderen Strukturen, jeweils wie in den maßgeblichen Endgültigen Bedingungen angegeben.

Rückzahlung:

In den maßgeblichen Endgültigen Bedingungen ist entweder festgelegt, dass die Schuldverschreibungen vor Ablauf ihrer festgelegten Laufzeit nicht rückzahlbar sind (es sein denn aus steuerlichen Gründen, bzw. bei Eintritt eines Kündigungsereignisses), oder dass die Schuldverschreibungen nach Wahl der betreffenden Emittentin und/oder der Gläubiger unter Einhaltung einer in den Endgültigen Bedingungen gegebenenfalls festgelegten Frist gegenüber den Gläubigern bzw. der betreffenden Emittentin kündbar (rückzahlbar) sind, und zwar zu (einem) festgelegten Zeitpunkt(en) vor der angegebenen Fälligkeit.

Schuldverschreibungen, deren Emissionserlös von der betreffenden Emittentin im Vereinigten Königreich empfangen werden soll, und die innerhalb von einem Jahr nach ihrem Begebungstag zurückgezahlt werden sollen, werden (a) einen Rückzahlungsbetrag von nicht weniger als £100.000 (oder dessen Gegenwert in einer anderen Währung als Pfund Sterling) vorsehen und (b) vorsehen, dass solche Schuldverschreibungen nur an einen bestimmten Kreis professioneller Investoren übertragen werden dürfen, es sei denn, der Rückzahlungsbetrag dieses Teils beträgt nicht weniger als £100.000 (oder dessen Gegenwert).

Der Rückzahlungsbetrag wird nicht weniger und nicht mehr als 100% des Gesamtnennbetrages der Schuldverschreibungen betragen.

Besteuerung:

Sämtliche auf die Schuldverschreibungen zahlbaren Beträge an Kapital und Zinsen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in dem Land, in dem die betreffende Emittentin ihren Sitz hat, oder für dessen Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde in Form der Quellenbesteuerung auferlegt oder erhoben werden (Quellensteuern), es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die betreffende Emittentin oder die Garantin diejenigen zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Gläubigern der Schuldverschreibungen zufließenden Nettobeträge nach Einbehalt oder Abzug dieser Quellensteuern denjenigen Beträgen an Kapital und Zinsen entsprechen, die die Gläubiger der Schuldverschreibungen ohne einen solchen Abzug oder Einbehalt erhalten würden; dies gilt vorbehaltlich bestimmter in den Emissionsbedingungen der Schuldverschreibungen genannter Ausnahmen.

Vorzeitige Rückzahlung aus Steuergründen:

Die vorzeitige Rückzahlung der Schuldverschreibungen aus steuerlichen Gründen ist zulässig, falls als Folge einer Änderung oder Ergänzung der Gesetze oder Vorschriften in der Bundesrepublik Deutschland, bzw. im Falle der von Finance begebenen Schuldverschreibungen in den Niederlanden (einschließlich einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze oder Vorschriften) die Emittentin, bzw. im Falle der von Finance begebenen Schuldverschreibungen die Garantin, zur Zahlung zusätzlicher Beträge auf die Schuldverschreibungen verpflichtet ist, wie im Einzelnen in den Emissionsbedingungen der Schuldverschreibungen beschrieben.

Negativverpflichtung:

Die Bedingungen der Schuldverschreibungen enthalten eine Negativverpflichtung wie in den Emissionsbedingungen beschrieben.

Kündigungsgründe und Cross Default:

Die Schuldverschreibungen sehen Kündigungsgründe vor, die die Gläubiger berechtigen, die sofortige Rückzahlung der Schuldverschreibungen, wie in den Emissionsbedingungen der Schuldverschreibungen beschrieben, zu verlangen. Die Emissionsbedingungen der Schuldverschreibungen sehen eine Cross Default-Klausel der betreffenden Emittentin und der Garantin wie in den Emissionsbedingungen beschrieben vor.

**Status der
Schuldverschreibungen:**

Die Schuldverschreibungen bilden ungesicherte nicht nachrangige Verbindlichkeiten der betreffenden Emittentin, die untereinander und mit allen anderen gegenwärtigen und künftigen, ungesicherten und nicht nachrangigen Verbindlichkeiten der betreffenden Emittentin gleichrangig sind.

Garantie:

Die von Finance begebenen Schuldverschreibungen sind unbedingt und unwiderruflich von der Garantin garantiert. Die Bedingungen der Garantie enthalten eine Negativverpflichtung der Garantin. Die Garantie unterliegt deutschem Recht.

Gerichtsstand:

Nicht ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit den Schuldverschreibungen ist Frankfurt am Main.

Geltendes Recht:

Die Schuldverschreibungen unterliegen deutschem Recht.

Clearing und Abwicklung:

Die Schuldverschreibungen sind für das Clearing durch eines oder mehrere Clearing Systeme akzeptiert wie in den anwendbaren Endgültigen Bedingungen angegeben. Diese Systeme schliessen Clearstream Banking AG, Frankfurt am Main, ("**CBF**"), Clearstream Banking, société anonyme, Luxembourg, ("**CBL**") und Euroclear Bank SA/NV ("**Euroclear**") ein.

Zusammenfassung der Risikofaktoren

Zusammenfassung der Risikofaktoren in Bezug auf Deutsche Telekom

Die Risiken in Bezug auf Deutsche Telekom's Fähigkeit, ihre Verpflichtungen als Emittentin von Schuldverschreibungen zu erfüllen, sind unter Bezugnahme auf die der Deutschen Telekom erteilten Ratings beschrieben. Deutsche Telekom wurde von Fitch (wie hier definiert), Moody's (wie hier definiert) und S&P (wie hier definiert) gerated.

Zum Veröffentlichungstag waren folgende Ratings von den Ratingagenturen erteilt:

von Fitch:	Langfrist-Rating:	A-
	Kurzfrist-Rating:	F2
von Moody's:	Langfrist-Rating:	A3
	Kurzfrist-Rating:	P-2
von S&P:	Langfrist-Rating:	A-
	Kurzfrist-Rating:	A-2

Unter dem Programm begebene Schuldverschreibungen können ein anderes oder gar kein Rating haben.

Deutsche Telekom's Finanzlage, Ertragslage, Kurse ihrer Wertpapiere oder andere Finanzkennzahlen können aufgrund der folgenden Risiken negativ beeinflusst werden:

- Ein wirtschaftlicher Abschwung, eine substanzielle Verlangsamung des Wirtschaftswachstums oder ein Rückgang der Konsumausgaben können sich nachteilig auf die Käufe von Produkten und Dienstleistungen durch den Kunden der Deutschen Telekom auswirken, die einen negativen Einfluss auf das operative Ergebnis und die Finanzlage aller operativen Segmente der Deutschen Telekom haben könnten.
- Da die Deutsche Telekom in einem streng regulierten Geschäftsumfeld tätig ist, können Entscheidungen von Regulierungsbehörden der Deutschen Telekom wesentliche Beschränkungen hinsichtlich der Flexibilität der Geschäftsführung auferlegen, können die Deutsche Telekom dazu zwingen, ihre Dienstleistungen Wettbewerbern anzubieten oder ihre Preise für Produkte und Dienstleistungen zu senken, was beides einen wesentlichen negativen Einfluss auf die Umsätze, Gewinn und Marktanteile haben könnte.
- Die Deutsche Telekom ist starkem Wettbewerb in allen Geschäftsfeldern ausgesetzt, was zu niedrigen Preisen für Produkte und Dienstleistungen der Deutschen Telekom und zu einem Rückgang des Marktanteils in bestimmten Dienstleistungsbereichen führen könnte und damit einen nachteiligen Einfluss auf die Umsätze und den Nettogewinn der Deutschen Telekom haben könnte.
- Die Deutsche Telekom könnte weder die erwartete Nachfrage nach seinen Produkten und Dienstleistungen noch das erwartete Niveau oder den Zeitpunkt der Erzielung von Umsatzerlösen durch diese Produkte und Dienstleistungen aufgrund nicht vorhandener Marktakzeptanz, Veränderung der Technologie oder Verzögerung durch Lieferanten erreichen, was einen nachteiligen Einfluss auf die Cash flows haben könnte.
- Sollte die Deutsche Telekom die geplanten Reduzierungen und Restrukturierungen hinsichtlich des Personalbestandes nicht erreichen, könnte dies negative Auswirkungen auf die finanziellen Ziele und die Profitabilität der Deutschen Telekom haben.
- Sollten die mit den vor kurzen in Deutschland eingerichteten Servicegesellschaften (Call Center, Technischer Kundendienst und Technische Infrastruktur) festgelegten Ziele nicht erreicht werden, könnten die Bestrebungen für eine bessere Kunden-Service-Qualität und Kostensenkungsziele der Deutschen Telekom gefährdet werden.

- Als Folge der getätigten Veräußerung bestimmter Nicht-Kerngeschäfte in Deutschland besteht das Risiko der Rückkehr der übertragenen Beamten, was einen negativen Einfluss auf Personal- und Kostenreduzierungsziele der Deutschen Telekom haben könnte.
- Angebliche Gesundheitsrisiken mobiler Kommunikationsgeräte führten zu Rechtsstreitigkeiten, die T-Mobile betreffen und könnten zu einer verminderten Nutzung mobiler Kommunikationsgeräte oder zu zunehmenden Schwierigkeiten beim Finden von Grundstücken für Basisstationen führen und dadurch die Finanzlage und die Geschäftsergebnisse des Mobilfunk-Geschäftes der Deutschen Telekom nachteilig beeinflussen.
- Zur Anpassung an sich verändernde Kundenbedürfnisse und interne Organisationsanforderungen stößt die Deutsche Telekom fortlaufend und im großen Umfang Programme zur Neugestaltung der IT-Infrastruktur an. Sollten diese Aktivitäten nicht wirksam geplant und überwacht werden, wären Fehlallokationen von Ressourcen und gestörte Prozesse möglich, was negative Konsequenzen für den Geschäftsbetrieb der Deutschen Telekom zur Folge hätte.
- Systemausfälle aufgrund natürlicher oder durch Menschen verursachter Störungen könnten eine Verminderung der Nutzung und einen Rückgang der Umsätze zur Folge haben sowie die Reputation und die Resultate der Deutschen Telekom beeinträchtigen.
- Mängel im Zulieferungs- und Einkaufsprozess der Deutschen Telekom könnten einen negativen Einfluss auf das Produkt-Portfolio, die Umsätze und den Gewinn der Deutschen Telekom haben.
- Die Deutsche Telekom ist ständig in Kontroversen und Rechtsstreitigkeiten mit Regulierer, Wettbewerbern und anderen Parteien involviert. Der tatsächliche Ausgang solcher Rechtsstreitigkeiten ist generell ungewiss. Ein endgültiger Abschluss könnte wesentliche nachteilige Auswirkungen auf die Geschäftsergebnisse und die Finanzlage der Deutschen Telekom haben.
- Zukünftige Verkäufe von Aktien der Deutschen Telekom durch die Bundesrepublik Deutschland oder die KfW Bankengruppe (KfW) könnten die Kurse der Wertpapiere der Deutschen Telekom nachteilig beeinflussen.
- Unerwartete Schwierigkeiten im Zusammenhang mit der Integration von SunCom Wireless Holding und Orange Nederland oder anderer Unternehmenserwerbe könnten Geschäft und Ertragslage der Deutschen Telekom negativ beeinflussen.
- Wechselkurs- und Zinsänderungsrisiken hatten bisher und könnten weiterhin einen negativen Einfluss auf die Entwicklung der Umsätze der Deutschen Telekom haben.
- Entwicklungen im Telekommunikationssektor resultierten in der Vergangenheit und könnten auch zukünftig in umfangreichen Abschreibungen des Buchwertes bestimmter Vermögenswerte resultieren.

Zusammenfassung der Risikofaktoren in Bezug auf Finance

Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen, die von Finance begeben wurden, sind von der Deutschen Telekom garantiert. Deshalb korrespondieren die Risiken der Finance substantziell mit denen der Deutschen Telekom.

Zusammenfassung der Risikofaktoren in Bezug auf die Schuldverschreibungen

Schuldverschreibungen als nicht geeignetes Investment

Schuldverschreibungen sind komplexe Finanzinstrumente, in die potentielle Anleger nur investieren sollten, wenn sie (selbst oder durch ihre Finanzberater) über die nötige Expertise verfügen, um die Performance der Schuldverschreibungen unter den wechselnden Bedingungen, die resultierenden Wertveränderungen der Schuldverschreibungen sowie die Auswirkungen einer solchen Anlage auf ihr Gesamtportfolio einzuschätzen.

Währungsrisiko/Doppelwährungs-Schuldverschreibungen

Der Gläubiger von Schuldverschreibungen, die auf eine fremde Währung lauten und der Gläubiger von Doppelwährungs-Schuldverschreibungen ist dem Risiko von Wechselkursschwankungen ausgesetzt, welche die Rendite solcher Schuldverschreibungen beeinflussen können.

Liquiditätsrisiko

Es besteht keine Gewissheit, dass ein liquider Sekundärmarkt für Schuldverschreibungen entstehen wird, oder sofern er entsteht, dass er fortbestehen wird. In einem illiquiden Markt könnte es sein, dass ein Anleger seine Schuldverschreibungen nicht jederzeit zu angemessenen Marktpreisen veräußern kann.

Risiko der Vorzeitigen Rückzahlung

Sofern der Emittent das Recht eingeräumt wird, die Schuldverschreibungen vor Fälligkeit zurückzuzahlen, ist der Gläubiger solcher Schuldverschreibungen dem Risiko ausgesetzt, dass infolge der vorzeitigen Rückzahlung seine Kapitalanlage eine geringere Rendite als erwartet aufweisen wird. Außerdem besteht die Möglichkeit, dass der Gläubiger der Schuldverschreibungen eine Wiederanlage nur zu schlechteren als den Bedingungen des ursprünglichen Investments tätigen kann.

Festverzinsliche Schuldverschreibungen

Der Gläubiger von festverzinslichen Schuldverschreibungen ist dem Risiko ausgesetzt, dass der Kurs einer solchen Schuldverschreibung infolge von Veränderungen des aktuellen Marktzinssatzes fällt.

Variabel verzinsliche Schuldverschreibungen

Der Gläubiger von variabel verzinslichen Schuldverschreibungen ist dem Risiko eines schwankenden Zinsniveaus und ungewisser Zinserträge ausgesetzt. Ein schwankendes Zinsniveau macht es unmöglich, die Rendite von variabel verzinslichen Schuldverschreibungen im Voraus zu bestimmen.

Nullkupon-Schuldverschreibungen

Der Gläubiger von Nullkupon-Schuldverschreibungen ist dem Risiko ausgesetzt, dass der Kurs einer solchen Schuldverschreibung infolge von Veränderungen des Marktzinssatzes fällt. Kurse von Nullkupon-Schuldverschreibungen sind volatil als Kurse von festverzinslichen Schuldverschreibungen und reagieren in höherem Maße auf Veränderungen des Marktzinssatzes als verzinsliche Schuldverschreibungen mit einer ähnlichen Laufzeit.

Indexierte Schuldverschreibungen

Der Gläubiger von indexierten Schuldverschreibungen ist dem Risiko eines schwankenden Zinsniveaus ausgesetzt, so dass es unmöglich ist, die Rendite indexierter Schuldverschreibungen im Voraus zu bestimmen. Je volatil der betreffende Index ist, desto größer ist die Ungewissheit in bezug auf den Zinsertrag.

Strukturierte Schuldverschreibungen

Eine Kapitalanlage in Schuldverschreibungen, bei denen der Aufschlag und/oder der Zins unter Bezugnahme einer oder mehrerer Währungen, Rohstoffe, Zinssätze oder anderer Indizes oder Formeln, entweder unmittelbar oder umgekehrt, bestimmt wird, kann bedeutsame Risiken mit sich bringen, die nicht mit ähnlichen Kapitalanlagen in einen herkömmlichen Schuldtitel verbunden sind, einschließlich des Risikos, dass der resultierende Zinssatz geringer sein wird als der zur gleichen Zeit auf einen herkömmlichen Schuldtitel zahlbare Zinssatz.

Interessenkonflikte

Bei Schuldverschreibungen, die an einen Basiswert gebunden sind, können die Emittentin und die Platzeure oder mit diesen verbundene Unternehmen Geschäfte mit Bezug auf den diesen Schuldverschreibungen zu Grunde liegenden Basiswert abschließen, die Interessenkonflikte auslösen und einen negativen Einfluss auf den diesen Wertpapieren zu Grunde liegenden Basiswert haben können.

Zusammenfassung in Bezug auf Deutsche Telekom

Informationen über die Gesellschaft

Gemäß des Zweiten Gesetzes zur Neuordnung des Postwesens und der Telekommunikation wurde die Deutsche Bundespost TELEKOM, eine Anstalt öffentlichen Rechts und der Vorgänger der

Deutsche Telekom AG, zum 1. Januar 1995 in eine privatrechtliche deutsche Aktiengesellschaft umgewandelt. Die Deutsche Telekom ist im Handelsregister in Bonn unter der Nummer HRB 6794 eingetragen und ihr rechtlicher Name und der Firmenname ist Deutsche Telekom AG. Das Zweite Gesetz zur Neuordnung des Postwesens und der Telekommunikation stellte auch den Rahmen für die Privatisierung der Gesellschaft dar. Im November 1996 wurde das Kapital der Deutschen Telekom erhöht und neue Aktien international öffentlich angeboten. Aufgrund einer Reihe von Übertragungen von Aktien an die Kreditanstalt für Wiederaufbau beginnend im Jahr 1998, einer zweiten Kapitalerhöhung im Juni 1999, eines dritten öffentlichen Angebots von Aktien im Juni 2000 und einer vierten Kapitalerhöhung im Mai 2001, wird jetzt ca. 68% des derzeitigen Aktienkapitals von institutionellen und privaten Investoren gehalten.

Die Deutsche Telekom ist die Muttergesellschaft des Deutsche Telekom Konzerns, die eine *full-service* Telekommunikationsgruppe ist, deren Hauptgeschäftsfelder die Bereitstellung öffentlicher Festnetz-Sprach-Telefonie, mobile Kommunikations-Dienstleistungen, Mietleitungen, Text- und Datendienste, Onlinedienste, Unternehmensnetzwerk-Gestaltung und Bereitstellung und Netzwerkmanagementdienste innerhalb des deutschen und in bestimmten internationalen Märkten einschließen.

Ihre eingetragene Geschäftsstelle ist Friedrich-Ebert-Allee 140, 53113 Bonn, Bundesrepublik Deutschland.

Integrierter Telekommunikationsanbieter

Netzzugänge, Kommunikations- und Mehrwertdienste stellt die Deutsche Telekom über Festnetz und Mobilfunk mit zunehmend hoher Bandbreite zur Verfügung. Mit innovativen Produkten und Dienstleistungen fördert der Konzern die persönliche und soziale Vernetzung der Menschen. Unter dem Dach des "T", der konzernweiten Unternehmensmarke, stehen die Marken T-Home für "Alles für zu Hause" und T-Mobile für "Alles für unterwegs". Unter der Marke T-Systems bietet der Konzern weltweit Angebote für Mittelstand und Großunternehmen.

Bei T-Home liegt der Schwerpunkt in der Ausrichtung auf den wachstumsstarken Breitbandmarkt mit einer optimalen Kundenbetreuung und Kundenbindung in der Sprach- und Datenkommunikation. Das Festnetz ist der Wegbereiter für immer höhere Bandbreiten und interaktive Dienste – wie etwa die IPTV Entertain-Angebote von T-Home - sowie Ausgangspunkt für die fortschreitende Konvergenz – also das Zusammenwachsen - von IT- und TK-Diensten.

T-Mobile bündelt die Mobilfunkaktivitäten im Konzern. Die T-Mobile International AG gehört zu den weltweit führenden Mobilfunkanbietern mit mehr als 110 Millionen Kunden in Europa und den USA. Im Fokus der Weiterentwicklung stehen mobile Breitbanddienste mit innovativen Sprach- und Datenlösungen – wie web'n'walk oder MyFaves.

T-Systems, die Geschäftskundenmarke der Deutschen Telekom, bietet multinationalen Konzernen und rund 160.000 großen und mittelständischen Unternehmen in Deutschland integrierte ICT-Lösungen aus einer Hand.

Internationalisierung und Nachhaltigkeit

Als international ausgerichteter Konzern ist die Deutsche Telekom AG in rund 50 Ländern rund um den Globus vertreten. Mehr als die Hälfte des Konzernumsatzes wurde im ersten Halbjahr 2007 außerhalb Deutschlands erwirtschaftet. Der Konzern bekennt sich zum Leitbild der Nachhaltigkeit und legt seinem geschäftlichen Handeln sowohl wirtschaftliche als auch soziale und ökologische Kriterien zugrunde. Mit ihrer Umwelt- und Sozialperformance belegt die Deutsche Telekom regelmäßig Spitzenpositionen in internationalen Nachhaltigkeitsratings.

Finanzinformationen

Die Konzernabschlüsse der Deutschen Telekom für die am 31. Dezember 2006 und am 31. Dezember 2007 beendeten Geschäftsjahre wurden nach den International Financial Reporting Standards ("IFRS") aufgestellt, in 2006 in der Form wie sie in der Europäischen Union (EU) anzuwenden sind, und den ergänzend nach § 315a Abs. 1 HGB zu beachtenden handelsrechtlichen Vorschriften sowie in 2007 in der Form wie sie in der Europäischen Union (EU) anzuwenden sind, den ergänzend nach § 315a Abs. 1 HGB zu beachtenden handelsrechtlichen Vorschriften sowie wie von dem International Accounting Standard Board ("IASB") herausgegeben.

Aktienkapital

Zum 1. Februar 2008 betrug das Aktienkapital der Deutschen Telekom € 11.164.979.182,08, eingeteilt in 4.361.319.993 Namens-Stammaktien ohne Nennbetrag. Alle Aktien sind ausgegeben und eingezahlt. Deutsche Telekom hält ca. 0,04% eigene Aktien.

Zusammenfassung in Bezug auf Finance

Die Finance wurde am 30. Oktober 1995 nach niederländischem Recht als private Gesellschaft mit beschränkter Haftung für eine unbegrenzte Zeit gegründet. Die Finance ist eine 100%ige Tochter der Deutschen Telekom AG. Sie hat ihren Geschäftssitz in Amsterdam und ist im Handelsregister von Amsterdam unter der Nummer 33274743 registriert. Die Geschäftsadresse ist World Trade Center, Strawinskylaan 1243, 1077 XX Amsterdam, The Netherlands.

Die Finance ist die Finanzierungsgesellschaft des Deutsche Telekom Konzerns. Sie begibt unterschiedliche Schuldverschreibungen am Kapitalmarkt.

Finanzinformationen

Die nicht-konsolidierten Jahresabschlüsse unter niederländischen Rechnungslegungsgrundsätzen für die am 31. Dezember 2006 und am 31. Dezember 2007 beendeten Geschäftsjahre wurden von Ernst & Young Accountants geprüft. Es wurde jeweils ein uneingeschränkter Bestätigungsvermerk erteilt.

Aktienkapital

Das genehmigte Kapital der Finance besteht aus 5.000 Stammaktien mit einem Nennbetrag von jeweils EUR 453,78. Das ausgegebene Aktienkapital beträgt EUR 453.780 und besteht aus 1.000 Stammaktien mit einem Nennbetrag von jeweils EUR 453,78. Die verbleibenden 4.000 Aktien sind nicht ausgegeben.

Risk Factors

Prospective investors should consider all information provided in this Prospectus and the Reference Documents and consult with their own professional advisers if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus accumulate.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

Risk Factors regarding the Issuers

The following is a disclosure of risk factors that are material to each Issuer and that may affect each Issuer's ability to fulfill its obligations under the Notes or the Guarantee, as the case may be. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme.

Risk Factors in respect of Deutsche Telekom

The risk related to Deutsche Telekom's ability to fulfill its obligations as Issuer of debt securities is described by reference to the ratings assigned to Deutsche Telekom. Deutsche Telekom is rated by Fitch Ratings Limited ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") and by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. "**S&P**", together with Fitch and Moody's, the "**Rating Agencies**").

As of the Publication Date, the ratings assigned to Deutsche Telekom by the Rating Agencies were as follows:

by Fitch:	long-term rating:	A-
	short-term rating:	F2

Fitch defines¹:

A: "A" ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

F2: Indicates satisfactory capacity for timely payment of financial commitments.

by Moody's:	long-term rating:	A3
	short-term rating:	P-2

Moody's defines²:

A-3: Obligations are considered upper-medium grade and are subject to low credit risk.

P-2: Issuers have a strong ability to repay short-term obligations.

by S&P:	long-term rating:	A-
	short-term rating:	A-2

S&P defines³:

A-: An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

¹ Note: "+" or "-" may be appended to a rating to denote the relative status within major rating categories. Such suffixes are not added to the 'AAA' category or to categories below 'CCC'.

² Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa to Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

³ Note: Plus (+) or minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

A-2: A short-term obligation rated "A-2" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

An economic downturn, a substantial slowdown in economic growth or deterioration in consumer spending could adversely affect Deutsche Telekom's customers' purchases of its products and services in each of its operating segments, which could have a negative impact on the operating results and financial condition of Deutsche Telekom.

Deutsche Telekom's business is influenced by general economic conditions in Germany, Europe and the United States. If economic growth in the countries in which it conducts business deteriorates in 2008, this could have an adverse effect on the level of demand by Deutsche Telekom's individual customers for its products and services and the willingness of the business customers to invest in information and communications technology (ICT). This could, in turn, jeopardise the attainment of the growth targets, such as those relating to multimedia services in mobile telecommunications, or those relating to broadband products and services based on digital subscriber line (DSL) technology.

Because Deutsche Telekom operates in heavily regulated business environments, decisions that regulatory authorities impose on Deutsche Telekom restrict flexibility in managing its business and may force it to offer services to competitors, or reduce the prices it charges for products and services, either of which could have a material negative impact on Deutsche Telekom's revenues, profits and market shares.

Unlike many of Deutsche Telekom's competitors, the Company is subject to strict regulation in many market segments in Germany and Central and Eastern Europe, particularly with respect to the fixed-line network business of the Broadband/Fixed Network operating segment. Government agencies regularly intervene in the offerings and in the pricing of the fixed-line products and services. Regulation can impede Deutsche Telekom's ability to grow and to react to the initiatives of competitors and technological change.

At the European Union level, the framework for telecommunications regulation is currently under review. The European Commission has proposed changes that would not lead to a significant reduction of regulation. On the contrary, as a result of this review by the European Commission, the scope of regulation may be expanded by the European Union or national regulatory authorities, either of which could have negative effects on Deutsche Telekom's business and pricing flexibility and, as a result, could affect its ability to generate revenue and profit. For example, the European Commission has proposed, under certain conditions, to regulate separately network operations and services provided through a network. The European Parliament and the Council of Ministers are expected to discuss these proposals in 2008.

Access and price regulation applies primarily to telecommunications services that are considered to involve an operator with "significant market power". Deutsche Telekom has been designated an operator with significant market power in most fixed-line markets in which it operates, including in Germany, Hungary, Slovakia and Croatia. The German telecommunications regulatory framework implemented by the Federal Network Agency (*Bundesnetzagentur*) has an especially significant impact on its business. So far, Deutsche Telekom has been exempted from regulation on the basis of a loss of significant market power in markets of relatively minor importance only, such as the market for foreign long-distance calls in fixed-line networks.

Additionally, since Deutsche Telekom is offering mobile and fixed-line triple-play services (high-speed Internet access, communications services and entertainment offerings), media regulation may become increasingly important to its business. This regulation might restrict the ability to provide media

services, including the delivery of content, and could also result in additional costs for technical implementation measures needed to comply with increased regulation.

Mobile Communications

Deutsche Telekom's mobile telecommunications operations, which are conducted through its operating segments Mobile Communications Europe and Mobile Communications USA, are supervised by regulatory authorities in the countries in which Deutsche Telekom operates. It expects a tightening of regulatory control in the area of mobile telecommunications, with a probable negative effect on pricing and revenues, including as a result of further reductions in international roaming charges for the wholesale and retail voice market, data and SMS roaming charges, call termination charges and also possible access regulation in some markets. In Europe, national regulatory authorities and various EU bodies have the power to regulate based on market investigations or reviews.

With respect to international roaming charges for the wholesale and retail voice market, a European Union-wide regulation, valid until June 2010, is presently in place. However, in late 2008, the European Commission is expected to report on its evaluation of the present regulation and will make recommendations for modifications it deems appropriate.

Mobile call termination charges are also subject to regulatory measures in T-Mobile's markets that can have a negative effect on revenues. Various reviews of call termination rates and court proceedings relating to regulatory measures are pending in several of T-Mobile's markets.

Recently, the European Commission launched an inquiry into the data and SMS roaming market. Should the European Commission determine that prices for data and SMS roaming are too high, a regulation with subsequent price reductions may be imposed.

Deutsche Telekom's telecommunications systems and operations in the United States are regulated primarily by the U.S. Federal Communications Commission (FCC) and by various other federal, state and local governmental bodies. These governmental agencies may also exercise jurisdiction over mobile telecommunications operators. Some U.S. states have taken actions to regulate various aspects of wireless operations including customer billing, termination of service arrangements and advertising. Any of those agencies could adopt regulations or take other actions that could adversely affect Deutsche Telekom's business. If it fails to comply with applicable regulations, Deutsche Telekom may be subject to sanctions, which may have an adverse effect on its mobile telecommunications business in the United States.

Broadband/Fixed Network

Deutsche Telekom believes that, for the foreseeable future, the Federal Network Agency is likely to consider the Company as a provider with significant market power in various German markets for public voice telephony services in the fixed-line network and in other markets, including most of those in which it held monopoly rights in the past. As a result, Deutsche Telekom expects that the strict regulatory provisions of the Telecommunications Act relating to providers with significant market power will continue to be applied to our activities in those markets. Considering that in many markets Deutsche Telekom's competitors are unlikely to gain significant market power in the near future, it expects that it will have to compete in important markets with providers not subject to these regulatory obligations. Therefore, these competitors may be expected to have more flexibility than Deutsche Telekom has in terms of the types of services offered and customers served, pricing and the granting of network access.

The Federal Network Agency has not shown any sign that it will refrain from regulating previously unregulated or emerging markets. On the contrary, the Federal Network Agency appears prepared to extend regulation into previously unregulated markets. For example, Deutsche Telekom is required to offer an Internet Protocol (IP) Bitstream Access product in the wholesale-market, which is regulated in terms of price, possibly below the current prices for Resale DSL. Additionally, it is required to offer unbundled broadband access to competitors by April 2008 or sooner if Broadband/Fixed Network introduces its own all IP-product. Unbundled broadband access for Deutsche Telekom's competitors would expand competition in the access business, currently focused on metropolitan areas, to all regions in Germany. These regulatory measures could have a material adverse effect on Deutsche Telekom's market shares, revenues and profits.

Regulatory authorities may choose to classify its entry into new markets as extensions of our existing services and subject such new businesses to regulation instead of considering it an unregulated new product offering. For example, the triple-play offerings using DSL technology over our new 50 Mbit/s high-speed fiber-optic network (VDSL) may be viewed by the Federal Network Agency as an extension of the prior double-play and triple-play service offerings, which were based on ADSL2+ technology, and not as a new market. This could subject the VDSL technology-based product offerings to extensive regulation.

According to a regulatory order dated 29 June 2007, Deutsche Telekom must grant access to competitors to ducts or, alternatively, to dark fiber cable. The replication of VDSL products in particular by competitors using their own infrastructures is hence being made easier at Deutsche Telekom's expense. Some network operators have expressed the intention to establish VDSL access through Deutsche Telekom's ducts. This would increase the competitive pressure on the "Entertain" products and other services, which could have a negative impact on Deutsche Telekom's market shares, revenues and profits.

Deutsche Telekom's fixed-line subsidiaries in Central and Eastern Europe are subject to regulatory provisions and risks that are similar to those affecting the fixed-line operations in Germany. The business impact of increased regulation on the subsidiaries in Central and Eastern Europe will depend on the way in which national regulatory authorities use their powers, and the extent to which the competitors take advantage of regulatory decisions designed to foster increased competition.

Further market analysis procedures under the EU regulatory framework continue to be carried out in Hungary and Slovakia throughout 2008, which could eventually lead to reductions in the prices Deutsche Telekom may charge to customers for wholesale and retail services. These developments could also contribute to a loss of its market shares in these countries. The Central and Eastern European subsidiaries might also be required to adjust their product offerings on the wholesale and retail levels in furtherance of competition in the fixed-line network. This could have a material adverse effect on their market shares, revenues and profits.

Deutsche Telekom faces intense competition in all areas of its business, which could lead to reduced prices for its products and services and a decrease in market share in certain service areas, thereby having an adverse effect on Deutsche Telekom's revenues and net profit.

Mobile Communications

Each of T-Mobile USA's three main national competitors in the United States - AT&T, Verizon Wireless and Sprint/Nextel - is significantly larger than T-Mobile USA. Their scale could afford them significant structural and competitive advantages in this market. This situation presents a long-term challenge to T-Mobile USA to effectively compete in terms of pricing, products, coverage and the introduction of new technologies and services. Intense competition from various regional and other small national operators also exists in T-Mobile USA's markets. Since T-Mobile USA is a significant contributor to Deutsche Telekom's overall revenues and customer growth, a slowdown or decline in the business of T-Mobile USA could have a material adverse effect on the attainment of the growth targets and profitability of our Group as a whole.

Competition in the European mobile telecommunications markets has increased and can be expected to increase further in the future. Growing competition results, in part, from the market entry of low cost carriers, such as mobile virtual network operators (MVNOs), which use the networks of other operators at volume discounts, and from market consolidation. If prices for mobile telecommunications services decline more than anticipated and this decline is not compensated for by higher usage, T-Mobile may not achieve its objectives. In addition, mobile network operators' expansion of product offerings into the fixed-line sector may result in a competitive disadvantage for T-Mobile in countries in which T-Mobile offers only mobile communications services. Moreover, technologies such as W-LAN, DSL, WiMax and Voice over Internet Protocol (VoIP), which can be used with existing hardware and platforms, could result in the diversion of voice and data traffic from T-Mobile's network, which could lead to significant price and revenue reductions.

As European markets have become increasingly saturated, the focus of competition has been shifting from customer acquisition to customer retention, and increasing the quality and value of existing customers. Accordingly, if we are unable to offer increased quality and better value to our customers, our market share and revenues may not grow as we have anticipated in our growth plans.

Broadband/Fixed Network

In Germany, and to a lesser extent in Central and Eastern Europe, fixed-line network voice telephony service revenues and prices have continued to decline, primarily due to intense competition and adverse decisions imposed by the national regulation authorities, and also due to customers' ongoing substitution of mobile telecommunications and VoIP services for fixed-line usage.

Due to intense competition from mobile operators, fixed-line carriers and cable operators, Deutsche Telekom continued to lose market share in 2007. Deutsche Telekom expects a further increase in competition due to a change in mobile operators' focus from pure mobile services towards fixed-line offerings and cable operators' product bundles for telephone and broadband access lines, which are increasingly offered in more regions throughout Germany as well as in Central and Eastern Europe. Furthermore, regulatory actions by the Federal Network Agency and the increasing quality and acceptance of VoIP services will increase pressure on the market shares, revenues and margins.

Additional local and regional network operators are expanding their presence to include other major cities and regions. In the future, Deutsche Telekom could face even fiercer competition and lose further market share if the competitors were to combine their businesses.

Existing mobile substitution effects are intensified as a result of the proliferation of MVNOs. Reduced prices for mobile telecommunications services (e.g., on the basis of lower flat rates without call-based charges and regulatory decisions regarding mobile telephony termination rates) could increase pricing pressure on our fixed-line services. Furthermore, mobile operators are increasingly engaging in reselling DSL product bundles provided by other fixed-line operators, and this continues to have an adverse effect on our fixed-line network revenues.

The German and European markets for Internet access and portal services, especially within the broadband market, have been, and will continue to be, highly competitive. Prices for broadband flat rates have been steadily declining. Broadband/Fixed Network's future competitive position will be affected by pricing, network speed and reliability, services offered, customer support and its ability to be technologically adept and innovative. The regulatory environment can also exert a significant influence on the level of competition. Wholesale DSL competitors are already offering broadband/VoIP bundles without a Deutsche Telekom fixed-line connection. Thus, Deutsche Telekom expects that the competitors will continue to pursue new broadband customers aggressively. In the market for portal services and content, competition is also intense due to low barriers to entry.

Part of the challenge for Deutsche Telekom's Broadband/Fixed Network operating segment will be to improve its reputation for customer service while implementing cost-saving measures. If Deutsche Telekom does not continue to improve the customer service sustainably, there is a risk that it might not stop the continuing loss of customers.

Business Customers

Deutsche Telekom's Business Customers operating segment, operated through T-Systems Business Services GmbH and T-Systems Enterprise Services GmbH (collectively, "**T-Systems**"), is a provider of solutions covering the entire ICT value chain. It is subject to risks associated with the general and regional economies of its customers and the willingness and ability of its customers to invest in information and communications technology services and products. The ICT market is shaped by long sales cycles, severe competition and declining prices. The result is downward pressure on revenues and margins.

The international growth potential of T-Systems may be constrained by its limited brand recognition in some national markets, at least compared to that of competitors who may be more established there, particularly as this relates to maintaining and increasing business with multinational companies outside of Germany. In addition, T-Systems has employed some restructuring and enhancement initiatives to improve the efficiency and integration of its ITC services. Therefore, Deutsche Telekom is in negotiations with some international IT providers for international partnerships with T-Systems or parts of T-Systems. Deutsche Telekom can provide no assurance that these negotiations will result in any transactions. If the various initiatives introduced by T-Systems are not successful, T-Systems may lose market share to its competitors or incur loss.

Deutsche Telekom may realise neither the expected level of demand for its products and services, nor the expected level or timing of revenues generated by those products and

services, as a result of lack of market acceptance, technological change or delays from suppliers, which could adversely affect Deutsche Telekom's cash flows.

There is a risk that Deutsche Telekom will not succeed in making customers sufficiently aware of existing and future value-added services or in creating customer acceptance of these services at the prices it would want to charge. There is also a risk that Deutsche Telekom will not identify trends correctly, or that it will not be able to bring new services to market as quickly or price-competitively as our competitors. These risks exist, in particular, with respect to our anticipated future growth drivers in the mobile telecommunications area (e.g., mobile data services provided via Universal Mobile Telecommunications System (UMTS or "3G") or other advanced technologies) and in the fixed-line telecommunications area (e.g., triple-play services). Some of Deutsche Telekom's investments to develop future products and services may involve substantial cash outlays with no certainty of market acceptance or regulatory non-interference. Accordingly, there is a risk that the return on Deutsche Telekom's investments, in particular in UMTS licenses and network infrastructure may be negatively affected, which could result in significant write-downs of the value of its UMTS or other licenses or other network-related investments.

In September 2007, Deutsche Telekom re-launched our triple-play offering under the product name "Entertain" for the customers in Germany with an enlarged content offering and new features. "Triple-play" refers to the interaction between high-speed Internet access, communications services and entertainment offerings. The market acceptance for these new products and services could be negatively affected by a reduced willingness to pay for additional channels. Since the product is very complex with regard to content and technology, it may prove hard to convey its benefits to the customers via the traditional sales channels. Furthermore, potential software and IT problems could have a negative impact on its market success. In addition, the bulk of German apartment buildings have been equipped with low-priced cable TV facilities for a long time, which could lessen the propensity to switch to a new technology. Each of these factors could also have an adverse effect on Deutsche Telekom's pricing models, revenues and profit margins.

Further, as a result of rapid technological progress, and the trend towards technological convergence, there is a danger that new and established information and telecommunications technologies or products may not only fail to complement one another, but in some cases may even substitute for one another. An example of this is VoIP, a technology that is already established in the business customer market. VoIP has now reached the consumer market as well and, as a technology that competes directly with traditional fixed-line telephony services, has the potential to reduce further our market share and revenues in our fixed-line business. The introduction of mobile handsets with VoIP functionality may also adversely affect Deutsche Telekom's pricing structures and market share in its mobile voice telephony business. If Deutsche Telekom does not appropriately anticipate the demand for new technologies, and adapt its strategies and cost structures accordingly, Deutsche Telekom may be unable to compete effectively, with the result that its business activities, financial condition and results may suffer.

Failure to achieve the planned reduction and restructuring of personnel could negatively affect Deutsche Telekom's financial objectives and profitability.

Deutsche Telekom announced an extensive staff restructuring programme for its operations in Germany in November 2005, under which a total of approximately 32,000 employees are scheduled to leave the Group by the end of 2008. Some of these employees have already left Deutsche Telekom as part of the sale of Vivento business lines and others through voluntary early retirement and other voluntary measures. By the end of 2007, the Group had already realised about 26,500 of these planned staff reductions.

However, the successful realisation of our ongoing staff reduction programme depends on a range of factors that are beyond Deutsche Telekom's control, such as the continued successful sale of its Vivento operating businesses, general developments in the labor market and the demand for its retrained labor force and the level of acceptance of the various severance offers and other voluntary reduction measures (e.g., early retirement programmes). If the planned staff reduction targets are not achieved, this would have a negative effect on Deutsche Telekom's operating expenses and profitability.

In 2007, approximately 1,200 employees of Vivento Customer Services GmbH were transferred to walter services ComCare GmbH & Co. KG/walter services Holding GmbH and several regional units of arvato AG in connection with the transfer of certain Vivento call center operations. Further sales of

Vivento's business lines are planned for 2008 and are dependent on, among other things, finding suitable buyers and achieving certain financial objectives.

Failure to reach the goals set forth for Deutsche Telekom's recently established call center, technical customer service and technical infrastructure units in Germany (Telekom Service) may jeopardise its aspirations of improved customer service quality and further cost-cutting.

On 25 June 2007, certain call center units, technical customer service units and the operational units of Deutsche Telekom's technical infrastructure were transferred into three newly established companies within the Group. This transfer involved about 50,000 employees and was designed to focus on quality of service under conditions that are in line with market expectations and to secure the competitiveness in the German market. The success of the "Telekom Service" initiative largely depends on the rapid transformation of business processes, effective reporting lines and, despite the agreed upon salary reductions, enhanced employee productivity. Failure to successfully adapt to the new organisational requirements could make Deutsche Telekom fall short of its customer service and cost efficiency goals, which could impair the ability to stem loss of market share and improve employee productivity.

As a result of dispositions of certain non-core businesses in Germany, there is an increased risk of return of civil servants transferred out of the Group, which could have a negative impact on the staff and cost reduction objectives.

Deutsche Telekom's employees who have civil servant status can, based on German civil service law, only be completely transferred to the buyer of a business from it in exceptional cases. Therefore, as a general matter, such transferred civil servants are placed on leave of absence while employed with the transferred business unit. Accordingly, in the event of termination of employment with the transferred business unit, there is a risk that such civil servants will return to the Deutsche Telekom Group. This risk of return can be reduced by an agreement on compensation payments, but it cannot be completely eliminated. As of 31 December 2007, the total number of civil servants that can avail themselves of this right of return to the Deutsche Telekom Group was approximately 1,400.

Alleged health risks of wireless communications devices have led to litigation affecting T-Mobile, and could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations and, thus, adversely affect the financial condition and results of operations of Deutsche Telekom's wireless services business.

Media reports have suggested that radio frequency emissions from wireless mobile devices and cell sites may raise various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing. The World Health Organisation has declared that, on the basis of current scientific knowledge, there are no known adverse effects on health below the international threshold standards, nor is it expecting any serious dangers to arise in the future, although it does recommend continued research due to the ongoing scientific uncertainty. Deutsche Telekom cannot provide assurance that research in the future will not establish links between radio frequency emissions and health risks.

Whether or not such research or studies conclude there is a link between radio frequency emissions and health, popular concerns about radio frequency emissions may discourage the use of wireless devices and may result in significant restrictions on the location and operation of T-Mobile's cell sites and the usage of T-Mobile's wireless devices, telephones or products using W-LAN technology. Such restrictions on use could have material adverse effects on Deutsche Telekom's results of operations.

T-Mobile USA is subject to current and potential litigation relating to these health concerns. Several amended class action lawsuits have been filed in the United States against T-Mobile USA and several other wireless service operators and wireless telephone manufacturers, asserting products liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless mobile devices. The complaints seek substantial monetary damages as well as injunctive relief. The defense of these lawsuits may divert management's attention, and T-Mobile USA may be required to pay significant awards or settlements and incur significant expenses in defending these lawsuits.

Deutsche Telekom does not know whether legislators, regulators or private litigants will refrain from taking other actions adverse to it, based on the purported health-related risks associated with radio frequency emissions. Any such litigation, legislation or adverse actions may result in additional costs and loss of revenues in the mobile communications businesses.

Deutsche Telekom continuously engage in large-scale programmes to reshape the IT infrastructure to adapt to changing customer needs and organisational requirements. Failure to effectively plan and monitor these activities could lead to misallocations of resources and impaired processes with negative consequences for Deutsche Telekom's operations.

In May 2007, Deutsche Telekom launched the "IT 2010" initiative as a comprehensive Group plan for all IT activities. This programme has been established to implement the Group IT strategy and is supervised by the Chief Information Officer (CIO) board. The initiative comprises several cross-company workstreams and additional intra-company initiatives. The overall focus of the programme is oriented towards "Customer Value", "Operational Excellence" and "Cost Reduction". By 2010, cost savings of up to EUR 1 billion, which are expected to be realised through reduced IT budgets, unified workplace systems and minimised manual interfaces, are anticipated. In accordance with the needs of Deutsche Telekom's customers, the programme is geared towards boosting the development of IP-based telecommunications products and services.

Due to the enormous complexity of the implementation of this IT strategy, malfunctions, connectivity issues, implementation delays, and other unforeseen problems, could result in costly process impairments and remediation, and possible extended down-times of IT processes, and therefore frustrate the attainment of Deutsche Telekom's cost-savings goals.

One of Deutsche Telekom's most important IT programmes deals with the long-term development and implementation of a comprehensive IP platform that will support both fixed-line and mobile telephony services. This means that the traditional PSTN platform will be completely replaced by an IP-based system. Upon implementing this joint IP platform, Deutsche Telekom will be subject to risks inherent in all IT systems connected to the Internet, such as hacker attacks, "spam calls" and other disruptions. These risks could lead to a temporary interruption of Deutsche Telekom's IT resources and, as a result, impair the performance of its technical infrastructure.

System failures due to natural or man-made disruptions could result in reduced user traffic and reduced revenues and could harm Deutsche Telekom's reputation and results.

Deutsche Telekom's technical infrastructure (including our network infrastructure for fixed-line network services and mobile telecommunications services) may be damaged or disrupted by fire, lightning, flooding and other calamities, technology failures, human error, terrorist attacks, hacker attacks and malicious actions, and other similar events. Deutsche Telekom attempts to mitigate these risks by employing a large number of measures, including backup systems and protective systems such as firewalls, virus scanners, and building security. Deutsche Telekom cannot, however, be certain that these measures will be effective under all circumstances and that disruptions or damages will not occur. Damage or disruption to its infrastructure may result in reduced user traffic and revenues, increased costs, and damage to its reputation.

Shortcomings in the supply and procurement process could negatively affect Deutsche Telekom's product portfolio, revenues and profits.

As a fully integrated ICT service provider, Deutsche Telekom cooperates with a wide range of different suppliers for technical components and assemblies, as well as for software and other goods and information important to the conduct of its business. Although it does not believe that it is materially dependent on any single supplier, Deutsche Telekom's contractors may want to extend delivery times, raise prices and limit supply due to their own shortages or changing business and product strategies.

If the commercial partners fail to deliver products and services in a timely and qualitative manner, the ensuing disruptions in Deutsche Telekom's chain of supply could negatively affect the product portfolio, cost structure, revenues and profits. Deutsche Telekom takes a variety of measures to shelter ourselves from these risks, but it cannot be sure that these measures will be effective under all circumstances.

Deutsche Telekom is continuously involved in disputes and litigation with regulators, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on Deutsche Telekom's results of operations and financial condition.

Deutsche Telekom is subject to numerous risks relating to legal and regulatory proceedings, in which it is currently a party or which could develop in the future. Litigation and regulatory proceedings are inherently unpredictable. Legal or regulatory proceedings in which it is or come to be involved (or

settlements thereof) may have a material adverse effect on Deutsche Telekom's results of operations or financial condition.

Future sales of Deutsche Telekom's shares by the Federal Republic of Germany or KfW Bankengruppe (KfW) may adversely affect the trading prices of our shares and American Depository Shares ("ADS").

The Federal Republic of Germany (which owns, together with KfW, approximately 31.7% of our outstanding shares) has announced its intention to continue its privatisation policy. Accordingly, Deutsche Telekom cannot predict if and when the Federal Republic of Germany will further reduce its holdings of its equity interest in Deutsche Telekom AG. The reduction in the Federal Republic of Germany's direct or indirect holdings may involve KfW. For shareholders, there is a danger that the market offering of a significant volume of our shares by either the Federal Republic of Germany or KfW, or speculation to this effect on the markets, could have a negative impact on the price of our shares and ADSs.

In April 2006, the Blackstone Group purchased 191.7 million of Deutsche Telekom's shares from KfW. KfW agreed with Blackstone to a one year lock-up with respect to further sales of KfW's Deutsche Telekom shares. In return, Blackstone agreed with KfW to a two-year lock-up of its Deutsche Telekom shares. As the Blackstone lock-up period ends in April 2008, market speculation regarding a significant sale of shares currently held by Blackstone could have a negative impact on the price of our shares. Deutsche Telekom is not a party to these agreements and has no right to enforce or waive the lock-up restrictions.

Certain of KfW's debt instruments are exchangeable into shares of Deutsche Telekom AG, which, upon exchange, could also have a negative impact on the price of Deutsche Telekom's shares. KfW issued a class of exchangeable bonds in 2003 that matures on 8 August 2008. Exchangeable bonds are debt securities that the holder may exchange for shares in another company during a predefined period and at a predefined price. When the exchange price is exceeded and when the holder exercises the exchange right, KfW will be obligated to exchange the bonds offered for Deutsche Telekom AG shares. When the exchangeable bonds mature on 8 August 2008, KfW has the right to settle them in Deutsche Telekom AG shares. These exchangeable bonds in the aggregate amount of EUR 5 billion have a share exchange price of EUR 17.526 per ordinary share. Accordingly, approximately 285.3 million shares may be delivered by KfW in exchange for the outstanding bonds maturing in August 2008. The delivery to debtholders by KfW of a significant amount of Deutsche Telekom's shares could have a negative impact on the market price of its shares.

Unexpected difficulties related to the integration of SunCom Wireless Holdings and Orange Nederland or other acquired entities could adversely affect Deutsche Telekom's business and profits.

On 16 September 2007, T-Mobile USA and SunCom Wireless Holdings, Inc. ("**SunCom**") announced that they had entered into a definitive merger agreement for the acquisition by T-Mobile USA of all of the outstanding shares of common stock of SunCom, for an aggregate of approximately USD 1.6 billion (EUR 1.1 billion). With the acquisition of SunCom, completed on 22 February 2008, Deutsche Telekom hopes to realise significant cost synergies, reduce roaming expenses and improve Deutsche Telekom's market presence.

On 1 October 2007, T-Mobile Netherlands had concluded a transaction with France Télécom regarding the acquisition of the Dutch mobile operator, Orange Nederland, for a purchase price of EUR 1.3 billion. By combining these businesses, Deutsche Telekom expects to realise significant synergies with regard to marketing expenses and network infrastructure.

Any major problem in integrating networks, operations, product offerings, personnel, standards and procedures of these or other acquired companies may have material adverse effects on the results of operations and the ability to improve Deutsche Telekom's market position as anticipated.

Exchange-rate, interest-rate and rating risks have had, and may continue to have, an adverse effect on Deutsche Telekom's revenue and cost development.

Deutsche Telekom is exposed to currency risks related to its international business activities. Generally, its Central Treasury seeks to hedge currency risks that may have a negative impact on Deutsche Telekom's cash flows, although there can be no guarantee that the hedging strategies will succeed. Currency risks may have a negative impact on the results of operations when amounts in

local currencies are translated into euro, particularly in connection with U.S. dollar-denominated and British pound sterling-denominated results.

Deutsche Telekom is also exposed to interest-rate risks, primarily in relation to the euro, U.S. dollar and British pound sterling currencies. Interest-rate risks arise as a result of fluctuations in interest rates affecting the level of interest payments due on indebtedness at variable rates in each of these currencies. Once per year, the Management Board specifies ratios of fixed and variable debt in these three currencies. The Central Treasury then takes measures, using derivative instruments and other measures, to implement the interest-risk management decisions of the Management Board.

In 2007, all three rating agencies maintained Deutsche Telekom's long-term rating at either A- or A3. However, in May 2007, Fitch Ratings changed its outlook from "stable" to "negative". A decrease in Deutsche Telekom's credit ratings below certain thresholds by various rating agencies would result in an increase in interest rates due to step-up provisions in certain bonds and medium-term notes.

Developments in the telecommunications sector have resulted, and may in the future result, in substantial write-downs of the carrying value of certain of Deutsche Telekom's assets.

Deutsche Telekom reviews on a regular basis the value of each of its subsidiaries and their assets. In addition to the regular annual impairment reviews, whenever indications exist that goodwill, intangible assets or fixed assets may be impaired due to changes in the economic, regulatory, business or political environment, Deutsche Telekom considers the necessity of performing certain valuation tests, which may result in impairment charges. The recognition of impairments of intangible assets, property, plant and equipment and financial assets could cause Deutsche Telekom to take large, non-cash charges against net profit, which could lead to a reduction in the trading price of its shares and ADSs.

Risk Factors regarding Deutsche Telekom International Finance B.V.

Payment of principal of and interest on notes issued by Finance are guaranteed by Deutsche Telekom AG. Therefore the risks in respect of Finance substantially correspond with the ones of Deutsche Telekom.

Risk Factors regarding the Notes

The following is a disclosure of risk factors that are material to the Notes issued under the Programme in order to assess the market risk associated with these Notes. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme.

In respect of Notes which require in view of their specific structure a specific description of risk factors, those specific additional risk factors will be described in the Final Terms relating to such Notes.

Notes may not be a suitable investment for all investors

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Currency Risk / Dual Currency Notes

A holder of a Note denominated in a foreign currency and a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield of such Note. A change in the value of any foreign currency against the euro, for example, will result in a corresponding change in the euro value of a Note denominated in a currency other than euro. If the underlying exchange rate falls and the value of the euro correspondingly rises, the price of the Note expressed in euro falls.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Liquidity Risk

Application has been made to list Notes to be issued under the Programme on the Luxembourg Stock Exchange. In addition, the Programme provides that Notes may be listed on an alternative stock exchange or may not be listed at all. Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will

continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity than if they were not listed. If the Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

Market Price Risk

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The holder of a Note is therefore exposed to the risk of an unfavourable development of market prices of its Note which materialises if the holder sells the Notes prior to the final maturity of such Notes.

Currency Risk/Dual Currency Notes

A holder of a Note denominated in a foreign currency and a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks.

A change in the value of any currency other than euro against the euro, for example, will result in a corresponding change in the euro value of a Note denominated in a currency other than euro and the euro value of interest and principal payments made in accordance with the terms of such Note. If the underlying exchange rate falls and the value of the euro correspondingly rises, the price of the Note and the value of interest payments made thereunder expressed in euro falls.

Risk of Early Redemption

The applicable Final Terms will indicate whether an Issuer may have the right to call the Notes prior to maturity (optional call right) on one or several dates determined beforehand or whether the Notes will be subject to early redemption upon the occurrence of an event specified in the applicable Final Terms (early redemption event). In addition, each Issuer will always have the right to redeem the Notes if the relevant Issuer is required to pay additional amounts (gross-up payments) on the Notes for reasons of taxation as set out in the Terms and Conditions. If the relevant Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, a holder of such Notes is exposed to the risk that due to such early redemption his investment will have a lower than expected yield. The Issuer can be expected to exercise his optional call right if the yield on comparable Notes in the capital market has fallen which means that the investor may only be able to reinvest the redemption proceeds in comparable Notes with a lower yield. On the other hand, the Issuer can be expected not to exercise his optional call right if the yield on comparable Notes in the capital market has increased. In this event an investor will not be able to reinvest the redemption proceeds in comparable Notes with a higher yield. It should be noted, however, that the relevant Issuer may exercise any optional call right irrespective of market interest rates on a call date.

Fixed Rate Notes

A holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. While the nominal interest rate of a Fixed Rate Note as specified in the applicable Final Terms is fixed during the life of such Note, the current interest rate on the capital market ("**market interest rate**") typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the market interest rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the market interest rate. If the market interest rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the market interest rate. If the holder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate for comparable issuers are without relevance to such holder as the Note will be redeemed at the principal amount of such Note.

Floating Rate Notes

A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating

Rate Notes in advance.

A Floating Rate Note may include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features. In such case, their market value may be more volatile than those for Floating Rate Notes that do not include these features. If the amount of interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the interest rates on interest payable will be increased. The effect of a cap is that the amount of interest will never rise above and beyond the predetermined cap, so that the holder will not be able to benefit from any actual favourable development beyond the cap. The yield could therefore be considerably lower than that of similar Floating Rate Notes without a cap.

Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Notes.

Inverse/Reverse Floating Rate Notes

Inverse Floating Rate Notes (also called Reverse Floating Rate Notes) have an interest rate which is determined as the difference between a fixed interest rate and a floating rate reference rate such as the EURIBOR or the LIBOR which means that interest income on such Notes falls if the reference interest rate increases. Typically, the market value of Inverse Floating Rate Notes is more volatile than the market value of other conventional floating rate notes based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest payable on the Notes, but may also reflect an increase in prevailing interest rates, which may further adversely affect the market value of such Notes.

Fixed to Floating Rate Notes

Fixed to Floating Rate Notes may bear interest at a rate which converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes relating to the same reference rate. In addition, the new floating rate at any time may be lower than the interest rates payable on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing interest rates payable on its Notes.

Zero Coupon Notes

Zero Coupon Notes do not pay current interest but are issued at a discount from their nominal value. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate for comparable issuers. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

Index-linked Notes

Index-linked Notes may be issued as Index-linked Interest Notes where payments of interest will be made by reference to a single index or other factors (including changes in the price of securities and commodities or movements in exchange rates) and/or such formula as may be specified by the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

If payment of interest is linked to a particular index, a holder of an Index-linked Interest Note is particularly exposed to the risk of fluctuating interest rate levels and uncertain interest income or may even receive no interest at all which may have the effect that the yield of an Index-linked Interest Note is negative. None of the Issuers has control over a number of matters, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results.

Investors should be aware that the market price of Index-linked Notes may be very volatile (depending

on the volatility of the relevant index). Neither the current nor the historical value of the relevant index should be taken as an indication of the future performance of such index during the term of any Note.

Risk of potential Conflicts of Interest

In case of Notes linked to an underlying (e.g., but not limited to, an index, a currency, a commodity, single shares or a basket), each of the Issuer, the Dealer(s) or any of their respective affiliates may from time to time engage in transactions relating to such underlying for their own accounts or for the accounts of third parties and may issue other financial products in respect of such underlying. Such activities could create conflicts of interest and may have a negative impact on the underlying value.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business.

Incorporation by Reference / Documents on Display

The following documents are incorporated by reference into this Prospectus and are available in the English language:

Deutsche Telekom AG

the audited consolidated financial statements of Deutsche Telekom for the financial year ended on 31 December 2007 consisting of

Consolidated income statement (page 104 in the Annual Report of 2007),

Consolidated balance sheet (page 105 in the Annual Report of 2007),

Consolidated cash flow statement (page 106 in the Annual Report of 2007),

Statement of recognised income and expense (page 107 in the Annual Report of 2007),

Notes to the consolidated financial statements (pages 108 to 196 in the Annual Report of 2007).

Auditors' Report (page 198 in the Annual Report of 2007).

the audited consolidated financial statements of Deutsche Telekom for the financial year ended on 31 December 2006 consisting of

Consolidated income statement (page 112 in the Annual Report of 2006),

Consolidated balance sheet (page 113 in the Annual Report of 2006),

Consolidated cash flow statement (page 114 in the Annual Report of 2006),

Statement of recognised income and expense (page 115 in the Annual Report of 2006),

Notes to the consolidated financial statements (pages 116 to 197 in the Annual Report of 2006),

Auditors' Report (page 198 in the Annual Report of 2006),

Deutsche Telekom International Finance B.V.

the audited financial statements of Finance for the financial year ended on 31 December 2007 consisting of

Balance sheet (page 5 in the Annual Report of 2007),

Profit and loss account (page 6 in the Annual Report of 2007),

Cash flow statement (page 7 in the Annual Report of 2007),

Notes to the balance sheet and profit and loss account (pages 8 to 23 in the Annual Report of 2007),

Auditors' Report (page 26 in the Annual Report of 2007).

the audited financial statements of Finance for the financial year ended on 31 December 2006 consisting of

Balance Sheet (page 5 in the Annual Report of 2006),

Profit and loss account (page 6 in the Annual Report of 2006),

Cash flow statement (pages 7 to 8 in the Annual Report of 2006),

Notes to the balance sheet and profit and loss account (pages 9 to 24 in the Annual Report of 2006),

Auditors' Report (pages 27 to 28 in the Annual Report of 2006).

All information not listed above, but included in the documents incorporated by reference is given for information purposes only.

The Prospectus and all Reference Documents are available on the website of the Luxembourg Stock Exchange (www.bourse.lu). During the whole life of the Programme, the Prospectus as well as of all supplements thereto, all Reference Documents, the Guarantee and Negative Pledge of Deutsche Telekom AG and the Articles of Association of each of Deutsche Telekom AG and Deutsche Telekom International Finance B.V., all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuers' request any part of which is included or referred to in the Prospectus, the historical financial information of Deutsche Telekom and its subsidiaries and the historical financial information of Finance for each of the two financial years preceding the publication of the Prospectus are available on the website of Deutsche Telekom (www.telekom.de), may be inspected and are available free of charge at the office of the Luxembourg Paying Agent, Fortis Banque Luxembourg S.A., and are available in the English language each free of charge at the head office of Deutsche Telekom AG (addresses are specified on the back cover of this Prospectus).

General Description of the Programme

I. General

Under this Euro 25,000,000,000 Debt Issuance Programme, Deutsche Telekom and Finance may from time to time issue notes, (the "**Notes**"). The maximum aggregate principal amount of the Notes from time to time outstanding under the Programme will not exceed EUR 25,000,000,000 (or its equivalent in any other currency). The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement (as defined herein) from time to time.

The Guarantor has given its unconditional and irrevocable guarantee (the "**Guarantee**") for the due payment of the amounts corresponding to the principal of and interest on the Notes issued by Deutsche Telekom International Finance B.V. The Guarantee will be governed by German law.

The Notes may be issued on a continuing basis to one or more of the Dealers and any additional Dealer appointed under the Programme from time to time by the Issuer(s), which appointment may be for a specific issue or on an ongoing basis. Notes may be distributed by way of public or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the relevant Final Terms.

Notes will be issued in tranches (each a "**Tranche**"), each Tranche consisting of Notes which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, except for issue dates, interest commencement dates and/or issue prices may form a series ("**Series**") of Notes. Further Notes may be issued as part of existing Series. The specific terms governing each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions) will be set forth in the applicable Final Terms.

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of the Notes will be, if in euro, EUR 1,000 and if in any currency other than euro, in an amount in such other currency nearly equivalent to EUR 1,000 at the time of the issue of the Notes. The minimum denomination of the Notes may be smaller than EUR 1,000 if the Notes are not listed or are listed on an unregulated market and may not be part of any public offer.

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

Unless otherwise permitted by then current laws and regulations, Notes in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom will have a minimum denomination of GBP 100,000 (or its equivalent in other currencies), unless such Notes may not be redeemed until on or after the first anniversary of their date of issue.

Application has been made to list Notes issued under the Programme on the regulated market of the Luxembourg Stock Exchange. Notes issued under the Programme may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. Under the Programme notes may also be issued which will not be listed on any Stock Exchange.

II. Issue Procedures

General

The Issuer and the relevant Dealer will agree on the terms and conditions applicable to each Tranche (the "**Conditions**"), which will be constituted by the Terms and Conditions as completed, modified, supplemented or replaced by the provisions of the applicable Final Terms as provided below. The Final Terms relating to each Tranche will specify:

- whether the Conditions are to be Long-Form Conditions or Integrated Conditions (each as described below); and
- whether the Conditions will be in the English language or the German language or both (and, if both, whether the English language version or the German language version is controlling).

As to the controlling language of the respective Conditions, the Issuer anticipates that, in general,

subject to any stock exchange or legal requirements applicable from time to time, and unless otherwise agreed between the Issuer and the relevant Dealer:

- In the case of Notes publicly offered, in whole or in part, in the Federal Republic of Germany or distributed, in whole or in part, to non-professional investors in the Federal Republic of Germany, German will be the controlling language. If, in the event of such public offer or distribution to nonprofessional investors, however, English is chosen as controlling language, a German language translation of the Conditions will be available from the respective offices of the Paying Agent in the Federal Republic of Germany and the Issuer, specified on page 145 and 146 of this Prospectus.

As to whether Long-Form Conditions or Integrated Conditions will apply, the Issuer anticipates that:

- Long-Form Conditions will generally be used for Notes which are not publicly offered.
- Integrated Conditions will be required where the Notes are to be publicly offered, in whole or in part, or to be distributed, in whole or in part, to non-professional investors.

Long-Form Conditions

If the Final Terms specify that Long-Form Conditions are to apply to the Notes, the provisions of the applicable Final Terms and the Terms and Conditions, taken together, shall constitute the Conditions. Such Conditions will be constituted as follows:

- the blanks in the provisions of the Terms and Conditions which are applicable to the Notes will be deemed to be completed by the information contained in the Final Terms as if such information were inserted in the blanks of such provisions;
- the Terms and Conditions will be modified, supplemented or replaced by the text of any provisions of the Final Terms modifying, supplementing or replacing, in whole or in part, the provisions of the Terms and Conditions;
- alternative or optional provisions of the Terms and Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted will be deemed to be deleted from the Conditions; and
- all instructions and explanatory notes set out in square brackets in the Terms and Conditions and any footnotes and explanatory text in the Final Terms will be deemed to be deleted from the Conditions.

Where Long-Form Conditions apply, each Global Note representing the Notes of the relevant Series will have the Final Terms and the Terms and Conditions attached. If Definitive Notes are delivered in respect of the Notes of such Series, they will have endorsed thereon either (i) the Final Terms and the Terms and Conditions in full, (ii) the Final Terms and the Terms and Conditions in a form simplified by the deletion of non-applicable provisions, or (iii) Integrated Conditions, as the Issuer may determine.

Integrated Conditions

If the Final Terms specify that Integrated Conditions are to apply to the Notes, the Conditions in respect of such Notes will be constituted as follows:

- all of the blanks in all applicable provisions of the Terms and Conditions will be completed according to the information contained in the Final Terms and all non-applicable provisions of the Terms and Conditions (including the instructions and explanatory notes set out in square brackets) will be deleted; and/or
- the Terms and Conditions will be otherwise modified, supplemented or replaced, in whole or in part, according to the information set forth in the Final Terms.

Where Integrated Conditions apply, the Integrated Conditions alone will constitute the Conditions. The Integrated Conditions will be attached to each Global Note representing Notes of the relevant Series and will be endorsed on any Definitive Notes exchanged for any such Global Note(s).

Deutsche Telekom AG as Issuer and Guarantor

Statutory Auditors

The independent auditors of Deutsche Telekom are PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**PwC**"), Olof-Palme-Strasse 35, 60439 Frankfurt am Main, Germany and Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ("**E&Y**"), Mittlerer Pfad 15, 70499 Stuttgart, Germany. PwC and E & Y are members of the chamber of public accountants (*Wirtschaftsprüferkammer*).

General Information about Deutsche Telekom

Introduction

The legal and commercial name of the Company is Deutsche Telekom AG. Deutsche Telekom is a private stock corporation organised under German law registered with the local court (*Amtsgericht*) of Bonn under the number HRB 6794. The registered office is located at Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, and its telephone number is +49 (228) 181-0.

Historical Background

The provision of public telecommunications services in Germany was long a state monopoly, as formerly provided in the constitution of the Federal Republic of Germany. In 1989, the Federal Republic of Germany began to transform the postal, telephone and telegraph services administered by the former monopoly provider of such services into market-oriented businesses, and divided the former monopoly into three distinct entities along their lines of business, one of which was Deutsche Telekom's predecessor, Deutsche Bundespost Telekom. At the same time, the Federal Republic of Germany also began the liberalisation of the German telecommunications market. Deutsche Telekom was transformed into a private stock corporation effective 1 January 1995.

The operation of networks (including cable networks) for all telecommunications services, other than public fixed-line voice telephony, was opened to competition in Germany on 1 August 1996, when the new legal framework for the regulation of the telecommunications sector in Germany - the Telecommunications Act - became effective. As required by the Telecommunications Act, and mandated by the directives of the EU Commission, the telecommunications sector in Germany was further liberalised on 1 January 1998, through the opening of the public fixed-line voice telephony services to competition.

Since then, Deutsche Telekom has faced intense competition and has been required, among other things, to offer competitors access to its fixed-line network at regulated interconnection rates.

According to § 2 of the Articles of Association (*Satzung*), the corporate purpose of Deutsche Telekom is to conduct business in the whole area of telecommunication, information technology, multimedia, information and entertainment as well as security services and other related services hereto in Germany and abroad.

Deutsche Telekom's business areas are Broadband/Fixed Network, Mobile Communication and Business Customers.

Description of Business

Mobile Communications

Principal Activities

Deutsche Telekom's mobile communications business is comprised of two separate reporting segments, Mobile Communications Europe and Mobile Communications USA, collectively referred to as T-Mobile. Mobile Communications Europe includes the mobile operations in Germany, the United Kingdom, Poland, Hungary, The Netherlands, the Czech Republic, Austria, Croatia, Slovakia, Macedonia and Montenegro. Mobile Communications USA includes the mobile operations in the United States through T-Mobile USA.

The principal services offered by the mobile communications business to residential and business customers are digital mobile telephony voice services and data services, such as SMS (Short Message Service), MMS (Multimedia Messaging Services), Mobile Internet and other data services.

These voice and data services are provided based on mobile communication technologies such as GSM (Global System for Mobile communications), including GPRS (General Packet Radio Service), and EDGE (Enhanced Data rates for Global Evolution), and UMTS (Universal Mobile Telecommunications System), including HSDPA (High-Speed Downlink Packet Access) and HSUPA (High-Speed Uplink Packet Access). T-Mobile also operates numerous W-LAN HotSpots. T-Mobile offers national and international roaming services to its customers through a number of roaming agreements with third-party operators, which allow customers to access mobile services while outside their home network service area. T-Mobile also sells mobile devices to customers in conjunction with its service offerings. Mobile voice and data services are offered on both a prepay basis and a contract basis.

T-Mobile customers generally purchase contract services on the basis of fixed monthly fees, and pay time-based airtime and per-message fees. Some contract service offerings include a specified amount of airtime, data volume or messages in the monthly fee. Prepay services are purchased on the basis of monetary increments that are recorded on the customers' SIM (subscriber identity module) cards and then deducted, based on airtime or messaging usage fees, as the cards are used. W-LAN services are sold on both a monthly subscription basis and through various usage-based plans. Usage fees can vary according to the rate plan selected by the customer, the day and time when a call is made, the destination of the call, the location where the call originates and, in some cases, other terms applicable to the rate plan, such as whether the called party is also a customer of the same network.

Global Branding and Alliances

In 2007, T-Mobile, through the Open Handset Alliance, joined with leading technology and wireless companies and announced the development of Android, which is anticipated to be an open and comprehensive platform for mobile devices. The Open Handset Alliance currently consists of thirty-four multinational companies, including, among others, T-Mobile, Google Inc., High Tech Computer Corp., Qualcomm Inc., and Motorola, Inc. This alliance shares common goals to foster innovation relating to mobile devices and to provide consumers with a better user experience. By providing developers with a new level of openness that enables them to work more collaboratively, Android aims to accelerate the pace at which new and compelling mobile applications are made available to consumers. The first phones based on Android are expected to be available in the second half of 2008.

In 2006, Deutsche Telekom re-branded Mobimak in Macedonia as T-Mobile Macedonia and Monet in Montenegro as T-Mobile Crna Gora.

T-Mobile was a founding member of the "FreeMove" alliance, together with Telefónica in Spain, TIM Italia S.p.A. in Italy and Orange S.A. in France. The alliance aims to make mobile services more widely available and seamless in all countries in which alliance members operate, by cooperating in several key areas, including the development of joint services related to roaming, voice and data, and the development and purchasing of mobile devices. The European Commission required Telefónica to leave the alliance in 2006 following Telefónica's acquisition of O₂ plc.

New Services

T-Mobile's strategy is to offer an integrated portfolio of voice and data services to its customers, using the most appropriate technologies available depending on local market conditions.

The coverage in all of Deutsche Telekom's markets is based on GSM network technology. GPRS technologies have been deployed to add data capabilities to the GSM network, which are being further enhanced in terms of performance and capacity by EDGE technology. EDGE is currently commercially available in the United States, Germany, the Czech Republic, Austria, Poland, Hungary, Croatia, Macedonia, Slovakia and Montenegro. In urban and suburban areas in Europe with a higher demand for data capacity, this technology is supplemented by UMTS-FDD (Frequency Division Duplex) or UMTS-TDD (Time Division Duplex) technology. The network is fully integrated and allows a seamless user experience for voice and data services.

In 2006, all of Deutsche Telekom's markets in Europe with UMTS-FDD coverage areas were upgraded to support HSDPA (High-Speed Downlink Packet Access) and HSUPA (High-Speed Uplink

Packet Access) technology. HSDPA allows data rates of up to 7.2 Mbit/s in the downlink and HSUPA allows data rates of up to 1.4 Mbit/s in the uplink.

Based on the spectrum acquired in 2006, T-Mobile USA also started to build out its UMTS-FDD network in 2007 and expects to launch services employing this technology to specific markets in 2008.

In 2007, T-Mobile USA launched FlexPay, a new product which combines characteristics of contract and prepay offerings. FlexPay allows services to be purchased with or without a contract on the basis of a fixed monthly fee paid in advance. This product includes similar specified amounts of airtime, data volume or messages for a monthly fee as traditionally offered to contract customers who pay for their services in arrears. Usage over the paid-in-advance bundle is charged based on the purchase of prepay services at specific FlexPay rates. FlexPay customers who subscribe to a contract are reported as contract customers; otherwise they are considered prepay customers.

Also in 2007, T-Mobile USA launched its HotSpot@Home product, which combines W-LAN and T-Mobile USA's nationwide voice and data network. Customers with the HotSpot@Home service can get improved mobile coverage, and, with the purchase of an add-on plan, unlimited domestic calling over their personal W-LAN connection when at home. When mobile, customers can get the same benefits at all of the 9,700 T-Mobile HotSpot locations across the United States (including roaming). During 2008, T-Mobile USA's Wi-Fi agreement with Starbucks will end and Wi-Fi operations in Starbucks locations will transition from T-Mobile USA to AT&T. After the transition is complete, T-Mobile USA HotSpot and HotSpot@Home customers will be able to continue to obtain Wi-Fi access at Starbucks locations for the next five years under a roaming agreement between T-Mobile USA and AT&T.

In addition, T-Mobile offers mobile broadband data services through its W-LAN HotSpots in Europe and in the United States. The integration of W-LAN HotSpots and the mobile network enables customers to use data services regardless of the access technology used.

To date, T-Mobile has met or exceeded all regulatory obligations with respect to its UMTS and other license requirements in the United Kingdom, Germany, Austria, The Netherlands, the Czech Republic, Hungary, Croatia, Poland, the United States and Slovakia.

Principal Markets

Deutsche Telekom's principal mobile telecommunications markets are in the United States, Germany, the United Kingdom, Poland, Hungary, The Netherlands, the Czech Republic, Austria, Croatia, Slovakia, Macedonia and Montenegro.

T-Mobile counts its customers by the number of SIM cards activated and not churned. Since the beginning of 2006, T-Mobile has included in its customer totals the SIM cards with which machines can communicate automatically with one another ("**M2M cards**"). T-Mobile's mobile telecommunications subsidiaries count contract customers as customers for the length of their contracts, and count prepay customers as customers as long as they continue to use Deutsche Telekom's services, and then for a prescribed period thereafter, which differs according to the particular market. Generally, at the end of this period, or in the case of payment default or voluntary disconnection, the customers are cancelled or "churned". The churn rate for any given period represents the number of customers whose service was discontinued during that period, expressed as a percentage of the average number of customers during the period, based on beginning and period-end figures. Competitors may calculate their churn rates using methods different from ours. In addition, because Deutsche Telekom uses different calculation methodologies in different jurisdictions, the own churn figures are not comparable across all of our national operations. Deutsche Telekom's churn methodologies are described in greater detail under each national discussion below.

Mobile Communications Europe

Germany

Through T-Mobile Deutschland, T-Mobile offers mobile telecommunications services to individual and business customers in Germany. At 31 December 2007, T-Mobile Deutschland had approximately 36.0 million customers, including approximately 0.7 million M2M cards in use in machine-to-machine applications that were counted as customers for the first time in 2006. There were approximately 31.4 million customers at 31 December 2006, including approximately 0.5 million M2M cards in use. Of the total customers at 31 December 2007, approximately 16.1 million were contract customers,

compared to approximately 15.1 million at 31 December 2006. T-Mobile Deutschland had approximately 19.9 million prepay customers at 31 December 2007, compared to approximately 16.3 million at 31 December 2006.

T-Mobile Deutschland's total average churn rate for 2007 was 1.1% per month, compared to an average churn rate of 1.6% per month in 2006, due primarily to a decrease in the prepay churn rate. The average contract customer churn rate was 1.2% per month in 2007, which remained unchanged compared to 2006. The average prepay churn rate during 2007 was 1.0% per month, compared to the average prepay churn rate of 2.0% per month during 2006, which was primarily driven by the change of churn policy in 2007. In general, a contract customer of T-Mobile Deutschland is churned either after the voluntary termination upon the lapse of the customer's contract or after forced contract termination due to the customer's failure to fulfill contractual obligations.

As a result of court proceedings against competitors, T-Mobile Deutschland changed its deactivation policy at the beginning of 2007 in favor of its prepay customers. These customers can now use their prepaid credit longer than before. Since the beginning of 2007, T-Mobile Deutschland's prepay churn policy states that the contractual relationship between T-Mobile and the prepay customer starts with the activation of the prepay SIM card and continues for an indefinite time. Without a notice period, the contractual relationship can be terminated by the customer in writing or by calling a T-Mobile service center. The termination of the contractual relationship by the customer is directly followed by disconnection from the network (churn). The contractual relationship can be terminated by T-Mobile in writing or by SMS with one month prior notice. After the one month notice period, the customer is churned, unless the account is topped up or the customer generates outgoing voice or data traffic during the one-month notice period.

Until 31 December 2006, T-Mobile Deutschland's prepay churn policy stated that in the 12 months following activation, a customer could originate calls/data traffic and receive data or voice communication ("**phone-time**"). In the following 92 days, the customer could only receive data and voice communication ("**message-time**") and originate only SMS traffic. After these approximately 15 months, the prepay customer was churned, unless the prepay account was topped-up during the approximately 15-month period. In that case, if a EUR 15 top-up credit was added to the account, the customer got 215 days of phone-time plus 92 days of message-time. With EUR 30 and EUR 50 top-up credits, the phone-time period was again 12 months plus 92 days message-time. For two prepaid tariffs, the churn policy was different than described above. For these special tariffs, phone-time for standard top-ups of EUR 15, EUR 30 and EUR50 was 92 days followed by 92 days messaging-time.

United Kingdom

T-Mobile UK offers mobile telecommunications services to individual and business customers in the United Kingdom. At 31 December 2007, T-Mobile UK had approximately 17.3 million customers, compared to approximately 16.9 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 3.9 million were contract customers, compared to approximately 3.7 million at 31 December 2006, and approximately 13.4 million were prepay customers at 31 December 2007, compared to approximately 13.2 million at 31 December 2006. Beginning 1 January 2006, T-Mobile UK has counted its wholesale customers as either contract or prepay customers. Until 31 December 2005, T-Mobile UK counted all of its wholesale customers as contract customers. In the T-Mobile UK customer base, M2M cards account for less than one percent of the overall prepay customer base.

Of the total number of T-Mobile UK customers at 31 December 2007 and 2006, approximately 5.2 million and 5.3 million, respectively, were customers of Virgin Mobile Telecoms Limited ("**Virgin Mobile**"), which is an MVNO. T-Mobile UK is reporting Virgin Mobile customers as prepay customers. All Virgin Mobile customers currently use T-Mobile UK prepaid technology. Virgin Mobile is continuing to increase their contract tariff offerings. However, due to the technology used it is currently impossible for T-Mobile UK to differentiate Virgin Mobile customers as either contract customers or prepay customers. Virgin Mobile reports to T-Mobile UK the number of customers using a churn policy whereby a customer is churned after a period of 180 days of inactivity. As a mobile virtual network operator, Virgin Mobile purchases airtime minutes and basic mobile services from T-Mobile UK and resells these minutes and services under the "Virgin Mobile" brand name. Until January 2004, Virgin Mobile had been a joint venture between T-Mobile UK and the Virgin Group. At that time, T-Mobile UK sold its 50% equity stake in Virgin Mobile to the Virgin Group and received a payment of GBP 50 million (approximately EUR 75 million) in exchange for waiving its right to participate in any initial

public offering of Virgin Mobile. Additionally, T-Mobile UK and Virgin Mobile concluded a telecommunications supply agreement granting Virgin Mobile use of T-Mobile UK's mobile telecommunications network for a further ten years. In 2006, NTL Incorporated acquired Virgin Mobile Holdings (UK) plc, the parent company of Virgin Mobile. This acquisition has not had a significant impact on the telecommunications supply agreement between T-Mobile UK and Virgin Mobile.

In December 2007, "3" (a brand name of Hutchison 3G UK Limited) and T-Mobile UK entered into a network sharing agreement to consolidate the 3G Radio Access Networks to provide customers with enhanced network coverage and faster access to high-speed mobile services at a lower cost.

During 2007, T-Mobile UK's average monthly churn rate (not including Virgin Mobile customers) was 3.2%, compared to 3.3% in 2006. The decrease in churn was predominantly caused by a decrease in T-Mobile UK's contract churn rate of 2.0% per month in 2007, compared to 2.1% per month in 2006. This decrease was primarily the result of longer contract duration and improved credit review procedures. The prepay churn rate was 3.8% per month in 2007, which is approximately the same as in 2006.

Generally, a contract customer of T-Mobile UK is churned either after the voluntary termination upon the lapse of a contract or after forced contract termination due to the customer's failure to fulfill contractual obligations. A prepay customer in the United Kingdom is churned after a period of 180 days of inactivity, *i.e.*, the customer has neither originated nor received a voice or data communication in that period.

Poland

T-Mobile holds a 97% interest in PTC. Since 1 November 2006, PTC has been fully consolidated in Mobile Communications Europe.

At 31 December 2007, PTC had approximately 13.0 million customers, compared to approximately 12.2 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 5.4 million were contract customers, compared to approximately 4.5 million at 31 December 2006. PTC had approximately 7.6 million prepay customers at 31 December 2007, compared to approximately 7.7 million at 31 December 2006.

PTC's average churn rate during 2007 was 3.1% per month. The average contract churn rate during 2007 was 0.7% and the average prepay churn rate was 4.6% in 2007. A comparison with 2006 is not meaningful due to the first-time consolidation as of 1 November 2006.

In general, a contract customer of PTC is churned either after the voluntary termination upon the lapse of his contract or after forced contract termination due to the customer's failure to fulfill contractual obligations. PTC's prepay churn policy generally states that a customer can originate calls or data traffic and receive data or voice communications during his respective validity period. The length of the validity period can be up to 12 months depending on the recharge amount (account validity). The validity period can be extended by additional top-up credits. If a customer exceeds the account validity date, he will receive a grace period depending on his tariff, during which the customer can only receive voice and data communications. The grace period is either 3 months or 12 months depending on the tariff plan. If the prepay account has not been topped-up during this grace period, the customer is churned.

Hungary

T-Mobile Hungary, the mobile operations of Magyar Telekom, offers mobile telecommunications services to individual and business customers in Hungary. Deutsche Telekom holds a 59% interest in Magyar Telekom.

At 31 December 2007, T-Mobile Hungary had approximately 4.9 million customers, compared to approximately 4.4 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 1.8 million were contract customers, compared to approximately 1.5 million at 31 December 2006. T-Mobile Hungary had approximately 3.1 million prepay customers at 31 December 2007, compared to approximately 2.9 million at 31 December 2006.

T-Mobile Hungary's average churn rate during 2007 was 1.4% per month, compared to approximately 1.5% per month in 2006. The average contract churn rate in 2007 was approximately 0.8% per month, which was about the same as in 2006. The corresponding prepay customer churn rate was 1.8% in both 2007 and 2006. Generally, a contract customer of T-Mobile Hungary is churned either after the

voluntary termination upon the lapse of his contracted loyalty period or after forced contract termination due to the customer's failure to fulfill payment obligations. In the absence of re-charging, a prepay customer is churned after a period of 12 to 16 months depending on the amount charged on the prepay card.

The Netherlands

Through T-Mobile Netherlands, T-Mobile offers mobile telecommunications services to individual and business customers in The Netherlands.

On 1 October 2007, T-Mobile Netherlands acquired the Dutch telecommunications provider, Orange Nederland, from France Télécom for approximately EUR 1.3 billion. Through the acquisition of Orange Nederland, T-Mobile Netherlands is the second largest mobile operator in the Dutch market in terms of customer market share.

At 31 December 2007, T-Mobile Netherlands had approximately 4.9 million customers (of which 2.2 million were attributable to Orange Nederland) compared to approximately 2.6 million customers (which did not include Orange Nederland) at 31 December 2006. At the end of 2007, approximately 2.1 million customers were contract customers (of which 0.7 million were attributable to Orange Nederland) and approximately 2.8 million were prepay customers (of which 1.5 million were attributable to Orange Nederland), compared to approximately 1.3 million contract customers and approximately 1.2 million prepay customer at the end of 2006.

T-Mobile Netherlands' average churn rate for 2007 (including Orange Nederland) was 2.8% per month, compared to an average churn rate of 2.8% per month in 2006. Excluding Orange Nederland, T-Mobile Netherlands' average churn rate for 2007 was 3.0% per month, which represents an increase of 0.2 percentage points compared to 2006. This increase was due to an increase in the prepay churn rate, which was partially offset by a decrease in the contract churn rate. The average contract churn rate excluding Orange Nederland decreased from 1.5% per month in 2006 to 1.4% per month in 2007 due to attractive retention offers to contract customers. The average prepay churn rate excluding Orange Nederland increased from 4.2% per month in 2006 to 4.6% per month in 2007 due to increased competition in the Dutch market.

In general, a contract customer of T-Mobile Netherlands is churned either after the voluntary termination upon the lapse of his contract or after forced contract termination due to the customer's failure to fulfill contractual obligations. If a prepay customer has neither originated nor received a voice or data activity (or received only SMS/MMS messages) for a period of 180 days, the customer is churned and removed from the customer base, provided the customer's account has not been re-charged during that period.

If an Orange Nederland's prepay customer has neither originated nor received a voice or data activity (or received only SMS/MMS messages) and has not recharged for a period of 3 months, the customer is churned and removed from the reported customer base.

Czech Republic

Through T-Mobile Czech Republic, T-Mobile offers mobile telecommunications services to individual and business customers in the Czech Republic. T-Mobile's equity interest in T-Mobile Czech Republic is held through its wholly-owned subsidiary, CMobil, which owns approximately 61% of T-Mobile Czech Republic.

At 31 December 2007, T-Mobile Czech Republic had approximately 5.3 million customers, compared to approximately 5.0 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 2.2 million were contract customers, compared to approximately 1.8 million at 31 December 2006. T-Mobile Czech Republic had approximately 3.0 million prepay customers at 31 December 2007, compared to approximately 3.2 million prepay customers at 31 December 2006.

T-Mobile Czech Republic's average churn rate during 2007 was 1.4% per month, which is approximately the same as in 2006. The average contract churn rate during 2007 was 0.6% per month, compared to the average contract churn rate of 0.7% per month during 2006. The average prepay churn rate during 2007 was 1.9% per month, compared to the average prepay churn rate of 1.7% per month during 2006, which was caused by a higher number of customers who were acquired with special time limited offers. Generally, a contract customer is churned either after the voluntary termination upon the lapse of his contract or after forced contract termination due to the customer's

failure to fulfill contractual obligations. In the absence of re-charging, a prepay customer is churned 30 days after completing a period of 12 months without charged voice or data communications activity.

Austria

Through T-Mobile Austria, T-Mobile offers mobile telecommunications services to individual and business customers in Austria. On 28 April 2006, T-Mobile Austria acquired tele.ring. At 31 December 2007, T-Mobile Austria had approximately 3.3 million mobile customers (including approximately 1.0 million tele.ring customers). Of the total customers at 31 December 2007, approximately 2.1 million were contract customers (including approximately 0.8 million tele.ring customers) and approximately 1.1 million were prepay customers (including approximately 0.2 million tele.ring customers). In the T-Mobile Austria customer base, M2M cards account for less than one percent of the overall prepay customer base.

T-Mobile Austria's acquisition of tele.ring was subject to certain conditions imposed by the European Commission and the Austrian Telekom-Control-Kommission. The main conditions were the sale of certain sites and UMTS frequencies to smaller competitors in order to strengthen their market and competitive positions. T-Mobile Austria sold redundant sites not being used after the merger of the two networks. On 23 September 2006, T-Mobile Austria and tele.ring legally merged.

T-Mobile Austria's average churn rate during 2007 slightly increased to 2.0% per month (tele.ring's average churn rate was 2.3% per month during 2007), as compared to the average churn rate of 1.9% per month during 2006. The average churn rate for contract customers during 2007 decreased to 1.2% per month compared to 1.3% per month in 2006 (tele.ring's average contract churn rate was 1.5% per month during 2007). In general, a contract customer is churned either after the voluntary termination upon the lapse of his contract or after forced contract termination due to the customer's failure to fulfill contractual obligations.

Since the beginning of September 2007, T-Mobile Austria has generally churned prepay customers if they had 13 months and two weeks without any charged data or voice communication.

From the beginning of December 2004 until the end of August 2007, T-Mobile Austria had generally churned prepay customers if they had 12 months and six weeks without any account movements (e.g., account top-up or outgoing traffic) and six months without incoming voice calls longer than one minute.

tele.ring generally churns prepay customers after three months without any charged data or voice communications.

Croatia

Through T-Mobile Hrvatska d.o.o. ("**T-Mobile Croatia**"), T-Mobile offers mobile telecommunications services to individual and business customers in Croatia. Deutsche Telekom's equity interest in T-Mobile Croatia is held through its 51% equity interest in T-Hrvatski Telekom, which owns 100% of T-Mobile Croatia's share capital.

At 31 December 2007, T-Mobile Croatia had approximately 2.4 million customers, compared to approximately 2.2 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 0.7 million were contract customers, compared to approximately 0.6 million at 31 December 2006. T-Mobile Croatia had approximately 1.7 million prepay customers at 31 December 2007, compared to approximately 1.6 million at 31 December 2006.

T-Mobile Croatia's average monthly churn rate during 2007 was 1.3%, compared to 1.1% in 2006. The average contract churn rate was 0.7% per month in 2007, which decreased compared to 1.1% in 2006. The average prepay churn rate during 2007 was 1.5% per month, compared to 1.1% per month in 2006. In general, a contract customer is churned either after the voluntary termination upon the lapse of his contract or after forced contract termination due to the customer's failure to fulfill contractual obligations. In general, a prepay customer is churned after a period of 270 days without re-charging.

Slovakia

Through T-Mobile Slovensko, T-Mobile offers mobile telecommunications services to individual and business customers in Slovakia. T-Mobile Slovensko has been fully consolidated since the beginning of 2005. Prior to 2005, Deutsche Telekom did not fully consolidate T-Mobile Slovensko as Deutsche

Telekom was not in a control position, due to certain minority holder rights. Deutsche Telekom's equity interest in T-Mobile Slovensko is held through its 51% equity interest in Slovak Telekom, a.s., which owns 100% of T-Mobile Slovensko's share capital.

At 31 December 2007, T-Mobile Slovensko had approximately 2.4 million customers, compared to approximately 2.2 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 1.2 million were contract customers, compared to approximately 1.0 million at 31 December 2006. T-Mobile Slovensko had approximately 1.2 million prepay customers at 31 December 2007, which is about the same number of prepay customers it had at 31 December 2006.

T-Mobile Slovensko's average churn rate during 2007 was 1.5% per month, which represents a decrease from 1.6% in 2006. The average contract churn rate decreased, from 1.0% per month in 2006 to 0.8% per month in 2007, primarily due to intensive retention campaigns. The average prepay churn increased from 2.0% per month in 2006 to 2.1% per month in 2007.

Generally, a contract customer is churned either after the voluntary termination upon the lapse of his contract or after forced contract termination due to the customer's failure to fulfill contractual obligations. A prepay customer is churned after a period of 12 months without re-charging calculated from the last use.

Macedonia

In Macedonia, T-Mobile offers mobile telecommunications services through T-Mobile Macedonia. T-Mobile Macedonia is a wholly-owned subsidiary of Makedonski Telekomunikacii A.D. ("**MakTel**"), which is majority owned by Magyar Telekom.

At 31 December 2007, T-Mobile Macedonia had approximately 1.2 million customers, compared to approximately 0.9 million at 31 December 2006.

Montenegro

In Montenegro, T-Mobile offers mobile telecommunications services through T-Mobile Crna Gora (Montenegro). All of the share capital of T-Mobile Crna Gora (Montenegro) is held by Crnogorski Telekom, which is majority owned by Magyar Telekom.

At 31 December 2007, T-Mobile Crna Gora (Montenegro) had approximately 0.4 million customers, compared to 0.3 million customers at 31 December 2006.

Mobile Communications USA

Through T-Mobile USA, T-Mobile offers mobile telecommunications services to individual and business customers in the United States. At 31 December 2007, T-Mobile USA had approximately 28.7 million customers, compared to approximately 25.0 million at 31 December 2006. Of the total customers at 31 December 2007, approximately 23.9 million, or 83%, were contract customers, compared to approximately 21.2 million, or 85%, at 31 December 2006, and approximately 4.8 million were prepay customers at 31 December 2007, compared to approximately 3.8 million at 31 December 2006.

T-Mobile USA's average churn rate for 2007 was 2.8% per month, down from 2.9% in 2006. The contract customer churn rate decreased to 1.9% in 2007, from 2.2% in 2006, largely due to the introduction of two-year customer contracts in the second quarter of 2006, consistent with plans offered by the other large U.S. national carriers. Competitive differences, differences in features and services due to the use of multiple wireless technologies, and general differences in consumer behavior between the United States and Europe factor into the higher industry churn rates in the United States compared to Europe. However, the churn rate of the U.S. operations is higher than the U.S. industry average, due in part to the higher proportion of prepay customers in T-Mobile USA's customer base relative to most of its U.S. competitors. Prepay customers in the United States typically churn at substantially higher rates than contract customers.

Generally, a contract customer of T-Mobile USA is churned either after the voluntary termination upon the lapse of a contract or after forced contract termination due to the customer's failure to fulfill contractual obligations. A prepay customer in the United States is churned after a period of 90 days of

inactivity (*i.e.*, the customer has neither originated nor received a voice or data communication in that period).

On 16 September 2007, T-Mobile USA entered into an agreement to purchase the regional mobile communications carrier, SunCom Wireless Holdings, Inc. After obtaining all necessary regulatory and other approvals, on 22 February 2008, T-Mobile USA acquired all of the shares in SunCom for USD 27.00 per share, or USD 1.6 billion (approximately EUR 1.1 billion). The total value of this transaction including net debt of approximately USD 0.8 billion (approximately EUR 0.5 billion) is EUR 1.6 billion. Through this acquisition, T-Mobile USA will be expanding its network in the southeastern United States, Puerto Rico and the U.S. Virgin Islands, thereby expanding its footprint in the United States market.

On 29 November 2006, T-Mobile USA was awarded 120 licenses in the FCC Auction No. 66 ("**Auction 66**"), which offered a total of 90 MHz of Advanced Wireless Services (AWS) spectrum in the 1700 MHz and 2100 MHz frequency bands across the United States. The total purchase price for these licenses was USD 4.2 billion (EUR 3.3 billion). The cost for T-Mobile USA per MHz of spectrum acquired in this auction per person of covered population was USD 0.63. With this additional spectrum, T-Mobile USA more than doubled its average spectrum position in the top 100 U.S. markets from 25.9 MHz to 52.2 MHz. During 2007, T-Mobile USA has been investing in network infrastructure in certain markets to utilise the AWS spectrum and expects to launch AWS services in 2008 in these markets.

On 5 January 2005, T-Mobile USA and AT&T (formerly Cingular Wireless) terminated their network-sharing joint venture (GSM Facilities LLC, "**GSM Facilities**"), and T-Mobile USA acquired 100% ownership of the shared-network assets in California, Nevada and New York City, plus additional wireless spectrum in California and Nevada as previously disclosed in Deutsche Telekom's Annual Reports in 2006 and 2005. In connection with this transaction, on 7 January 2007, T-Mobile USA gave up 10 MHz of spectrum in the New York City Basic Trading Area (BTA) to AT&T, and T-Mobile USA received 5 MHz of spectrum from AT&T in each of the nine BTAs in the California/Nevada market. In addition, T-Mobile USA acquired an option to purchase from AT&T an additional 10 MHz of spectrum in each of the Los Angeles and San Diego BTAs, under certain circumstances, effective two years after the initial closing of the transaction. In February 2007, T-Mobile USA elected to exercise the option with respect to the San Diego BTA only.

Seasonality

T-Mobile's business in each of its principal markets is affected by seasonal factors, with a general increase in sales of products and services occurring during the fourth calendar quarter, due to holiday purchases. As a result, T-Mobile's performance during the fourth quarter can have a significant influence on its performance for the full year.

Suppliers

T-Mobile purchases IT and network components, as well as mobile devices for purposes of resale, from a number of different suppliers.

T-Mobile believes that it has reduced its technological risks and the risk of delays in the supply of equipment and other technologies, both by contracting with multiple suppliers having significant market share in the network infrastructure, IT services and mobile device businesses, and by negotiating contractual penalties to be enforced in the event a supplier does not meet its obligations with respect to timeliness and quality. However, these penalty provisions may not fully mitigate the harm to Deutsche Telekom's business caused by any such contractual breaches.

Marketing and Sales

Each of T-Mobile's principal subsidiaries uses its own mix of direct and indirect distribution channels to market its products and services to its customers. In each of T-Mobile's principal markets, T-Mobile sells its products and services to retail customers through its own network of direct retail stores, which are continuously being expanded. In Germany, these direct retail stores (Telekom shops (formerly T-Punkt shops)) are operated by a subsidiary of the Deutsche Telekom Group. Further direct sales channels include a direct sales force dedicated to business customers, sales through customer service and the T-Mobile websites, which are used for customer-relationship management as well as for sales transactions. In addition, third-party distributors, who typically market the products and services of multiple mobile network operators, play a significant role in distribution. Deutsche

Telekom's mobile telecommunications subsidiaries use a variety of incentives to encourage third-party vendors to sell T-Mobile products and services, such as payment of associated marketing expenses and commissions.

Mobile telecommunications resellers and MVNOs are also an important distribution channel for T-Mobile products and services, especially in Germany and the United Kingdom. In the United States, MVNOs are currently a minor but growing distribution channel for T-Mobile USA products and services. In general, mobile telecommunications resellers purchase minutes and data at wholesale rates and mobile devices at a discount from network operators, resell packaged services and mobile devices under their own brands through their own distribution channels, charge their customers at rates that they set independently, and provide customer service and technical support.

T-Mobile provides its customers with access to T-Mobile specific and third-party content services as well as to the open Internet. Content provided to customers is either at no additional charge, in which case the customer only has to pay the normal connection charges to view the content, or it is premium content, where a customer pays a specific charge through the customer's mobile telephone bill to access the content.

Through its "HotSpot" product, T-Mobile USA operates one of the largest carrier-owned W-LAN networks in the United States, available in more than 9,700 convenient public access locations nationwide (including roaming locations).

Since 2005, T-Mobile, through its "web'n walk" product, offers to its customers mobile open access to the Internet on mobile phones. T-Mobile believes that this strategy is superior to the offers of its competitors, who determine the content access for their customers.

Dependence on Patents, Licenses and Industrial, Commercial or Financial Contracts

T-Mobile and its subsidiaries own a large number of registered patents and generally have a number of patent applications outstanding at any given time for technical innovations in the area of mobile telecommunications applications as a consequence of its continuous development activities. Patent protection activity is focused on countries with T-Mobile operations. Deutsche Telekom does not believe that T-Mobile or any of its subsidiaries is dependent on any one patent or group of patents.

To enable Deutsche Telekom to offer mobile telecommunications services in the different jurisdictions in which it operates, it requires, and therefore is dependent on, telecommunications licenses from the relevant authorities in each of these jurisdictions.

Deutsche Telekom does not believe that T-Mobile is dependent on any third-party industrial, commercial or financial contracts.

Competition

General

Competition in the mobile telecommunications market is generally intense and conducted on the basis of price, subscription options and range of services offered, offers of subsidised mobile devices, coverage, innovation and quality of service.

In the past, competition in the European mobile telecommunications market was conducted at the national level. Increasingly, however, competition in this market is being conducted on a more international basis, as Europe-wide services are being introduced.

In Western Europe, the rate of mobile telephone penetration is quite high. As a result, T-Mobile expects that the growth in the number of T-Mobile customers in these markets will be significantly lower than in past years, and that the focus of competition will continue to shift from customer acquisition to customer retention, and to stimulate demand for voice usage and new data products and services. T-Mobile believes that, as competition intensifies in its European markets, customer terminal equipment subsidies will be reduced and competition will focus more on the service revenue market rather than on numbers of customers.

The global mobile telecommunications industry has been undergoing consolidation in recent years, which may increase competitive pressure, and we expect that this trend will continue in the coming years.

In addition, new technologies, whether introduced by Deutsche Telekom or by others, can be expected to draw customers from existing technologies, including Deutsche Telekom's customers. The competitive dynamics of the mobile telecommunications industry, therefore, could change in ways that Deutsche Telekom cannot predict which could adversely affect its results of operations and, thus, its financial position.

Mobile Communications Europe

Germany

In Germany, T-Mobile Deutschland faces intense competition from mobile network operators Vodafone, E-Plus and O₂. Deutsche Telekom believes that T-Mobile Deutschland maintained its market leadership position, in terms of number of customers, at 30 September 2007.

T-Mobile believes that T-Mobile Deutschland had a customer market share of approximately 37% at 30 September 2007, while Vodafone had a customer market share of approximately 35%, E-Plus had a customer market share of approximately 15% and O₂ had a customer market share of approximately 13%. T-Mobile believes that the overall penetration rate in the German mobile telecommunications market was approximately 113% at 30 September 2007.

In the retail market, in addition to competition from other network operators, T-Mobile Deutschland faces significant competition from resellers. T-Mobile expects that, in the short-term, the market entry of existing and potentially new resellers will significantly further affect mobile telephony prices and attract customers from the other existing mobile operators.

United Kingdom

In the United Kingdom, T-Mobile UK faces intense competition, principally from Vodafone, O₂ and Orange. In addition, T-Mobile UK faces competition from "3". T-Mobile believes that T-Mobile UK's customer market share, which includes customers of Virgin Mobile, remained stable at 24% as of 30 September 2007, compared to 30 September 2006. T-Mobile believes that the penetration rate in the United Kingdom mobile telecommunications market was approximately 119% at 30 September 2007.

In the retail market, in addition to competition from other mobile network operators, T-Mobile UK faces significant competition from resellers, as well as from other MVNOs.

Poland

In Poland, PTC faces competition from Polkomtel, Centertel and P4. T-Mobile believes that PTC's customer market share was approximately 32% at 30 September 2007, compared to 34% at 30 September 2006. T-Mobile believes that the penetration rate in the Polish mobile telecommunications market was approximately 104% at 30 September 2007.

Hungary

In Hungary, T-Mobile Hungary faces competition from Pannon and Vodafone Hungary. T-Mobile believes that T-Mobile Hungary's customer market share was approximately 44% at 30 September 2007, compared to approximately 45% at 30 September 2006. Pannon had a market share of approximately 35% at 30 September 2007, compared to 34% at 30 September 2006, and Vodafone Hungary had a market share of approximately 21% at 30 September 2007, approximately the same share as in 2006. T-Mobile believes that the penetration rate in the Hungarian mobile telecommunications market was approximately 104% at 30 September 2007.

The Netherlands

In The Netherlands, T-Mobile Netherlands faces intense competition from KPN Mobile (including Telfort), Vodafone and, until 30 September 2007, from Orange Nederland. T-Mobile believes that T-Mobile Netherlands' customer market share (excluding Orange Nederland's customers) was approximately 15% at 30 September 2007, compared to approximately 15% at 30 September 2006, while KPN Mobile (including Telfort), Vodafone and Orange Nederland had a market share of approximately 51%, 22% and 12%, respectively, at 30 September 2007, compared to approximately 50%, 23% and 12%, respectively, at 30 September 2006. T-Mobile believes that the penetration rate in the Dutch mobile telecommunications market was approximately 109% at 30 September 2007.

In the Dutch retail market, in addition to competition from the mobile network operators mentioned above, T-Mobile Netherlands competes with an increasing number of MVNOs.

Czech Republic

In the Czech Republic, T-Mobile Czech Republic faces competition from Telefónica O₂ Czech Republic (formerly Eurotel Praha) and Vodafone Czech Republic (formerly Oskar Mobil). T-Mobile believes that T-Mobile Czech Republic's customer market share was approximately 41% at 30 September 2007, compared to approximately 41% at 30 September 2006, Telefónica O₂ Czech Republic had a market share of approximately 39% at 30 September 2007, compared to approximately 40% at 30 September 2006, and Vodafone Czech Republic had a market share of approximately 20% at 30 September 2007, compared to approximately 19% at 30 September 2006. T-Mobile believes that the penetration rate in the Czech mobile telecommunications market was approximately 124% at 30 September 2007.

Austria

In Austria, T-Mobile Austria primarily faces competition from mobilkom austria, ONE and "3". T-Mobile believes that T-Mobile Austria's customer market share after the consolidation of tele.ring was approximately 34% at 30 September 2007, and the customer market shares of mobilkom austria, ONE and "3" were approximately 40%, 21% and 5%, respectively, at 30 September 2007. T-Mobile believes that the penetration rate in the Austrian mobile telecommunications market was approximately 115% at 30 September 2007.

Croatia

In Croatia, T-Mobile Croatia faces competition from VIPnet and Tele2. T-Mobile believes that T-Mobile Croatia's customer market share was approximately 47% at 30 September 2007, compared to approximately 50% at 30 September 2006. T-Mobile believes that the penetration rate in the Croatian mobile telecommunications market was approximately 108% at 30 September 2007.

Slovakia

In Slovakia, T-Mobile Slovensko faces competition from Orange and Telefónica O₂. T-Mobile believes that T-Mobile Slovensko's customer market share was approximately 41% at 30 September 2007, compared to approximately 45% at 30 September 2006. T-Mobile believes that the penetration rate in the Slovak mobile telecommunications market was approximately 103% at 30 September 2007.

Macedonia

In Macedonia, T-Mobile Macedonia faces competition from Cosmofon AD, and since September 2007 also from VIP, which is 100% owned by Mobilkom Austria. Based on the published customer numbers of T-Mobile Macedonia and Cosmofon, T-Mobile believes that T-Mobile Macedonia's customer market share was approximately 66% at 30 September 2007, compared to approximately 67% at 30 September 2006. T-Mobile believes that the penetration rate in the Macedonian mobile telecommunications market was approximately 77% at 30 September 2007.

Montenegro

In Montenegro, T-Mobile Crna Gora (Montenegro) faces competition from ProMonte and Mtel. T-Mobile believes that T-Mobile Crna Gora's customer market share was approximately 38% at 30 September 2007, which represents an increase from approximately 36% at 30 September 2006.

Mobile Communications USA

T-Mobile USA faces intense competition in the United States mobile telecommunications market from the three other large national mobile providers, Verizon, AT&T and Sprint/Nextel, and from various regional operators and MVNOs. The four largest national carriers are estimated to represent approximately 85% of the total U.S. mobile telephony customer base as of 30 September 2007. T-Mobile USA's customer market share, measured against the other large nation-wide operators, was approximately 13% at 30 September 2007, about the same as of 30 September 2006. Most of these competitors or their predecessors had been operating in the United States mobile telecommunications market for a considerable time prior to the entry of T-Mobile USA's predecessors into the United States market.

Verizon, AT&T and Sprint/Nextel together represent approximately 74% of the total United States mobile telephony market in terms of customers as of 30 September 2007. These companies have potential advantages of size and scale that could allow them to deliver services in a more cost-efficient manner and thereby negatively affect T-Mobile USA's competitive position.

The United States mobile telecommunications market is quite different in a number of respects from the European mobile telecommunications markets. For example, there is no single communications standard. In addition, licenses to provide wireless services cover numerous localities, rather than the entire nation. It can therefore be difficult for network operators to obtain the spectrum needed in some localities to expand customer bases, upgrade the quality of service and add new services, particularly in densely populated urban areas. Low population density in other areas can cause problems with network efficiency and result in large geographic areas with no or limited coverage. For these and other reasons, including the extremely high penetration level of reliable, low cost, fixed-line telephony services, penetration levels for mobile telephony services in the United States are generally lower than penetration levels in western European countries. Mobile telecommunications operators in the United States market generally continue to invest heavily in their networks in order to generate customer growth. However, as of 30 September 2007, penetration in the United States has reached approximately 82% and slowing wireless industry customer growth expectations and decreasing churn rates indicate that the market is maturing.

Usage and pricing practices in the United States mobile market also differ significantly from those typically seen in European markets. Average voice usage per customer per month is generally much higher in the United States than in Europe. Contract pricing in the United States is typically in the form of a fixed monthly charge at various price points for specified bundles of features and services, which permit usage up to prescribed limits with no incremental charges. Usage in excess of the limits results in incremental charges. The majority of prepay usage is priced solely on a usage basis. Typically, both inbound and outbound usage counts against the contract usage limits, and both are subject to incremental charges for excess contract usage and prepaid usage. Monthly average revenue per user (ARPU) is typically higher in the United States than in Europe. However, average revenue per minute of use is substantially lower in the United States than in Europe.

The differences between the United States and European mobile telephony markets result in different competitive pressures in these markets. In the United States, coverage is a key competitive factor, as is the perceived value of bundles of minutes, features and services at the most popular price points. To the extent that the competitive environment requires us to decrease prices, or increase Deutsche Telekom's service and product offerings, its revenues could decline, its costs could increase and its customer retention could be adversely affected.

Broadband/Fixed Network

The Broadband/Fixed Network operating segment offers consumers and small business customers state-of-the-art infrastructure for traditional fixed-network services, broadband Internet access, and customer-oriented multimedia services. Broadband/Fixed Network also provides services to national and international network operators and resellers, and provides products and services for Deutsche Telekom's other operating segments.

During 2007, the "T-Com" business unit and brand name were renamed "T-Home". The T-Home business unit's activities include Broadband/Fixed Network's domestic (Germany) operations. T-Home's operations include all consumer products and services for the home, as well as for very small business customers. These products and services include triple-play packages, comprising voice communication, Internet access, and IPTV, that are marketed under the "Entertain" brand name in Germany. The merger of T-Online International AG into Deutsche Telekom AG, completed in June 2006, has enabled Broadband/Fixed Network to achieve improved structural as well as product and service efficiencies. The merger established Broadband/Fixed Network as an integrated telecommunications wireline service provider offering customers fully integrated products and services from a single source.

In July 2007, Deutsche Telekom launched the "congstar" brand, to offer wireless telephone and broadband services aimed at younger, price sensitive customers. congstar's business model is centered on the less assistance-intensive sale of products via the Internet and call centers.

T-Home continues to adapt its simplified and integrated portfolio of rates and services, which was initially introduced in September 2006 in anticipation of market developments in Germany. This

portfolio of integrated products, called "Complete Packages" (*Komplettpakete*), includes an access line and a variety of flat rates and services for telephony, surfing the Internet and Internet television in an assortment of combinations. These product offerings are marketed as basic telephony services ("**single-play**"), telephony and high-speed Internet access ("**double-play**"), and voice communications services, high-speed Internet access and entertainment offerings ("**triple-play**"). Triple-play was launched in October 2006.

T-Online France and T-Online Spain, Deutsche Telekom's IP/Internet services in France and Spain were divested on 29 June 2007 and 31 July 2007, respectively.

In 2007, Deutsche Telekom created three new service companies, Deutsche Telekom Kundenservice GmbH, Deutsche Telekom Technischer Service GmbH and Deutsche Telekom Netzproduktion GmbH. These companies were part of Deutsche Telekom's objectives to improve its competitiveness and to offer first-class service to its customers at competitive rates and in a cost-effective manner (Telekom Service).

Principal Activities

Broadband/Fixed Network operates one of the largest fixed-line networks in Europe in terms of the number of lines provided. Broadband/Fixed Network reports its domestic and international operations separately. The Scout24 group and T-Online Austria are included within domestic operations. The principal activities of the Broadband/Fixed Network operating segment include:

- Network communications services, consisting of network access products (excluding broadband) and calling services;
- Wholesale services, for domestic and international customers, including voice services, IP services, network and access services (Resale DSL and the unbundled local loop) and solutions;
- IP/Internet products and services, including broadband access, VoIP, ISP access-related services, video-on-demand, triple-play services, digital distribution platforms for games (marketed as Gamesload), software (marketed as Softwareload) and music (marketed as Musicload);
- Other services, including data communications services and solutions provided through the Business Customers operating segment to small- and medium-sized enterprises, value-added services (special purpose telephony services including toll-free services and public payphones), terminal equipment for telecommunications, as well as, publishing services, customer retention programmes, installation and maintenance services; and
- Fixed-line network services, wholesale services, IP/Internet services and multimedia services in Central and Eastern Europe, through Magyar Telekom (Hungary), Slovak Telekom (Slovakia) and T-Hrvatski Telekom (Croatia).

Most of Broadband/Fixed Network's revenues in 2007 were derived from fixed-line network communications services provided within Germany, primarily in the form of access and calling services revenues.

The following table reflects the number of broadband and fixed network access lines in operation supported by Deutsche Telekom's Broadband/Fixed Network operating segment:

	As of 31 December 2007	As of 31 December 2006	% Change 31 December 2007/ 31 December 2006	As of 31 December 2005	% Change 31 December 2006/ 31 December 2005
Broadband					
Lines (total) ⁽¹⁾⁽²⁾⁽³⁾	13.9	11.3	23.6	8.5	32.8
of which: retail	10.2	7.9	29.0	6.8	16.4
Domestic ⁽⁴⁾	12.5	10.3	22.0	7.9	29.8
of which: retail	9.0	7.1	27.6	6.3	11.7
International ⁽²⁾⁽³⁾⁽⁵⁾	1.4	1.0	39.6	0.6	74.7

	As of 31 December 2007	As of 31 December 2006	% Change 31 December 2007/ 31 December 2006	As of 31 December 2005	% Change 31 December 2006/ 31 December 2005
of which: Magyar Telekom ⁽⁵⁾	0.8	0.6	31.1	0.4	64.0
of which: Slovak Telekom	0.3	0.2	43.3	0.1	75.0
of which: T-Hrvatski Telekom	0.3	0.2	59.6	0.1	n.m.
Broadband ISP rates (total) ⁽³⁾⁽⁶⁾	9.9	7.1	38.5	4.9	45.6
of which: domestic	8.7	6.3	38.2	4.5	41.2
Fixed-network lines					
Lines (total)⁽¹⁾⁽⁷⁾.....	36.6	39.0	(6.2)	41.2	(5.5)
Domestic	31.1	33.2	(6.4)	35.2	(5.8)
Standard analog lines.....	22.4	24.2	(7.2)	25.5	(5.2)
ISDN lines.....	8.6	9.0	(4.5)	9.8	(7.5)
International (Central and Eastern Europe only) ⁽⁵⁾	5.5	5.8	(4.7)	6.0	(3.9)
Narrowband ISP rates (total) ⁽³⁾⁽⁶⁾	2.3	3.1	(25.1)	4.3	(26.9)
Wholesale/resale					
DSL resale ⁽⁸⁾	3.7	3.4	10.8	1.7	98.5
of which: domestic.....	3.5	3.2	9.7	1.6	n.m.
Unbundled local loop lines ⁽⁹⁾	6.4	4.7	36.8	3.3	43.2

n.m.—not meaningful

The tables include broadband lines in Germany and Central and Eastern Europe. The prior-year figures were adjusted to reflect the deconsolidation of T-Online France and T-Online Spain. The total was calculated on the basis of actual figures and rounded to millions. Percentages are calculated on the basis of actual figures.

- (1) Lines in operation.
- (2) Total of retail and resale.
- (3) No longer includes T-Online France and T-Online Spain, which were divested on 29 June 2007 and 31 July 2007, respectively. Prior year periods have been adjusted accordingly.
- (4) Broadband lines excluding lines for internal use.
- (5) Subscriber-line figures for 31 December 2007 and 31 December 2006, encompass customer relationships for Magyar Telekom's subsidiary MakTel and Crnogorski Telekom (formerly Telekom Montenegro). Prior-year comparatives have not been adjusted.
- (6) Total calculated on the basis of customers (broadband and fixed network rates) in Germany and Central and Eastern Europe with a billing relationship and pay as you go customers (those customers who do not have a rate plan with a monthly basic charge).
- (7) Telephone lines excluding internal use and public telecommunications, including wholesale services.
- (8) Definition of resale: Sale of broadband lines based on DSL technology to alternative providers outside the Deutsche Telekom Group. Resale is included in the total number of broadband lines.
- (9) Unbundled local loop lines (TAL—*Teilnehmeranschlussleitung*) in Germany only: Deutsche Telekom wholesale service that can be leased by other telecommunications operators without upstream technical equipment in order to offer their own customers a telephone or DSL line.

Operations in Germany

During 2007, the number of T-Home's fixed network access lines and call minutes in Germany continued to decrease. This is primarily due to increased competition from alternative fixed network providers with fully integrated bundled packages, cable network operators, resellers and fixed-to-mobile substitution.

In Germany, the number of T-Home fixed network access lines decreased by 2.1 million, or 6.4%, to 31.1 million in 2007. The number of call minutes decreased by only 2.7% in 2007 as compared to 2006, primarily due to the increased acceptance of call plans with a flat-rate component. T-Home's estimated market share for fixed network access lines declined from 91.3% in 2005 to 87.1% in 2006 to an estimated 81.4% in 2007 based on information from the Federal Network Agency's draft 2007 Annual Report. Although not as significant as the factors mentioned above, substitution by cable network operators also contributed to this decline.

The Complete Packages integrated product and rate portfolio, which was introduced in September 2006, were accepted by 10.1 million customers as of 31 December 2007 as compared to 3.6 million customers as of 31 December 2006.

Broadband/Fixed Network intends to pursue new business opportunities, and expects to continue its growth in the broadband area. In 2006 and 2007, Broadband/Fixed Network introduced more competitive rate plans, including flat-rate plans, and new products and services, which increased the number of broadband lines in operation through the offering of attractive bundled rate plans with a flat-rate component. Broadband/Fixed Network also intends to continue to introduce non-access related broadband services. In addition, the Broadband/Fixed Network operating segment is focusing on defending its market share in its core businesses by slowing the decline of fixed network access lines.

Broadband services allow customers to access the Internet and Internet-related services at significantly higher speeds than traditional dial-up services. Broadband is used to refer to ADSL (asymmetric digital subscriber line), ADSL2 and ADSL2+ (more advanced ADSL technology) and VDSL (very high-speed digital subscriber line) technologies, for which the downstream data rate is greater than 128 Kbit/s.

The broadband market continued to grow during 2007. Falling prices for services provided by Internet service providers (ISPs) and cable network operators, and competitively priced bundled broadband access, voice and ISP product offerings by fixed network operators, were factors in the continued growth of the broadband market.

The total number of broadband lines in operation in Germany provided by T-Home increased by 2.3 million, or 22.0%, from 10.3 million at 31 December 2006 to 12.5 million at 31 December 2007. This increase was primarily due to the strong growth in the number of retail DSL customers in the highly competitive German market, especially in connection with T-Home's continued introduction of new bundled offerings providing broadband access, voice and ISP products in anticipation of market demand. This is reflected by the successful introduction of the Complete Packages in 2006 and has been complemented by continued adaptation in 2007 of these packages when necessary to more closely follow customer demand. This combination of proactive introduction of innovative products and subsequent reaction to specific customer demands by fine tuning Deutsche Telekom's product offerings resulted in considerable growth in the number of retail DSL lines in operation in 2007. This increase was also due to an increase in the number of unbundled local loop lines from 4.7 million at 31 December 2006 to 6.4 million at 31 December 2007, and to a lesser extent to an increase in the number of Resale DSL lines sold to alternative providers from 3.2 million at 31 December 2006 to 3.5 million at 31 December 2007. However, the absolute number of Resale DSL lines sold to alternative providers decreased for the first time in the fourth quarter of 2007 as these alternative providers increased their demand for stand-alone bitstream access (unbundled local loop lines), which offers were introduced in the fourth quarter. This trend is expected to continue.

Broadband/Fixed Network is one of the largest integrated fixed network operators in Europe, based on both revenues and number of customers with approximately 9.9 million broadband ISP rate customers as of 31 December 2007. The total number of customers with broadband ISP rates increased by 2.7 million, or 38.5%, from 7.1 million as of 31 December 2006 to 9.9 million at the end of 2007. Customers with narrowband ISP rates decreased by 0.8 million, or 25.1%, from 3.1 million as of 31 December 2006 to 2.3 million at the end of 2007, primarily due to customer migration from narrowband ISP rates to broadband ISP rates. In Germany, the number of customers with broadband ISP rates increased 38.2%, from 6.3 million as of 31 December 2006 to 8.7 million as of 31 December 2007. Operations in Central and Eastern Europe realised a 40.3% increase in the number of customers with broadband ISP rates as of 31 December 2007, compared to 31 December 2006. The growth internationally is primarily due to attractive products and rate offerings in Central and Eastern Europe. The comparatively low market penetration rates in Central and Eastern Europe provide for continuing growth opportunities.

Broadband/Fixed Network expects that market share in fixed network access lines and the prices for fixed-network products will continue to decrease due to continued high competition from other fixed-line operators, cable network operators, fixed-to-mobile substitution and an increase in sales of broadband products as part of bundled offers in connection with increased use of IP-based networks. Broadband/Fixed Network also expects that the adoption of IP-based networks by fixed-line operators will lead to the obsolescence of PSTN networks in the medium-term. This should contribute to a loss in fixed network access lines, which Deutsche Telekom believes will be accompanied by a smaller

increase in the number of broadband lines in operation and related demand for products by ISP customers.

The Complete Packages integrated product and rate portfolio has contributed to an increase in broadband customers and increased use of broadband lines and ISP products. The integrated broadband access, ISP and VoIP features available from T-Home in combination with the new service initiatives are expected to continue to increase customer satisfaction and loyalty.

T-Home's present network infrastructure is comprised of access and transmission networks and service platforms.

T-Home has been investing in modern network infrastructure technologies since 2005, which will form the basis of its next generation network (NGN). The development of T-Home's NGN is a long-term objective and necessitates the implementation and integration of network enhancement technologies, as well as other technologies. NGN technologies are currently being integrated into the existing network infrastructure and will replace elements of the existing network, such as asynchronous transfer mode (ATM) and Synchronous Digital Hierarchy (SDH), as well as platforms such as the public switched telephone network (PSTN). The network infrastructure will integrate existing constituent IP platforms into a single IP architecture and will benefit from the performance advantages offered by high-speed network structures. The overall design concept of T-Home's migration to a NGN based network is based on several key principles. For instance, introduction of leading-edge NGN technologies on all network layers denotes a move towards a layered architecture, a shift from circuit (*i.e.*, voice based) to packet technologies (*i.e.*, IP-based), and utilisation of ethernet and passive optical network technologies. An NGN approach results in a reduction in an assortment of technologies and platforms through its utilisation of a leaner infrastructure, as well as in a reduction in resources needed to operate the network. Therefore, implementation of NGN technologies increases the efficiency of the existing network and Deutsche Telekom's ability to expand its portfolio of products and services. Implementation of the NGN will result in the replacement of certain service platforms in the mid- to long-term, including its PSTN network.

Access Network

T-Home offers ICT access for individual customers, very small business customers and other carriers. Typically a customer has access to T-Home's network by means of a copper cable that runs from T-Home's transmission network to the customer's home or office. The portion of the access network that connects the transmission network to the customer is commonly referred to as the "last mile" or "local loop". T-Home began to significantly upgrade its access network in 2005 through implementation of VDSL high-speed access technology. The implementation of VDSL began in 2006 and continued in 2007. T-Home also intends to continue to upgrade its broadband access network by expanding the use of ADSL2+ technology. ADSL2+ will enable customers to realise access speeds of up to 20 Mbit/s.

Transmission Network

T-Home's transmission network consists of fiber-optic cables enhanced with Wavelength Division Multiplexing (WDM) and SDH technologies, as well as other network components. WDM uses wavelengths of light to increase the capacity of fiber-optic cables, thereby allowing multiple communication channels. This allows T-Home to increase the capacity of its transmission network without having to use additional fiber-optic cable. SDH is an international high-speed transmission standard, which improves network management and increases the reliability of fiber-optic networks. T-Home continued to reduce its investment in SDH in 2007. T-Home plans to extend further its use of WDM and other network enhancement technologies based on the demands of its customers and in conjunction with Deutsche Telekom's ongoing broadband strategy.

Service Platforms

T-Home uses its service platforms to enable the provision of voice, data and other value-added services to its customers. T-Home's service platforms include IP-based and ATM technologies, which permit the high-quality transmission of large amounts of data (*e.g.*, VoIP, text, audio and video). These platforms allow T-Home to deliver a wide range of products and services to individual and business customers. The products and services delivered on these service platforms include browser access to the World Wide Web and virtual private networks (VPNs). Server connections to the World Wide Web are also employed in T-Home's service platforms.

Network Communication Services

Network Access Products

T-Home offers network access to its individual and business customers through a variety of access-line packages, which generally include a fixed monthly payment and a variable component based on traffic volume. These access-line packages may contain standard analog-line access or digital-line access, the latter of which is also known as Integrated Services Digital Network (ISDN) access lines. In addition, both types of access lines are a prerequisite for broadband access and can be enhanced by increasing their bandwidth capacity through the use of DSL technology as described below under "—IP/Internet Services."

Fixed Network Access (formerly Narrowband)

Analog Access

T-Home's standard access voice products permit the customer to use a single telecommunications channel for voice, data or facsimile transmission. The following table shows the number of analog access lines in operation, excluding public payphones, as of 31 December for each of the periods presented:

Year	Analog Access Lines
2005	25.5 million
2006	24.2 million
2007	22.4 million

The number of analog access lines in operation has continued to decrease from 2005 to 2007. T-Home expects this trend to continue in the future. Competition, due to regulatorily mandated unbundling of the PSTN and DSL access lines in 2008, customer acceptance of bundled voice and Internet products, and conversion of the network to the NGN, are expected to be significant factors in this continued decrease.

ISDN Access

T-Home's ISDN access products permit a single customer access line to be used simultaneously to provide multiple products and services, including voice, data and facsimile transmission.

T-Home offers two types of ISDN access lines to customers—basic and primary. Basic ISDN access lines provide two telecommunications channels per access line and are offered to individual as well as business customers. Primary ISDN access lines provide 30 telecommunications channels per access line and are offered mainly to business customers. The following table shows the number of ISDN access lines and channels in operation as of 31 December for each of the periods presented:

Year	ISDN Access Lines ⁽¹⁾		Total ISDN Channels ⁽²⁾
	Basic	Primary	
2005	9.8 million	93,000	22.5 million
2006	9.1 million	89,000	20.9 million
2007	8.7 million	88,000	20.0 million

(1) ISDN lines including internal use and public payphones, including wholesale services.

(2) Calculations of total ISDN channels based on actual figures.

The number of basic ISDN access lines decreased in 2007 compared to 2006, primarily as a result of increased competition, especially from bundled voice and Internet products, and saturation of the ISDN market. T-Home expects this trend to continue.

T-Home expects the number of fixed network access lines in operation to continue to decrease in the future due to increased competition, fixed-to-mobile substitution and increased acceptance of VoIP. In addition, T-Home no longer actively markets ISDN access lines to customers.

Calling Services

Analog and ISDN access permit comprehensive local, regional and international calling services, and dial-up Internet access, and offers customers many of the same services, such as three-way calling, call-waiting and caller ID. ISDN access also offers several features not available to analog access customers, including a second connection channel, which allows the customer to have three separate telephone numbers to use the telephone, send or receive faxes and use the Internet simultaneously.

In 2007, T-Home's competitors continued to make considerable inroads into the calling services market, primarily as a result of regulatory decisions favoring increased competition in the fixed-line area. Competitors have introduced their own infrastructure and continue to make investments in interconnection points to benefit from favorable pricing conditions. The decrease in the number of T-Home's call minutes in Germany continued in 2007, due to loss of access lines to these competitors, fixed-to-mobile substitution and increased acceptance of VoIP. T-Home's call plans with a flat-rate component, which were initially introduced in 2005 and expanded and improved in 2006 and 2007, have led to an increase in call minutes by customers through those plans.

To counter some of these competitive challenges, T-Home introduced several different rate plans, designed to provide customers with reduced per-call rates for an additional monthly fee. These new rate plans were designed to better meet the demands of specific customer segments, compared to T-Home's existing rate plans. T-Home believes that there is a trend towards including and increasing flat-rate components in rate plans. The continued increase in customer acceptance of the Complete Packages has led to a decrease in demand for individual products that are components of these bundles, such as fixed network access.

In addition, in October 2006, T-Home completed the introduction of its new Complete Packages product portfolio, which offers customers a choice of three different levels of single-play, double-play and triple-play. T-Home expects calling minutes with respect to the newly introduced flat-rate plans to increase. However, overall, T-Home expects calling minutes and revenues in the future to decrease due to increased acceptance of Complete Packages, continued loss of fixed network access lines, continued fixed-to-mobile substitution and the increased acceptance of VoIP.

Wholesale Services

Through its wholesale services business, T-Home provides products and services to other domestic carriers and service providers, as well as to other members of the Deutsche Telekom Group, in accordance with regulatory guidelines stipulated by the Federal Network Agency. Within Wholesale Services, International Carrier Sales & Solutions (ICSS), is responsible for the international wholesale business. ICSS' services and solutions are sold globally under the Deutsche Telekom brand. Wholesale products and services provided to third-party and Deutsche Telekom Group customers include the following:

Domestic Services

Interconnection services

T-Home's interconnection services primarily consist of call origination and the transit and termination of switched voice traffic. The terms under which T-Home interconnects its telephone network with the networks of other domestic carriers and service providers are either bilaterally negotiated or imposed by the Federal Network Agency. At 31 December 2007, T-Home had 100 bilateral interconnection agreements and 47 interconnection orders (issued by the Federal Network Agency). The Federal Network Agency mandated price reductions on interconnection prices from 1 June 2006 until 30 November 2008.

IP services

T-Home provides Internet transport services for broadband and fixed network service providers ("**virtual ISP services**") as well as transport services for carrier interconnection. In addition, T-Home offers nationwide access through its IP backbone and regional IP access to broadband IP providers. T-Home also provides scalable fixed network and broadband Internet transport services to ISPs ("**OnlineConnect**"), which allow ISPs to expand their Internet platforms in line with customer demand.

Access services

Demand for services enabling other telecommunications operators to offer their own end-customer telephone and Internet services continued to increase in 2007. The trend of telecommunications operators leasing access to the local loop to enable themselves to supply their customers with telephone and Internet services, using T-Home's network infrastructure continued to increase significantly to 6.4 million lines in 2007 from 4.7 million in 2006 and 3.3 million lines in 2005. Unbundled local loop access is available to competitors in high bitrate (typically DSL capable) and low bitrate (typically not DSL capable) variants. Due to competitors increasing investment in their own network infrastructure, including co-location facilities and exchanges, in Germany, and, in part due to regulatory decisions, T-Home expects that the demand for access in the unbundled local loop will increase in the future. T-Home expects that regulatory decisions will continue to have a significant effect.

Furthermore, since July 2004, T-Home has offered a Resale DSL product, *i.e.*, the sale of broadband access lines to competitors. This enables third-party operators to offer an integrated service combining access and IP services to their retail customers under their own brands. The current maximum transmission speed offered to Resale DSL customers is 16 Mbit/s. Resale DSL continued to increase in 2007 to 3.5 million, from 3.2 million in 2006 and from 1.6 million in 2005. T-Home expects that unbundled local loop access, as mentioned above, will continue to increase, particularly at the expense of Resale DSL.

Network Services

T-Home offers leased lines with transmission speeds ranging from 64 Kbit/s to 2.5 Gbit/s, which are tailored to fit the specific needs of carriers and mobile network operators. These leased lines can be used both for the transmission of data and for voice traffic. T-Home also offers Carrier Services Networks, which combine leased lines with network management services.

International Services

International Carrier Sales & Solutions (ICSS) provides broadband operators, mobile operators and MVNOs, content, application and media providers, corporate service providers and virtual network operators (VNOs), fixed voice carriers, and carriers' carriers and their customers, with worldwide direct access to Deutsche Telekom's international telecommunications network. ICSS' main focus is the transfer of outgoing international voice and data traffic from Germany to carriers in other countries for termination in their networks, and the provision of carrier termination and transit services for calls that originate outside of Germany and are routed through Deutsche Telekom's network for termination in Germany or a third country. During 2007, ICSS managed total worldwide voice traffic of approximately 17.5 billion minutes providing connections to more than 190 countries worldwide. With continuously changing markets, ICSS has redesigned its portfolio from traditional voice and transport services to advanced innovative wholesale services and customised IP solutions.

IP/Internet Services

T-Home's integrated broadband strategy includes new offerings for voice, Internet and entertainment services. T-Home believes that broadband growth in Germany, particularly in the retail market, is largely dependent on the successful introduction and acceptance of double-play and triple-play products and services.

In 2007, T-Home continued to develop its portfolio to include new innovative broadband services. The new high-speed VDSL network, which T-Home began to roll out in 2005, provides bandwidths of up to 50 Mbit/s. In conjunction with this roll out, T-Home continued to develop new markets in which it will be possible to offer innovative services. In March 2005, T-Home launched its VoIP broadband telephony service. VoIP technology offers Internet users an affordable option of telephoning via the Internet. Since the beginning of November 2005, T-Home has been offering a VoIP flat-rate. In 2006, the portfolio of access services was broadened with rate offerings that include Internet access and DSL telephony that can be selected for all available access line speeds. In May 2006, T-Home launched the T-DSL 16000 product line primarily for data-intensive applications.

In October 2006, T-Home launched its first triple-play product consisting of high-speed Internet access, telephony and Internet Protocol TV (IPTV). As part of the launch of IPTV via the new high-speed network, T-Home has concluded agreements with numerous broadcasters in Germany. Since

August 2006, T-Home has been offering transmissions of soccer matches of the first and second Bundesliga divisions in cooperation with the pay-TV channel Premiere.

In the entertainment area, the existing videoload (formerly marketed as "**video-on-demand**") portfolio is being continually expanded, with a film library of over 2,000 titles from all genres. T-Home offers "Musicload", one of the leading German online-music download portals based on the number of downloads. With the introduction of "Gamesload" in August 2005 and "Softwareload" in November 2006, T-Home established two other digital distribution platforms for entertainment and downloading of software on the Internet. Scout24 is a group of leading European online marketplaces and an established online classified service. Scout24 provides a broad range of sector specific marketplaces: AutoScout24, FinanceScout24, FriendScout24, ImmobilienScout24 (real estate), JobScout24 and TravelScout24.

Broadband Access

T-Home typically offers broadband access based on ADSL technology, which combines a high-speed data download transmission speed with a lower upload transmission speed, primarily to its individual customers. T-Home also offers synchronous DSL (SDSL) technology to its business customers, which permits high-speed data transmission speeds in both directions. Since 2003, SDSL has been available throughout Germany under the "T-DSL Business" brand name. T-Home provides analog and ISDN access lines, enhanced by means of DSL technology, to its individual and business customers at a fixed monthly fee. In the future, it is anticipated that T-Home will offer DSL on a stand-alone basis, enabling customers to substitute broadband access for fixed- network access. In addition, T-Home expects the number of broadband lines in operation to increase in the near future.

The number of broadband access lines provided by T-Home continued to increase in 2007, and T-Home expects that demand for high-bandwidth services will result in continued growth in the number of broadband access lines in operation in the future.

To access the Internet, however, in addition to obtaining a broadband access line, individual customers also require a contract with an Internet Service Provider (ISP), such as T-Home's ISP service. Since the merger of T-Online into Deutsche Telekom, T-Home has offered integrated services, such as Complete Packages, which include ISP services, Internet access and telephony services.

Other Services

Other services includes data communications, value-added services and terminal equipment which were previously reported separately, as well as various other services such as publishing, support services and the sale of products and services through T-Home's Telekom Shop (formerly T-Punkt) outlets.

Data Communications

T-Home's full portfolio of data communications solutions, which is also offered by the Business Customers operating segment, includes the following products and services:

- Telekom Design Networks (TDN), which combine data and voice communications products to meet the specific needs of business customers and other carriers. A wide range of additional services (e.g., consulting, project management, design and re-design of customer networks) are integrated into TDN contracts. These components form the basis for a customised system solution, which can then be adjusted, based on changing client requirements and new technologies;
- Internet solutions and IP-related services, primarily provided through the CompanyConnect and "IP-Transit" products;
- IP-Transit offers bandwidths from 2 Mbit/s to 2.5 Gbit/s and provides worldwide Internet connectivity using multiple connections to different providers simultaneously. Based on this technology, customers can achieve very high system stability and independence from a single ISP. IP-Transit is mainly marketed by T-Home, in cooperation with T-Systems, to wholesale services customers and large-sized companies; and

- Dedicated customer lines: T-Home's dedicated customer line product offers business customers connections between two customer networks (located up to 50 kilometers apart) with transmission speeds of up to one Gbit/s.

Value-Added Services

T-Home offers a range of value-added telephone services for individual and business customers. These services include toll-free numbers and shared-cost numbers for customer-relationship management, directory-assistance numbers, the provision and administration of directory databases and public payphones.

T-Home's premium-rate services (which use the 0190 and 0900 exchanges) enable information and entertainment packages to be sold and billed automatically by telephone or via the Internet. T-Home provides contact-routing solutions to the customers. Through its product, "T-VoteCall", T-Home provides media broadcasting companies (largely television and radio stations) with the ability to catalogue and switch customer calls to pre-defined locations.

Terminal Equipment

Through its terminal equipment business, T-Home distributes, for purchase or lease, an extensive range of third-party and T-Home's own-brand telecommunications equipment. Products range from individual telephone sets and facsimile machines, targeted at individual customers, to more complex telephones, private branch exchanges (PBXs) and complex network systems (including broadband access devices), targeted at business customers.

Most of T-Home's terminal equipment sales occur through its Telekom Shop outlets, which offer an extensive product portfolio, including ISDN and DSL business products, and products and services from T-Mobile and third-party vendors. T-Home receives commissions on its sales of products and services provided by other Deutsche Telekom operating segments. At 31 December 2007, T-Home had 804 Telekom Shop outlets in Germany.

Additional Services

Other services also includes publishing services, which include the sale of marketing and advertising services to small- and medium-sized companies via T-Home's telephone directories. The telephone directories (e.g., DasTelefonbuch, GelbeSeiten, DasÖrtliche) are edited and published in a variety of formats (including print, CD-ROM, online and a version for mobile devices) in cooperation with local publishers. T-Home receives most of its publishing revenues from advertisements contained in these directories. In recent years, this business has been subject to increasing pressure from competition especially from online services.

In addition, other services includes support services, such as installation, maintenance, hotline, customer consulting, training and software installation services, which are provided on a standardised basis and, for business customers, on a customised basis.

Broadband/Fixed Network operates primarily in the fixed-line and ISP business areas in Central and Eastern Europe. The majority of the business activities of the Central and Eastern European subsidiaries, except for mobile telecommunication, are included in the Broadband/Fixed Network's results of operations. Since January 2007, the shared services and headquarters functions in Hungary of Magyar Telekom have been reported under the Group Headquarters and Shared Services operating segment, and the business customers results of operations have been reported under the Business Customers operating segment.

Broadband/Fixed Network sold T-Online France on 29 June 2007 and T-Online Spain on 31 July 2007. The results of these companies are included in results of operations through their respective dates of divestiture.

Central and Eastern Europe

Broadband/Fixed Network provides fixed-line network services, wholesale services, IP/Internet services and multimedia services (radio and television) in certain countries in Central and Eastern Europe, through its subsidiaries Magyar Telekom (Hungary), Slovak Telekom (Slovakia) and T-Hrvatski Telekom (Croatia). As an integrated telecommunications provider, Broadband/Fixed Network also markets triple-play services and intends to market quadruple-play services (which includes mobile communications in addition to triple-play services) through these subsidiaries.

Magyar Telekom

Broadband/Fixed Network holds a 59.35% equity interest in Magyar Telekom, the leading full-service telecommunications service provider in terms of customers and revenues in the Republic of Hungary. Magyar Telekom offers telecommunications services, such as fixed-line telephone services, data communications services, wholesale services, IP/Internet services, multimedia broadcast services and other services such as IT outsourcing services for customers throughout most of Hungary. Magyar Telekom holds a 56.7% stake in MakTel, the incumbent fixed-line carrier in the Republic of Macedonia. In addition, Magyar Telekom has a stake of 76.5% in Crnogorski Telekom, which provides fixed-line and Internet services in the Republic of Montenegro.

In response to the competitive pressure from cable television network operators offering cable TV, cable broadband Internet and voice over cable services, call-by-call and preselection competitors, and mobile substitution, Magyar Telekom continued to promote several flat-rate tariff packages and DSL offers and launched the first IPTV offering in Hungary in November 2006.

Magyar Telekom maintained its leading position among ISPs in the Hungarian market based on the number of customers. The number of broadband access lines provided by Magyar Telekom continued to increase in 2007. The number of customers with broadband ISP rates at Magyar Telekom (including MakTel & Crnogorski Telekom) increased from 437,000 at 31 December 2006 to 580,000 at 31 December 2007. On 30 March 2007, Magyar Telekom introduced an unbundled ADSL service.

Magyar Telekom's multimedia and broadcasting services business primarily consists of its cable television business. The number of Magyar Telekom's cable television customers increased from 414,000 in 2006 to 419,000 in 2007.

Magyar Telekom's international strategy is to provide international network and carrier services in southeastern Europe by expanding its presence in the region. Accordingly, Magyar Telekom entered the Romanian market in July 2004, the Bulgarian market in September 2004, and the Ukrainian market in August 2005, and currently offers wholesale services in each of these markets. Capitalising on its experience in these markets, Magyar Telekom has expanded its activities as an alternative carrier and Internet service provider in southeastern Europe.

Magyar Telekom controls MakTel, currently the leading fixed-line operator in Macedonia in terms of revenues. MakTel's exclusive right to offer fixed-line telecommunications services in Macedonia expired at the end of 2004. Since then, competition has intensified in the international telecommunications and Internet services segments.

T-Hrvatski Telekom

Broadband/Fixed Network owns a 51% equity interest in T-Hrvatski Telekom, the leading full-service telecommunications provider in the Republic of Croatia in terms of revenues. T-Hrvatski Telekom offers access and local, long-distance and international fixed-line telephone services, data communications services, IP/Internet services and wholesale services.

T-Hrvatski Telekom introduced entertainment services with the launch of IPTV in September 2006. T-Hrvatski Telekom also operates a digitalised fixed-line telecommunications network. Since mid-2005, particularly in the fixed-line voice telephony business, T-Hrvatski Telekom has been confronted by increasing competition. In addition to preselection, mobile substitution is the main competitive challenge in Croatia.

In 2007, the number of T-Hrvatski Telekom's fixed network access lines in operation decreased slightly compared to 2006 and 2005. However, the number of its broadband access lines in operation increased by 59.9% to 345,000 at 31 December 2007, from 216,000 at 31 December 2006 and 101,000 at 31 December 2005.

T-Hrvatski Telekom's IP/Internet business is the largest Croatian ISP in terms of revenues, and its market share at the end of 2007, based on revenues, was approximately 77%. The number of T-Hrvatski Telekom's online customers increased by 15.9% to approximately 1,128,000 in 2007 compared to 2006. Broadband/Fixed Network expects that T-Hrvatski Telekom's online business will be positively affected by customers' substitution of broadband access services for standard dial-up access, which is expected to continue to increase in the future.

Slovak Telekom

In 2000, Broadband/Fixed Network acquired a 51% equity interest in the then state-owned Slovenské telekomunikácie a.s., which was rebranded "Slovak Telekom" in March 2006. As part of this rebranding strategy, the "T" brands were introduced in Slovakia. Slovak Telekom is a leading full-service telecommunications provider in the Slovak Republic. On 5 October 2007, Slovak Telekom sold TBDS (Tower Broadcasting & Data Services a.s.), its subsidiary operating in the broadcasting business area (formerly Rádio komunikácie o.z. and RK Tower s.r.o.) to TRI R a.s.

Slovak Telekom offers access and local, long-distance and international fixed-line telephone services, data communications services, wholesale services, IP/Internet services. Until the disposition of TBDS Slovak Telekom provided distribution and broadcast of radio and television signals.

In December 2006, Slovak Telekom introduced new competitive entertainment services with the launch of IPTV and triple-play. Slovak Telekom believes that triple-play is expected to be one of the main drivers for the success of Slovak Telekom's broadband business. Through its online portal, "T-Station", Slovak Telekom also offers games-on-demand, music-on-demand and video-on-demand.

Slovak Telekom's total number of fixed network access lines decreased in 2007 by 3.5% compared to 2006, due to mobile substitution and to increasing customer migration to unbundled DSL, which was introduced in May 2006. In 2006, Slovak Telekom's total number of fixed network access lines decreased by 2.3% compared to 2005.

The number of broadband access lines in operation in Slovak Telekom's network continued to increase in 2007. The number of broadband access lines in operation at 31 December 2007 was 261,000 compared to 182,000 at 31 December 2006, and 104,000 at 31 December 2005.

As of 31 December 2007, Slovak Telekom's online customer base increased to approximately 265,000 customers, a 19.7% increase, compared to 2006. The number of Internet customers using broadband services increased to 216,000 at 31 December 2007. Slovak Telekom believes that the development of high-bandwidth Internet services in Slovakia will encourage customer migration from fixed network to broadband access.

Sales Channels

Broadband/Fixed Network offers its products and services through a broad range of third-party distributors, as well as direct and indirect sales channels. Broadband/Fixed Network's direct distribution channels include its Telekom Shop retail outlets, direct sales force dedicated to either business or retail customers, and online ordering via the Internet. In addition, Broadband/Fixed Network provides toll-free numbers that allow customers to obtain information about, and place orders for, its various products and services. Broadband/Fixed Network maintains separate sales units for direct sales to individuals and businesses, domestic carrier services and services offered to network operators and service providers.

Seasonality

Broadband/Fixed Network's businesses are not materially affected by seasonal variations.

Suppliers

The principal types of equipment purchased by Broadband/Fixed Network are network components, such as switching systems; transmission systems; access network components; and customer premises equipment, such as telephones, fax machines, broadband modems and similar items. Although Deutsche Telekom does not believe Broadband/Fixed Network is dependent on any single supplier due to its multiple-supplier strategy, there may be occasions when a particular product from a particular supplier is delayed or back-ordered. Broadband/Fixed Network's major suppliers are Siemens AG, Deutsche Post AG, Alcatel-Lucent Deutschland AG, Grey Global Group (MediaCom), AVM Computersysteme, Cisco Systems Inc., Corning Cable Systems GmbH & Co. KG, and IBM.

Dependence on Patents, Licenses, Customers or Industrial, Commercial or Financial Contracts

Deutsche Telekom does not believe that Broadband/Fixed Network is dependent on any patent or other intellectual property rights. Deutsche Telekom also does not believe that Broadband/Fixed Network is dependent on any individual third-party customer or on any industrial, commercial or financial contract.

Competition

Broadband/Fixed Network faces intense competition, based primarily on price in the market for fixed-line network voice telephony, from other fixed-line carriers and mobile operators. In recent years, this competition has intensified, especially in the fixed network and broadband access markets as well as in the market for ISP products and services. In particular, competition through bundled offers from other fixed-line carriers has intensified. The introduction of attractively priced triple-play packages to customers by Broadband/Fixed Network and other fixed-line carriers as well as cable operators is evidence of this increase in competition. Deutsche Telekom expects that competition from cable operators and VoIP will also continue to increase. Depending on the degree to which alternative technologies, such as VoIP, cable broadband and the Internet, gain market acceptance, the usage of Broadband/Fixed Network's PSTN network will be adversely affected.

A number of competitors in Germany have indicated that they are either considering investing or intend to invest in their own high-speed networks, for instance by developing VDSL access networks, in order to pursue their own triple-play strategies. To date, only one competitor has confirmed this intention. Given the significant competitive advantage that such high-speed networks offer in the broadband access market, Broadband/Fixed Network expects that other competitors will eventually follow suit and invest in their own networks in order to compete with Broadband/Fixed Network.

National network operators, such as Arcor AG & Co. KG and local network operators, such as HanseNet Telekommunikation GmbH ("**HanseNet**"), Versatel AG and NetCologne Gesellschaft für Telekommunikation mbH, have also made substantial investments in local network infrastructure and compete with Broadband/Fixed Network in major urban centers throughout Germany.

Competition from local network operators, on the basis of leased lines (unbundled local loop) or the competitor's own infrastructure, is increasing, particularly from entities owned by large European telecommunications companies, such as HanseNet (a subsidiary of Telecom Italia).

The impact of mobile substitution on Broadband/Fixed Network is also increasing, in part because of the increased market entry of MVNOs (*i.e.*, companies with aggressive pricing policies that buy mobile network services and market them independently to third parties). Furthermore, as prices for mobile telephony decline, local and other calling services, as well as access services, face increasing competition from mobile telephone operators, due to mobile substitution.

It is also possible that cable operators may increase their market share by offering attractive triple-play services.

Accordingly, Deutsche Telekom believes that it continues to be exposed to the risk of further market share losses and falling margins.

Competition in the fixed-line network business in Central and Eastern Europe also increased. The growing number of competitors offering call-by-call and, more recently, carrier pre-selection services to consumers has led to increased competition, especially in Hungary, in which mobile substitution was also a significant factor. Increased mobile substitution also affected the Slovakian market. In addition, competition in Hungary and Slovakia is also expected to increase as cable network operators in those countries upgrade their networks to offer double-play and triple-play services. Competition in Croatia is expected to increase following the award of additional fixed-line network licenses.

In 2005, T-Home offered VoIP services in Germany for the first time to retail customers. VoIP services can compete with traditional voice telephony, both in the network access services business and in the various calling services markets. VoIP network access services offerings and customer acceptance have continued to increase in 2007. In addition, VoIP services also has substantial competitive potential in the calling services markets.

Prices for DSL access, ISP services and voice communications in the fixed-line network continued to decrease significantly in Germany in 2007, primarily due to increased competition and technological progress, and to a lesser extent to mobile substitution. The increased use of bundled packages (including calling plans) with a flat-rate component and a decrease in the overall prices for these packages by the competitors have intensified the downward pricing pressure on Deutsche Telekom's own products, services and pricing packages. These factors, combined with the continued implementation of government policies intended to foster greater competition, are expected to yield similar trends in the future.

Effect of Regulatory Decisions

In the markets for international, long-distance and local calling services in Germany, the level of competition Deutsche Telekom faces is influenced by the fact that it is required to permit other telecommunications companies to interconnect with its fixed-line network and for access to the unbundled local loop at rates determined by the Federal Network Agency. As a result, decisions of the Federal Network Agency regarding the rates that Deutsche Telekom is permitted to charge for interconnection and for access to the unbundled local loop have had, and will continue to have, a significant impact on the strength of Broadband/Fixed Network's competition in the market for fixed-line network voice telephony as well as on Broadband/Fixed Network's revenues and profit.

Other Fields of Business Activity

Although Broadband/Fixed Network does not manufacture its own equipment, it does re-sell telecommunications equipment provided by other companies under its own brand. The terminal equipment sector is characterised by falling prices, low margins, rapid technological innovation and intense competition. The basis for competition in this field is primarily price. Broadband/Fixed Network's most significant competitors in this area are Siemens AG, Alcatel, Koninklijke Philips Electronics N.V. and Tenovis GmbH & Co. KG. Most of these competitors are also suppliers to Broadband/Fixed Network.

Apart from broadband-related developments, Broadband/Fixed Network believes that future innovations will be increasingly focused on the convergence between fixed-line and mobile telecommunications networks. In addition to its launch of the T-Box (single answering service for calls to the fixed-line number and the mobile number) in October 2005, Broadband/Fixed Network has introduced other convergence products. Broadband/Fixed Network believes that these and other such products could play an important role in the process of converging multimedia, telecommunications and related products and services.

Business Customers

The Business Customers operating segment provides, through T-Systems, ICT services worldwide, primarily to German and international companies, non-profit organisations and governmental agencies. T-Systems is also responsible for servicing all of the Deutsche Telekom Group's business customers.

Principal Activities

T-Systems uses advanced information technology and its telecommunications expertise to provide ICT infrastructure and tailored ICT solutions to its customers. T-Systems supports its customers through its global telecommunications network and through its IT infrastructure network, which connects more than twenty countries worldwide.

In 2007, German-based operations contributed approximately 79.1% of T-Systems' total revenues, which include intersegment revenues from other Deutsche Telekom Group companies and affiliates. T-Systems' other primary markets are in Western Europe, but T-Systems serves its multinational customers globally through its delivery organisations. Although the majority of T-Systems' customers are headquartered in Germany, as of 31 December 2007, approximately 30.9% of T-Systems' 56,516 employees provided services from locations outside Germany.

Business Model

T-Systems' activities in 2008 are organised through a new Business Model. This will lead T-Systems to meet the expectations of its customers even better. Important changes will be described in more detail below.

Development of a new Business Model

T-Systems is planning to focus its activities and to position itself more strongly in the network-centric ICT market. In 2008, T-Systems began implementation of its "Next Generation T-Systems" programme, which has been developed to react to customer needs through the creation of two simplified and specific go-to-market models: The Corporate Customers unit, which will address multinational and large customers, and the Business Customers unit, which will focus on smaller enterprises.

Corporate Customers will combine a dedicated account management for major customers and a direct sales approach with regional focus for large customers, allowing Deutsche Telekom to interact more closely with the customers. Corporate Customers will also support Deutsche Telekom in optimising its IT needs and achieving its cost targets. Corporate Customers will also be responsible for all of Deutsche Telekom's multinational customers. Due to its specific requirements, the public sector will be serviced by a separate dedicated team.

In the Business Customers unit, Deutsche Telekom will serve its customers with a multi-channel sales approach comprised of a decentralised sales force, e-channels (e.g., Internet Shops), telesales and partner sales.

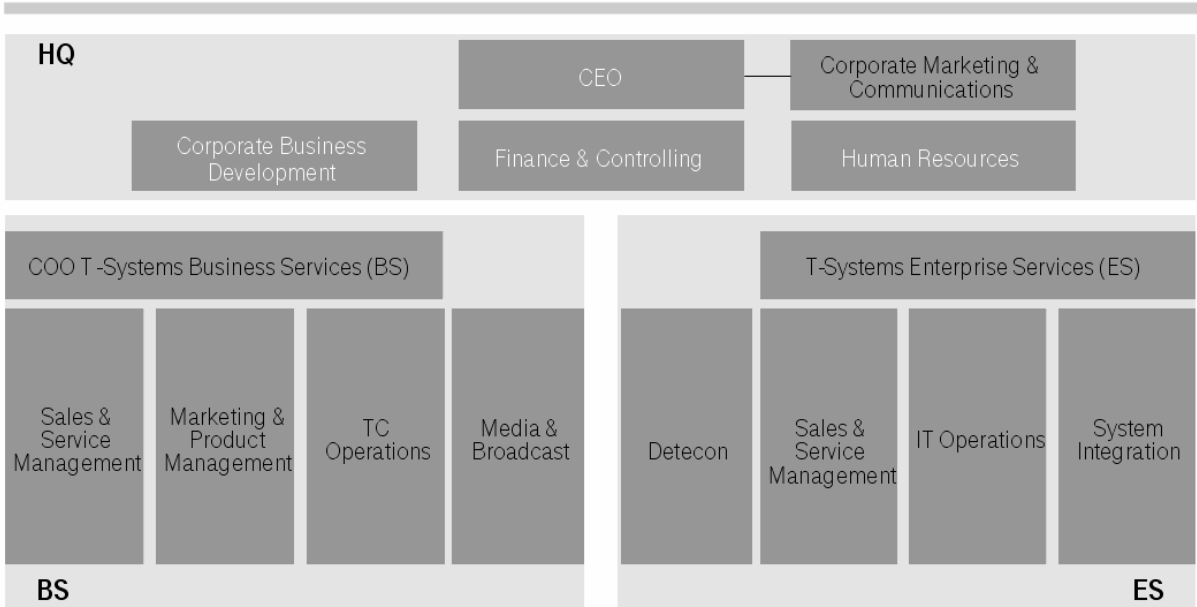
T-Systems also intends to standardise and modularise its portfolio. The offerings of Next Generation T-Systems will include application management (i.e., end-to-end operational responsibility for an application) and ICT infrastructure (e.g., provisioning of capacity in combination with communication technology related applications).

There will be a clear functional separation of production delivery and sales. The delivery basis for the network centric model will be one integrated factory for Computing Services, Desktop Services, and Telecommunications Services. Deutsche Telekom intends to focus on centralised ICT services production with global delivery capabilities.

The integrated IT and TC factory will enable the delivery of high quality services with a comprehensive scope. Deutsche Telekom believes that an integrated customer management focus will ensure consistent handling of contracts and service delivery across all services.

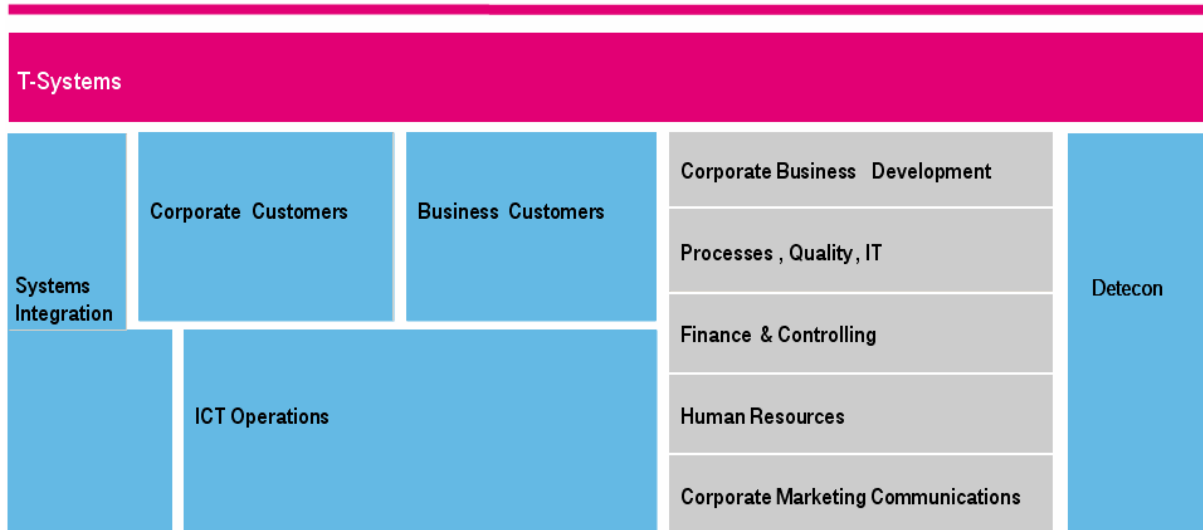
March 2008, T-Systems, and global IT services provider, Cognizant (NASDAQ: CTSI), announced that they have entered into a truly global Systems Integration alliance. The alliance is primarily aimed at catering to European corporations with global delivery requirements for system integration services.

The following graphic shows the structure of T-Systems 2007 and the planned organisational target structure of T-Systems.



Organisation 2007





T-Systems Target Organisation

A complex organisation with complicated processes, high overhead costs and a lack of transparency will be transformed to an organisation with

- Clear responsibilities
- Simplified and focused go to market model with competitive cost structures
- More transparency with tight performance and cost management and
- Reduced bureaucracy.

Corporate Customers

The Business Unit "Corporate Customers" has a clear focus on its approximately 1600 multinational and large customers with two worldwide go-to-market models

- Key Account Management (customer services with dedicated key account managers; realisation of "one face to the customer")
- Direct Sales (customer services through expert sales managers with professional competences; proximity to customers with regional structure).

With such selective procedures T-Systems will supply for every customer the individual needed support.

This will lead to the growth of T-Systems through its strong big deal management, through the push of IT business, expansion of Systems Integration business with the new partner Cognizant and the push of its international business.

The customers will benefit through one worldwide business model in every country for every customer. T-Systems will introduce best-in-class key account managers for its top accounts and its expert sales on regional basis. Last but not least T-Systems will simplify its processes and gain speed and time for its customers.

Business Customers

Within the unit "Business Customers" T-Systems will have in addition to the "Corporate Customer Unit" a strong focus on smaller customers. T-Systems will concentrate on four sales channels to ensure the most effective way to serve customers and to handle customers request fast and satisfying. These channels are

- Direct Sales
- Online Channel
- Tele Sales
- Partner Sales.

The sales approach will be complemented through an adequate and focused product portfolio. This portfolio will be characterised by reduced complexity within telecommunication products, usage of IT standard products and last but not least focus on ICT innovations.

ICT Operations

T-Systems delivers products and services through the ICT Operations where telecommunications- and IT-operations are concentrated. Consequently T-Systems offers end-to-end services and service delivery with one single point of customer interaction.

TC Operations is responsible for planning, building and operating T-Systems' global telecommunications service-generating platforms and its customers' LAN and WAN networks. TC Operations is also responsible for quality and process management, as well as external procurement of telecommunications services for T-Systems.

IT Operations provides ICT solutions to support business processes accordingly. This service unit supplies customers with workstations, service and maintenance functions, operates data centers, and provides systems and applications necessary to support or completely take over a customer's operations.

Systems Integration

Systems Integration develops, integrates and manages customised ICT solutions for customers, including industry specific, as well as industry independent, solutions with a strong focus on expanding business based on global delivery capabilities. Its strategic imperatives within these contexts are:

- Significant increase of offshore capabilities
- Increase of global presence at its customer sites
- Expand of its vertical portfolio

March 2008, T-Systems, and global IT services provider, Cognizant (NASDAQ: CTSI), announced that they have entered into a truly global Systems Integration alliance. The alliance is primarily aimed at catering to European corporations with global delivery requirements for system integration services. This unique partnership – between a global delivery IT powerhouse and a European giant – will enable customers to leverage the benefits of global delivery.

The partnership combines the onsite and offshore expertise of T-Systems and Cognizant across industry segments with an enhanced geographical footprint, a broader range of service offerings, and greater access to the best global talent. The new alliance will draw upon a combined talent base of over 110,000 employees worldwide, comprising more than 40,000 employees working offshore. Expanded operations in key geographies – Europe, Americas and Asia – are expected to significantly augment the growth of the two companies. As part of the new business partnership, T-Systems India and its approximately 1150 employees will be transferred to Cognizant, subject to appropriate regulatory clearance.

By harnessing the onsite, near-shore and offshore strengths of T-Systems and Cognizant, the partnership will facilitate the adoption of a global services delivery model in and beyond Europe that will enable the customers to save costs through labor arbitrage and drive business transformation and innovation through a powerful front-end deeply rooted in the local business environment. The two companies will provide customers with the synergy of local business power – business culture, language capabilities and operating philosophy – and global resources.

Media & Broadcast

Media & Broadcast primarily provides terrestrial television and radio network broadcast services, which include the planning, installation, maintenance, troubleshooting and operation of terrestrial television and radio transmission equipment. Media & Broadcast was sold to Télédiffusion de France for EUR 850 million on 15 January 2008.

Detecon

Detecon offers its customers integrated management and technology consulting. Detecon operates worldwide and focuses on consulting for the telecommunications market. Detecon markets its services separately from the Business Services and Enterprise Services business units.

Service Offerings Portfolio

A significant recent trend in the IT and telecommunications markets is the emergence of a combined ICT market, which is driven primarily by customer requirements and technological advances. The primary advantages of this combined market are more effective and efficient solutions and incident management in complex IT and telecommunications infrastructures, including one single service agreement for all ICT services.

It is the goal of T-Systems to become a European-based ICT leader for multinational companies, and an ICT leader for mid-market companies in Germany. T-Systems is continuing the process of aligning its operations to provide combined IT and telecommunications services more effectively, through improved service management, and solutions development.

Here we are referring to Real ICT services with a high percentage of network-dependent components. An example of this type of ICT service is SAP Dynamic Computing, which enables the usage-independent access to SAP applications that are provided and serviced by the provider and are made available to the customer via a network connection - whenever the customer needs them. Comprehensive services and capabilities, from application operations to state-of-the-art network expertise, are required on the part of an ICT provider.

What's really new is the approach of providing customers with so-called "end-to-end service level guarantees" – from end-devices and local networks (DSS) to TC networks all the way to data centers with servers, storage, and application operation. This way T-Systems can guarantee comprehensive availability to its customers as opposed to providing individual guarantees for desktop, network and server capability. Also new is the fact that, based on the above, it is possible to bring together the service levels with the customer's business processes for the first time. For example, for customers in the Mobile communication business T-Systems no longer only guarantees the availability of the individual components or the availability of services for various components, but rather it now guarantees the cycle time of the "Activation of a SIM card" process.

T-Systems has the technical capabilities in IT and TC, it already has world-class economies of scale in its platforms today – i.e., quantities and volumes – and it has made great progress in the past 24 months in globalising its platforms, i.e., in being able to provide its services globally. T-Systems has a great opportunity to use these IT and TC capabilities to offer customers something new, namely, "network-centric ICT". The main idea behind this is to be able to offer the customers cost advantages through the integration of IT and TC but also primarily increased quality, productivity improvement and new services. T-Systems truly can offer IT and TC solutions from one source - and it is unique in this.

Seasonality

The revenues of the Business Customers operating segment are not materially affected by seasonal variations. However, its revenues may be subject to quarterly fluctuations depending on sales cycles (currently ranging between six and 18 months) and the purchasing patterns and resources of its customers, which are subject to general economic conditions and, therefore, difficult to predict. Accordingly, revenues received in a particular quarter may not be indicative of future revenues to be received in any subsequent quarter.

Suppliers

The principal goods and services purchased by T-Systems are computer hardware for client servers and mainframes, operating systems and applications software, network capacity, network services, telecommunications network components and IT consulting services. Business Customers manages the risks in the supplier relationships, as well as the risks associated with quality and cost considerations, on behalf of its customers. Deutsche Telekom does not believe that Business Customers is dependent on any single supplier.

Dependence on Intellectual Property

Deutsche Telekom does not believe that the Business Customers operating segment is dependent on any individual patents, licenses or industrial, commercial or financial contracts. However, Business Customers is subject to third-party software licenses in connection with the services it provides to its customers. Any breach, violation or misuse of third-party software licenses could result in additional costs with respect to the particular projects that are the subject of such licenses.

Dependence on Material Contracts

Business Customers intends to become less dependent on internal customers (*i.e.*, other Deutsche Telekom Group companies) and to improve its market position with respect to external customers. In 2007, the other Deutsche Telekom Group companies accounted for approximately 25.2% of Business Customers' total revenues, compared to 27.7% in 2006 and 29.0% in 2005. No other customer accounted for a significant portion of Business Customers' total revenues in 2007.

Competition

T-Systems operates in markets that are subject to intense competitive pressures, and the overall market has been characterised by consolidation and increased concentration during the past year. T-Systems faces a significant number of competitors, ranging in size from large IT and telecommunications providers to an increasing number of relatively small, rapidly growing and highly specialised organisations. T-Systems believes that its combination of ICT service and solutions, performance, quality, reliability and price are important factors in maintaining a strong competitive position.

T-Systems holds different market positions (based on total revenues) in different regions of the world. In Germany, T-Systems believes it is still the market leader in 2007 in the IT and telecommunications areas. In Western Europe, T-Systems was one of the five largest vendors in 2007, together with IBM Global Services, Accenture, CapGemini, and HP Services with respect to IT services including intersegment revenues of T-Systems, and one of the four largest companies, together with BT Global Services, France Télécom and Telefónica, in the telecommunications industry. Globally, T-Systems ranked among the top 20 IT and telecommunications companies. T-Systems' global IT competitors include IBM Global Services, EDS, Fujitsu Services, HP Services, Accenture, CSC, Atos Origin and Capgemini. In the telecommunications area, T-Systems competes globally with AT&T (Business), Verizon (Business), NTT, France Télécom (Enterprise) and BT Global Services.

Competition in the telecommunications markets in which T-Systems competes is very intense, both in Germany and globally. The market is characterised by substitution of legacy services (voice and data) by IP and mobile services and by strong pricing pressures. The competitive landscape over the past several years has been characterised by market participants attempting to reduce their indebtedness and increase their profitability through strategic refocusing and concentration on IP services, fixed-mobile convergence and network-centric ICT solutions. Additionally, consolidation (primarily in the U.S. market) in the ICT market has increased the competitive landscape. T-Systems expects this strategic refocusing to continue in 2008 and therefore expects similarly fierce competition.

Competition is also intense in the information technology area. The current market is characterised by strong pricing pressures, reduced customer IT budgets, prolonged customer sales cycles and aggressive competition from offshore providers. As a result of these competitive pressures, many companies, including T-Systems, are attempting to maintain or expand market share through improved productivity, cost-cutting and efficiency measures. This situation has also led to a consolidation in the IT sector, which T-Systems expects to continue for the foreseeable future. In addition, T-Systems expects that the global IT services markets recovery will continue in 2008, but competition will likely remain intense.

Group Headquarters and Shared Services

General

Group Headquarters and Shared Services perform strategic and cross-divisional management functions for the Deutsche Telekom Group. Group Headquarters functions include those performed by many of Deutsche Telekom's central departments, such as treasury, legal, accounting and human resources. Operating functions not directly related to the core businesses of Deutsche Telekom's operating segments are considered shared services functions. These functions also include, among others, the management and servicing of the real estate portfolio (primarily within Germany), fleet management and Vivento. Since the beginning of 2007, Group Headquarters and Shared Services have also included the shared services and headquarters functions of Magyar Telekom. Although many of the Group Headquarters and Shared Services functions are legally part of Deutsche Telekom AG, Deutsche Telekom manages Group Headquarters and Shared Services as though it were a separate legal entity.

Principal Activities

The real estate unit is, based on total and net revenues, the largest shared service within Group Headquarters and Shared Services. The real estate unit is responsible for managing Deutsche Telekom's real estate portfolio, renting commercial real estate and providing facility management services for the Group, primarily in Germany. The real estate operations are conducted through various subsidiaries and affiliates and include:

- the internal and external Group leasing and rental business;
- the power supply and air conditioning solutions business related to the telecommunications facilities;
- facility management services;
- real estate management for Magyar Telekom and Slovak Telekom, as well as third parties in Hungary and Slovakia; and
- the operation, management and servicing of the radio transmission sites, such as the radio towers and transmitter masts in Germany (primarily used in mobile, radio and satellite communications, as well as for television broadcasting).

In the second quarter of 2007, Deutsche Telekom sold its remaining minority stake in Sireo Real Estate Asset Management GmbH of 25.1% to a former co-shareholder, Corpus Immobiliengruppe GmbH & Co. KG.

Vivento was established in 2002 with the goal of efficiently implementing Deutsche Telekom's staff restructuring measures in a socially responsible manner. Through Vivento, displaced workers are retrained and equipped with new employment qualifications for permanent redeployment within the Deutsche Telekom Group or with external employers, or for project and temporary assignments. In addition to individual placements, Vivento staffs major projects and workforce-intensive operations and services. To create further employment opportunities, Vivento operates its own business lines. At the beginning of 2004, Vivento commenced providing call center services primarily to some of the Group companies and, to a lesser extent, to third parties. These call center operations consist of a portion of the former call center operations of Broadband/Fixed Network, as well as those of Vivento Customer Services GmbH, which was established in the first quarter of 2004.

Vivento Customer Services provides customer-relationship services, including call center and back-office services, within the Group as well as to third parties. As of 31 December 2007, Vivento Customer Services employed approximately 2,600 people. In addition, approximately 900 people from Vivento were employed by Vivento Customer Services on a temporary basis as of that date. In the first quarter of 2007, Deutsche Telekom sold seven call center locations of Vivento Customer Services, including a total of approximately 1,200 jobs, to external companies. As of 1 April 2007, two call center locations were transferred to walter services ComCare. Five call center locations were transferred to the arvato group as of 1 May 2007. At the beginning of 2008, Deutsche Telekom sold five additional call center locations of Vivento Customer Services to the arvato group. The transfer of these call centers and the approximately 600 employees associated with them will be effective as of 1 March 2008.

In July 2004, Vivento set up a further business line by establishing Vivento Technical Services GmbH, which offers installation and after-sales services in the field of technical infrastructure within and outside the Group. As of 31 December 2007, Vivento Technical Services had approximately 1,900 employees, and a further 300 were temporary staff from Vivento. In October 2007, Deutsche Telekom and Nokia Siemens Networks signed a strategic partnership agreement, an essential part of which is the transfer of operations of Vivento Technical Services to Nokia Siemens Networks as of 1 January 2008. In connection with the transfer of operations, approximately 1,600 employees were transferred to Nokia Siemens Networks.

During 2007, approximately 1,700 of Deutsche Telekom's employees were transferred to Vivento. As of 31 December 2007, a total of approximately 38,600 employees have been transferred to Vivento since its creation. Approximately 70% of these employees were transferred from Broadband/Fixed Network, both as part of Broadband/Fixed Network's programme to increase its efficiency, and through the transfer of some Broadband/Fixed Network operations to the Vivento business lines. The remaining transferred employees were either apprentices who had finished their professional training

within the Group, but had not obtained full-time employment, or came from the other Deutsche Telekom operating segments.

At 31 December 2007, a total of approximately 28,300 employees had left Vivento since its formation, of which approximately 5,000 left during 2007. About 77% of these employees were external placements. As of 31 December 2007, approximately 10,200 employees were in Vivento, of which approximately 600 were permanent staff, approximately 5,200 were employees of the Vivento business lines and approximately 2,900 were engaged on a temporary or contract basis within or outside of the Group.

In 2008, Vivento will focus on Deutsche Telekom's capacity management programme in order to support further staff restructuring measures within the Deutsche Telekom Group. This programme intends to create further external employment opportunities, especially for civil servants in the public sector.

The following table provides information regarding Vivento's employee structure and movements for the periods presented:

	2007 ⁽¹⁾	2006 ⁽¹⁾	2005 ⁽¹⁾
Number of employees transferred to Vivento...	1,700	2,700	2,400
Number of employees that have left Vivento....	5,000	4,400	6,100
Total number of employees in Vivento as of year-end	10,200	13,500	15,300
of which: Operational staff of Vivento.....	600	700	700
of which: Number of employees in business lines	5,200	7,200	7,200

(1) Figures have been rounded to nearest 100.

Deutsche Telekom's fleet management company, DeTeFleetServices GmbH, provides fleet management and mobility services, with approximately 42,000 vehicles provided to the Group companies and affiliates within Germany. DeTeFleetServices also generates net revenues from third parties through its sale of used fleet vehicles and, to a limited extent, through fleet management services to third parties. The majority of third party customers are former affiliates of Deutsche Telekom that were sold.

The Central Treasury department is primarily responsible for cash management, investments in securities, leasing arrangements and the refinancing of indebtedness through a variety of financial arrangements, including, among other things, bank loans and other credit arrangements. Furthermore, this unit is responsible for the issuance of debt in the international capital markets, the handling of payments and clearing transactions, and foreign exchange and hedging activities.

T-Venture Holding GmbH is also included in Group Headquarters and Shared Services. T-Venture's mission is to scout new products, technologies and services and to acquire access to them on our behalf. Accordingly, a central corporate fund has been established for this purpose, in addition to the individual investments that can be made by our operating segments.

The Telekom Training unit is responsible for providing professional training and qualification services for our employees within Germany. This unit also provided training for approximately 10,400 apprentices during 2007.

Group Headquarters and Shared Services also includes the establishment and maintenance of international intellectual property rights for the Deutsche Telekom Group, including all Telekom brands.

Group strategy

The Deutsche Telekom group's "Focus, fix and grow" strategy is being implemented successfully throughout the group companies.

Deutsche Telekom faces disparate market and competitive scenarios. While the markets for traditional fixed network and mobile communications are becoming increasingly saturated throughout Europe, Deutsche Telekom still believes there is potential growth in other areas, including the broadband

market, mobile Internet use and the mobile communications market in the United States. However, this potential for growth could be adversely affected by a deteriorating economic situation. Deutsche Telekom has responded to these challenges with its "Focus, fix and grow" strategy that focuses on four areas:

- Improve competitiveness in Germany and Central and Eastern Europe
- Grow abroad with mobile communications
- Mobilise the Internet and the Web 2.0 trend
- Roll out network-centric ICT

Improve competitiveness

Deutsche Telekom continues to promote the development of the broadband market. Efforts are focused on the Mobile Communications operating segments with the expansion of UMTS and HSDPA, and the Broadband/Fixed Network operating segment with the continued roll-out of DSL and VDSL coverage. This high-speed network provides a telecommunications infrastructure that offers not only voice telephony and broadband Internet, but also high-definition television (HDTV) with interactive potential. The success of this broadband initiative depends on the ability to offer attractively priced products and exceptional customer service.

Deutsche Telekom has significantly improved its customer orientation by simplifying the consumer brand structure. T-Home represents products and services for the home and T-Mobile covers products and services used on the move. Additionally, Deutsche Telekom has launched product offerings aimed at price-sensitive customers, particularly through the introduction of its congstar brand in Germany and a highly flexible product portfolio.

Sales and customer service have also been improved. During 2007, Deutsche Telekom expanded the sales network through the newly branded Telekom Shops. Additionally, the reorganisation of the call center, technical customer service and technical infrastructure activities into three independent service companies in June 2007 enabled it to improve service and sales and also improve cost structures.

Given the expected continuing competition in several of our markets, it is imperative that Deutsche Telekom continues to adjust the cost structures. The "Save for Service" savings program slightly exceeded the target of EUR 2 billion in savings in 2007. Deutsche Telekom's completely IP-based network infrastructure, which will be expanded in the coming years, is expected to contribute significantly to this savings program. Full interoperability between fixed and mobile networks is a key advantage of such an infrastructure.

Grow abroad with mobile communications

Deutsche Telekom's international revenue accounted for more than 50% of total revenue in 2007. T-Mobile USA remained the main growth driver for Deutsche Telekom's international mobile communications business. The acquisition of SunCom, a mobile communications company active in the southeastern United States and in the Caribbean, is expected to result in an expansion of the customer base and a significant increase in mobile communications coverage. By acquiring Orange Nederland in October 2007, Deutsche Telekom has become the number two mobile communications company in the Dutch mobile market in terms of customer market share.

Deutsche Telekom intends to continue to leverage international economies of scale and synergies, and thus grow further in its international markets. This may entail consolidation in existing markets, where this is feasible and worthwhile, and also may involve markets where Deutsche Telekom does not currently operate.

Mobilise the Internet and the Web 2.0 trend

The key trends in the industry are mobile Internet access, Web 2.0, where users play an active role in influencing and shaping Internet content, and personal, social, and business networking between users. Deutsche Telekom believes that these trends represent a growth opportunity for it, including its web'n'walk service, which provides mobile access to the Internet. The Apple iPhone, which T-Mobile launched in Germany in November 2007 as the exclusive distributor, also reinforces this trend toward mobile Internet usage since all iPhone calling plans include a data flat rate.

In order to advance the trends towards the individualisation of personal communication and the use of social networks, Deutsche Telekom is turning inward and outward for development and partnering. T-Mobile added new functionalities to the web'n'walk service in 2007, providing even faster mobile access to e-mails and to users' favorite websites and Internet services such as eBay, Windows Live, Google, and Yahoo!. The innovative MyFaves service addresses the growing customer need for easy-to-use contacts in their personalised networks. T-Mobile USA had already rolled out this service in the market. T-Mobile Deutschland introduced MyFaves in October 2007. Deutsche Telekom's website products now offer Web 2.0 functionalities, such as the ability to integrate up-to-date information from other websites as RSS feeds and podcasts.

In May 2007, the T-Online Venture Fund invested in Jajah, a web telephony start-up, opening up the prospect of future synergies and market opportunities. Such opportunities are expected to develop in both the mobile and fixed network businesses, as well as in the online segment, particularly with social networking. Deutsche Telekom also integrated numerous popular Internet services into its Internet portal, such as Wikipedia, Lycos IQ, Webnews, Mister Wong and moviepilot.de.

Roll out network-centric ICT

While margins in the telecommunications sector for business customers are shrinking, the information technology (IT) market is growing. The continuing convergence of IT and telecommunications is the driving force behind the growth of network-centric ICT. This area primarily includes IP-based network services and all network-based IT services. Deutsche Telekom is focusing on business with large corporate accounts and mid-sized business customers. The next steps to continue implementation of the ICT strategy have also been defined. IT and telecommunications production is to be combined in a single organisational unit within T-Systems. The new structure provides superior conditions for modularising production in terms of building solutions that can be used again, thus helping improve T-Systems' competitiveness. T-Systems is also looking for a partner for certain divisions such as Systems Integration. The appointment of Mr. Reinhard Clemens to the Group Board of Management in December 2007 enabled Deutsche Telekom to further consolidate its position by drawing on the services of a renowned expert in international IT markets who will advance the further development of T-Systems.

Deutsche Telekom's strategies may, of course, be adapted and changed to respond to opportunities and changing conditions. As reported in past years, Deutsche Telekom may embark on capital expenditure programs and pursue acquisitions, joint ventures or full or partial dispositions or combinations of businesses where it perceives opportunity for profitable growth, cost savings or other benefits for the group. Transactions may be conducted using newly issued shares of Deutsche Telekom or shares of affiliates, cash or a combination of cash and shares, and may individually or in the aggregate be material to Deutsche Telekom's financial and business condition or results. As a result, they may affect the market trading prices of our securities. As in the past, discussions with third parties in this regard may be commenced, on-going or discontinued at any time or from time to time.

Significant Subsidiaries

The following table shows the significant subsidiaries that Deutsche Telekom owned, directly or indirectly, as of 31 December 2007. The revenues of these companies, together with Deutsche Telekom AG, account for more than 90% of Deutsche Telekom Group's revenues.

Name and registered office	% Held
T-Mobile USA, Inc. (" T-Mobile USA "), Bellevue, Washington, United States ⁽¹⁾	100.00
T-Mobile Deutschland GmbH (" T-Mobile Deutschland "), Bonn, Germany ⁽²⁾	100.00
T-Systems Enterprise Services GmbH (" Enterprise Services "), Frankfurt am Main,	100.00

<u>Name and registered office</u>	<u>% Held</u>
Germany	
T-Systems Business Services GmbH (" Business Services "), Bonn, Germany	100.00
T-Mobile Holdings Ltd. (" T-Mobile UK "), Hatfield, United Kingdom ⁽¹⁾	100.00
Magyar Telekom Nyrt. (" Magyar Telekom "), Budapest, Hungary ⁽³⁾	59.30
PTC, Polska Telefonia Cyfrowa Sp. z o.o. (" PTC "), Warsaw, Poland ⁽²⁾	97.00
T-Mobile Netherlands Holding B.V. (" T-Mobile Netherlands "), The Hague, The Netherlands ⁽¹⁾	100.00
HT-Hrvatske telekomunikacije d.d. (" T-Hrvatski Telekom "), Zagreb, Croatia	51.00
T-Mobile Austria Holding GmbH (" T-Mobile Austria "), Vienna, Austria ⁽⁴⁾	100.00
T-Mobile Czech Republic a.s. (" T-Mobile Czech Republic "), Prague, Czech Republic ⁽⁵⁾	60.77
Slovak Telekom a.s. (" Slovak Telekom "), Bratislava, Slovakia.....	51.00
T-Systems GEI GmbH, Aachen, Germany ⁽⁶⁾	100.00

(1) Indirect shareholding via T-Mobile Global Holding GmbH, Bonn

(2) Indirect shareholding via T-Mobile International AG, Bonn

(3) Indirect shareholding via MagyarCom Holding GmbH, Bonn

(4) Indirect shareholding via T-Mobile Global Holding Nr. 2 GmbH, Bonn

(5) Indirect shareholding via CMobil B.V., Amsterdam

(6) Indirect shareholding via T-Systems Enterprise Services GmbH, Frankfurt am Main

Administrative, Management and Supervisory Bodies

Management

In accordance with German law, Deutsche Telekom has both a Supervisory Board (*Aufsichtsrat*) and a Board of Managing Directors (*Vorstand*). These Boards are separate; no individual may be a member of both. The Supervisory Board appoints the members of the Board of Managing Directors and supervises the activities of this Board. The Board of Managing Directors represents Deutsche Telekom and is responsible for its management.

The **Board of Management** consists of

René Obermann	Chairman of the Board of Management
Dr. Karl-Gerhard Eick	Board member responsible for Finance, Deputy Chairman of the Board of Management
Thomas Sattelberger	Board member responsible for Human Resources (since 3 May 2007)
Timotheus Höttges	Board member responsible for T-Com and Sales & Service
Hamid Akhavan	Board member responsible for T-Mobile, Product development and Innovation
Reinhard Clemens	Board member responsible for Business Customers (since 1 December 2007)

The **Supervisory Board** consists of the following members:

Shareholder representatives:

Dr. Hubertus von Grünberg	Serves on several supervisory boards, including as Chairman of the Supervisory Board, Continental Aktiengesellschaft, Hanover
Lawrence H. Guffey	Senior Managing Director, The Blackstone Group International Ltd., London
Ulrich Hocker	Manager in Chief, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Düsseldorf
Ingrid Matthäus-Maier	Chairwoman of the Board of Managing Directors, KfW Bankengruppe, Frankfurt am Main
Dr. Thomas Mirow	State Secretary, Federal Ministry of Finance, Berlin
Dr. Arndt Overlack	Lawyer
Prof. Dr. Wolfgang Reitzle	Chairman of the Executive Board, Linde AG, Wiesbaden
Prof. Dr. Wulf von Schimmelmann	Former Chairman of the Board of Management, Postbank AG, Bonn
Dr. Klaus G. Schlede	Member of the Supervisory Board, Deutsche Lufthansa AG, Köln; Chairman of the Supervisory Board, Deutsche Telekom AG
Bernhard Walter	Former Chairman of the Board of Managing Directors, Dresdner Bank AG, Frankfurt am Main

Employee representatives:

Hermann-Josef Becker	Member of the management Deutsche Telekom Direct Sales and Consulting as well as Chairman of the Group Executive Staff Representation Committee and Executive Staff Representation Committee, Deutsche Telekom AG, Bonn
Monika Brandl	Chairwoman of the Central Works Council at Headquarters/GHS, Deutsche Telekom AG, Bonn
Josef Falbisoner	Chairman of the District of Bavaria ver.di trade union
Lothar Holzwarth	Chairman of the Central Works Council, T-Systems Business Services GmbH, Bonn
Sylvia Kühnast	Expert consultant to the Central Works Council, T-Mobile Germany, Hanover
Waltraud Litzenberger	Deputy Chairwoman of the Group Works Council, Deutsche Telekom AG, Bonn
Michael Löffler	Member of the Works Council, Deutsche Telekom AG, Networks Branch Office, Dresden
Lothar Schröder	Member of the ver.di National Executive Board, Berlin
Michael Sommer	Chairman of the German Confederation of Trade Unions (DGB), Berlin
Wilhelm Wegner	Chairman of the Group Works Council and the European Works Council, Deutsche Telekom AG, Bonn

The members of the Board of Managing Directors accept membership on the Supervisory Boards of other corporations within the limits prescribed by law.

The business address of each member of the Board of Managing Directors of Deutsche Telekom is Friedrich-Ebert-Allee 140, 53113 Bonn, Germany.

There are no potential conflicts of interest of the members of the Board of Managing Directors and the members of the Supervisory Board of Deutsche Telekom between their respective duties to Deutsche Telekom and their private interests or other duties.

The Supervisory Board maintains an Audit Committee which is responsible for oversight of accounting and risk management, auditor independence, questions regarding the issuing of the audit mandate to the auditors, the determination of auditing focal points and the fee agreement with the auditors following approval of the auditors by the shareholders, and matters that the audit committee of a NYSE-listed foreign private issuer is required to be responsible for pursuant to U.S. Securities and Exchange Commission (the "**SEC**") and NYSE regulations and under U.S. law, including the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"). The current members of the Audit Committee are Dr. Klaus G. Schlede (Chairman), Hermann Josef Becker, Lawrence H. Guffey, Lothar Schröder, Bernhard Walter and Wilhelm Wegner. The Audit Committee met four times in 2007.

Corporate Governance

Deutsche Telekom is obligated under German law to declare compliance and non-compliance with the Deutscher Corporate Governance Kodex (the "**German Corporate Governance Code**") at least once per year. The relevant declaration and the text of the German Corporate Governance Code are published in the English language on Deutsche Telekom's World Wide Web site, accompanied by a short description of the German corporate governance concept.

On 6 December 2007, the Supervisory Board and the Management Board declared that, in the periods since submission of last year's declaration of conformity pursuant to Section 161 of the Stock Corporation Act on 11 December 2006, the Company had complied without exception with the recommendations of the Government Commission for a German Corporate Governance Code announced by the Federal Ministry of Justice on 24 July 2006 in the official section of the electronic Federal Gazette.

In the Company's declaration of conformity, the Supervisory Board and the Management Board further declare that the Company complies with the recommendations of the Government Commission for a German Corporate Governance Code published by the Federal Ministry of Justice on 20 July 2007 in the official section of the electronic Federal Gazette, without exception.

Deutsche Telekom AG does not impose any limits on the right of its domestic or foreign shareholders to hold its shares.

Major Shareholders

Prior to 1989, Deutsche Telekom was part of Deutsche Bundespost, a state-owned special asset (*Sondervermögen des Bundes*). In 1989, Deutsche Bundespost was divided into three distinct entities—Deutsche Bundespost Telekom, Deutsche Bundespost Postbank and Deutsche Bundespost Postdienst. Deutsche Bundespost Telekom was transformed, effective 1 January 1995, into Deutsche Telekom AG, a private stock corporation, which initially remained wholly owned by the Federal Republic of Germany. Deutsche Telekom's first offering of equity securities to the public was in November 1996, followed by a second offering of equity securities to the public in June 1999. Each of the 1996 and 1999 offerings included U.S. public tranches.

According to information supplied to Deutsche Telekom by the Federal Republic of Germany, at 31 December 2007, the Federal Republic of Germany's direct ownership interest in the Company was 14.83%. KfW, a development bank that is 80% owned by the Federal Republic of Germany and 20% owned by the German federal states, owned 16.87% of the shares at 31 December 2007.

The Federal Republic of Germany administers its shareholdings and exercises its rights as a shareholder of Deutsche Telekom through the German Finance Ministry. In their capacities as shareholders, the Federal Republic of Germany and KfW may exercise only those rights that they have under the Stock Corporation Act and the Articles of Incorporation, which are the same for all of the shareholders.

At present, the Finance Ministry and KfW each have one representative on the Supervisory Board. Additionally, the Finance Ministry has one representative on the supervisory boards of the subsidiaries, T-Systems Enterprise Services GmbH, T-Systems Business Services GmbH and T-Mobile International AG.

The table below sets forth the number of Deutsche Telekom's ordinary shares held by holders of more than 5% of its ordinary shares and their percentage of ownership, based on information supplied to Deutsche Telekom by such holders, as of the dates indicated.

Identity of Person or Group	For the year ended 31 December ⁽¹⁾					
	2007		2006		2005	
	Shares owned	%	Shares owned	%	Shares owned	%
Federal Republic of Germany ⁽²⁾	646,575,126	14.83	646,575,126	14.83	646,575,126	15.40
KfW ⁽³⁾	735,667,390 ⁽⁴⁾	16.87	735,667,390 ⁽⁴⁾	16.87	927,367,390 ⁽⁴⁾	22.09
		<u>31.70</u>		<u>31.70</u>		<u>37.49</u>

(1) Percentages calculated based on total outstanding shares as of the period end, which do not give effect to shares to be delivered in connection with the maturity of certain exchangeable bonds.

(2) Reflects the sale of approximately 300 million shares by the Federal Republic of Germany to KfW in July 2005.

(3) Reflects the transfer by KfW of approximately 22 million Deutsche Telekom shares to institutional KfW bondholders in April 2005.

(4) Of which, approximately 285.3 million shares are subject to transfer to KfW security holders in accordance with the terms of outstanding KfW securities maturing in 2008.

As noted above, KfW is 80% owned by the Federal Republic of Germany. The Federal Republic of Germany has publicly stated its intention to reduce its holdings of Deutsche Telekom shares. Deutsche Telekom does not expect that a reduction in the holdings of the shares by the Federal Republic of Germany or KfW will have a material negative effect on the governance its business.

Based on the share register, as of 27 February 2008, Deutsche Telekom had approximately 1,890,839 registered holders of its ordinary shares, including 1,691 registered holders of its shares with addresses in the United States. As of 31 December 2007, there were 4,361,297,603 total outstanding shares.

As of 27 February 2008, there were 196,505,133 of Deutsche Telekom's ADSs outstanding, with 1,366 holders of record of its ADSs with addresses in the United States and 51 holders of record of its ADSs with addresses outside the United States.

Financial Information Concerning Deutsche Telekom' s assets and liabilities, financial position and profits and losses

Auditing of historical annual financial information

Deutsche Telekom's consolidated financial statements as of and for the years ended 31 December 2006 and 31 December 2007 were prepared in accordance with International Financial Reporting Standards ("IFRS"), in 2006 as adopted by the EU, as well as with the regulations under commercial law as set forth in §315a (1) HGB, and in 2007 as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a(1) HGB (*Handelsgesetzbuch* - German Commercial Code) and as issued by the International Accounting Standards Board. PwC and E&Y audited the mentioned consolidated financial statements. In each case an unqualified auditors' report has been provided.

Selected Financial Information

Deutsche Telekom at a Glance

Financial data of the Group

billions of €	Change compared to prior year (%) ^a	2007	2006	2005
Revenue and earnings				
Net revenue	1.9	62.5	61.3	59.6
Of which: domestic (%)	(3.8)	49.1	52.9	57.4
Of which: international (%)	3.8	50.9	47.1	42.6
Profit from operations (EBIT)	(0.0)	5.3	5.3	7.6
Net profit	(82.0)	0.6	3.2	5.6
Net profit (adjusted for special factors) ^c	(22.0)	3.0	3.9	4.7
EBITDA ^{a, b, c}	3.5	16.9	16.3	20.1
EBITDA (adjusted for special factors) ^{a, b, c}	(0.6)	19.3	19.4	20.7
EBITDA margin (adjusted for special factors) (%) ^a	(0.8)	30.9	31.7	34.8
Balance sheet				
Total assets	(7.3)	120.7	130.2	128.5
Shareholders' equity	(8.9)	45.2	49.7	48.6
Equity ratio (%) ^{a, d}	(1.1)	34.7	35.8	35.5
Financial liabilities (in accordance with consolidated balance sheet)	(7.7)	42.9	46.5	46.7
Net debt ^{a, c}	(5.9)	37.2	39.6	38.6
Additions to intangible assets (including goodwill) and property, plant and equipment	(32.3)	9.1	13.4	11.1
Cash flows				
Net cash from operating activities ^e	(3.6)	13.7	14.2	15.1
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment (in accordance with cash flow statement)	32.1	(8.0)	(11.8)	(9.3)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment (in accordance with cash flow statement)	34.2	0.8	0.6	0.4
Free cash flow (before dividend payments) ^{a, c, f, g}	n.a.	6.6	3.0	6.2
Free cash flow as a percentage of revenue ^a	5.6	10.5	4.9	10.3
Net cash used in investing activities ^e	43.7	(8.1)	(14.3)	(10.1)
Net cash used in financing activities	n.a.	(6.1)	(2.1)	(8.0)
Employees				
Average number of employees (full-time equivalents without trainees/student interns) (thousands)	(1.9)	244	248	244
Revenue per employee (thousands of €) ^a	3.9	256.5	246.9	244.3
T-Share - key figures				
Earnings per share/ADS (basic and diluted) in accordance with IFRS (€) ^h	(82.4)	0.13	0.74	1.31
Weighted average number of ordinary shares outstanding (basic) (millions) ^{h, i}	(0.3)	4,339	4,353	4,335
Weighted average number of ordinary shares outstanding (diluted) (millions) ^{h, i}	(0.3)	4,340	4,354	4,338
Dividend per share/ADS (€)	8.3	0.78 ^l	0.72	0.72
Dividend yield (%) ^k	(0.0)	5.2	5.2	5.1
Total dividend (billions of €)	8.4	3.4 ^j	3.1	3.0
Number of ordinary shares carrying dividend rights (millions) ^{l, m}	0.0	4,340	4,339	4,174
Total number of ordinary shares at the reporting date (millions) ⁿ	0.0	4,361	4,361	4,198

- a Calculated on the basis of millions for the purpose of greater precision. Changes to percentages expressed as percentage points.
- b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortisation and impairment losses.
- c Net profit (adjusted for special factors), EBITDA, EBITDA adjusted for special factors, net debt, and free cash flow are non-GAAP figures not governed by the International Financial Reporting Standards (IFRS). They should not be viewed in isolation as an alternative to profit or loss from operations, net profit or loss, net cash from operating activities, the net debt reported in the consolidated balance sheet, or other Deutsche Telekom key performance indicators presented in accordance with IFRS. For detailed information and calculations, please refer to the section on "Development of business in the Group" of the Group management report in the Company's Annual Report 2007.
- d Based on shareholders' equity excluding amounts earmarked for dividend payments, which are treated as current liabilities.
- e Current finance lease receivables were previously reported in net cash from operating activities. Since the 2007 financial year, they have been reported under net cash from/used in investing activities. Prior-year figures have been adjusted accordingly.
- f Before cash outflows totaling EUR 0.1 billion in 2007 for investments in parts of Centrica PLC taken over by T-Systems UK as part of an asset deal. Figures for 2006 include payments for the acquisition of licenses totaling EUR 3.3 billion; and figures for 2005 include payments for the acquisition of network infrastructure and licenses in the United States totaling EUR 2.1 billion.
- g Since the beginning of the 2007 financial year, Deutsche Telekom has defined free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Prior-year figures have been adjusted accordingly.
- h Calculation of basic and diluted earnings per share in accordance with IFRS as specified in IAS 33, "Earnings per share." The share to ADS ratio is 1:1.
- i Less treasury shares held by Deutsche Telekom AG.
- j Subject to approval by the shareholders' meeting. For more detailed explanations, please refer to Note 13 in the notes to the consolidated financial statements, "Dividend per share."
- k (Proposed) dividend per share divided by the Xetra closing price of the T-Share at the reporting date or on the last trading day of the respective financial year.
- l Less treasury shares held by Deutsche Telekom AG and those shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA/Powertel, are held in trust for later issue and later trading as registered shares and/or American depositary shares (ADSs).
- m Balance at the reporting date.
- n Including treasury shares held by Deutsche Telekom AG.

Legal and arbitration proceedings

Other than set out herein Deutsche Telekom is not, or during the last two financial years has not been involved (whether as defendant or otherwise) in, nor does it have knowledge of any threat of any legal, arbitration, administrative or other proceedings the result of which may have, in the event of an adverse determination, a significant effect on its financial condition presented in this Prospectus.

The companies in the Group are involved in a number of legal proceedings in the ordinary course of their business. In addition, proceedings involving alleged abuse of a market-dominant position by Deutsche Telekom, and alleged antitrust violations, are pending before regulatory and competition law authorities.

Securities and Corporate Law-Related Proceedings

German Prospectus Liability Suits

Since 2001, purported purchasers of Deutsche Telekom's shares sold pursuant to prospectuses dated 25 June 1999, and 26 May 2000, have filed over 2,000 lawsuits in Germany predominantly alleging that the book values of the real property portfolio were improperly established and maintained under German GAAP and that Deutsche Telekom allegedly failed to adequately disclose detailed information relating to merger negotiations between it and VoiceStream Wireless Corporation (the predecessor of T-Mobile USA). In a more recent series of related lawsuits, however, which were mainly filed in May 2003, plaintiffs assert additional allegations, including, among other things, that the purchase price for the U.K. mobile carrier One2One was unreasonably high, that the prospectus did not adequately inform investors about necessary write-offs to goodwill, that Deutsche Telekom's internal mid-term financial plan for 2000-2004 was inaccurate, and that the prospectus did not properly inform investors about the general risks of international expansion, relations with its major shareholder, the Federal Republic of Germany, and the risks of the liberalisation of the German telecommunications market. Further, they allege that Deutsche Telekom's business prospects were described too positively and that the prospectus did not properly inform investors about the price to be paid for a UMTS license to be purchased in an auction in August 2000.

These lawsuits are pending before the District Court (*Landgericht*) in Frankfurt am Main. On 11 July 2006 (with respect to the offering prospectus dated 26 May 2000) and on 22 November 2006 (with respect to the prospectus dated 28 May 1999), the court issued orders for model proceedings (*Vorlagebeschlüsse*) with respect to these lawsuits based on the Act on Model Case Proceedings in Disputes under Capital Markets Law (*Kapitalanleger-Musterverfahrensgesetz*, the "**Capital Markets Model Case Act**") seeking a decision of the Frankfurt Court of Appeals (*Oberlandesgericht Frankfurt am Main*) as to common questions of law and fact with respect to the above-mentioned allegations. The master decision by the Court of Appeals will be binding for all parties in the main proceedings. The aggregate amount of all shareholders' claims filed in Germany in these lawsuits is approximately EUR 79 million. The Frankfurt Court of Appeals announced oral hearings for April and May 2008.

Deutsche Telekom is contesting each of the aforementioned lawsuits vigorously, but it is not in a position to predict the outcome of the lawsuits at this time.

Prospectus Liability Conciliation Proceedings

In addition, many purported shareholders have initiated conciliation proceedings with a state institution in Hamburg (*Öffentliche Rechtsauskunfts- und Antragsstelle der Freien und Hansestadt Hamburg*, the "**OeRA**"), in Deutsche Telekom's view, mainly as an effort to stay the statute of limitations. According to information Deutsche Telekom has received from the OeRA, several thousand shareholders have instituted conciliation proceedings. Deutsche Telekom expects the claims made in these conciliation proceedings to be analogous to those made in the prospectus liability lawsuits described above. Deutsche Telekom's participation in these conciliation proceedings would be voluntary, and it has declined to participate. The OeRA has already closed a number of the proceedings because of the lack of participation of either or both parties, and Deutsche Telekom expects that the remaining procedures will also be closed. However, upon the closing of the conciliation proceedings, the statute of limitations with respect to the time within which to bring a civil action is stayed for six months. A number of applicants have already filed civil proceedings, and Deutsche Telekom expects that a substantial number of additional applicants will file lawsuits analogous to those made in the prospectus liability lawsuits described above.

Reimbursement Proceedings against the Federal Republic of Germany and KfW

In December 2005, Deutsche Telekom filed lawsuits against the Federal Republic of Germany and KfW for the reimbursement of expenses in connection with a June 2000 offering of its shares, in the amount of approximately EUR 112 million. It claims that the Federal Republic of Germany and KfW are obliged to reimburse Deutsche Telekom for legal expenses and settlement costs that it incurred in connection with the resolution of U.S. class action lawsuits relating to that offering. The claim includes a demand for reimbursement of the D&O insurers in the aggregate amount of EUR 46 million. In June 2007, the District Court in Bonn held that the claim is justified on the merits. However, all parties have filed appeals against various aspects of the decision. A hearing with respect to the appeal was scheduled for 10 April 2008. Both, claimant and defendant have now another possibility to present additional statements to the court. A decision on the issue is not expected prior to October 2008.

PTC Proceedings

In December 2000, T-Mobile Deutschland GmbH commenced arbitration proceedings in Vienna, Austria, against Elektrim S.A. ("**Elektrim**") and Elektrim Telekomunikacja Sp. z o.o. ("**Telco**") claiming that Elektrim and Telco breached the terms of the deed of formation and the shareholders' agreement of PTC by transferring all but one of Elektrim's shares in PTC to Telco, a limited company under Polish law in which each of Elektrim and Vivendi S.A. ("**Vivendi**") had a shareholding of 49% (with another company, Ymer, holding the remaining 2%). In particular, T-Mobile Deutschland claimed that:

- the transfer of the shares required the approval of PTC's supervisory board;
- the shareholders' agreement permitted only the transfer of a party's entire interest; and
- the consent of the Polish Ministry of Telecommunications to the transfer was required but not obtained.

In November 2004, the arbitration tribunal ruled that the transfer of the PTC shares to Telco was invalid and that if Elektrim could not recover those shares within two months, this shall be deemed to be a material default, which under the PTC shareholders' agreement would give rise to a call option in

favor of T-Mobile Deutschland over Elektrim's shares at a price equal to their book value. Because Elektrim, in Deutsche Telekom's opinion, did not recover these shares within the two-month period, T-Mobile Deutschland provided notice of exercise of its call option on such shares upon expiration of this two months period. Elektrim disputed the validity of the exercise of this call option and claimed it recovered the shares within the two-month period set by the tribunal. As a result, Deutsche Telekom initiated further arbitration proceedings against Elektrim, seeking a declaration that it had validly exercised the call option, and as a result had acquired the shares that Elektrim owned. In two decisions of a Vienna arbitration tribunal (dated 6 June and 2 October 2006), it was held that T-Mobile Deutschland validly exercised the call option and acquired the disputed shares with effect as of 15 February 2005, upon payment of the then book value and provision of an undertaking to pay any additional purchase price the tribunal might award to Elektrim. As consideration for the additional 48% of the shares in PTC, T-Mobile Deutschland has paid approximately EUR 0.6 billion to date. Further payments relating to the acquisition of PTC shares from Elektrim will be required to be made as determined by pending legal proceedings.

Telco brought actions for nullification of the awards of the arbitration tribunal of November 2004. On 20 December 2005, a commercial court in Vienna partially nullified the decision of the arbitration tribunal of November 2004 that the transfer of PTC shares to Telco was invalid. However, a subsequent appeal against this decision by Elektrim and T-Mobile Deutschland before the Vienna Court of Appeals was successful and subsequently confirmed by the Austrian Supreme Court. Accordingly, in Deutsche Telekom's view the ruling of the arbitration tribunal can no longer successfully be challenged or nullified. In December 2007, Telco, and two small PTC shareholder entities (Carcom and Autoinvest) controlled by Vivendi filed a claim with the Austrian courts seeking a declaration to nullify the award. In Deutsche Telekom's view, this remedy is not available, since annulment proceedings are the exclusive remedy to set aside an arbitral award under Austrian law.

On 12 September 2006, Telco, Carcom and Autoinvest also brought annulment proceedings in the Commercial Court in Vienna against the two awards regarding T-Mobile Deutschland's call option, dated 6 June and 2 October 2006. These proceedings are still pending. Deutsche Telekom's position is that, among other things, the plaintiffs do not have standing to bring such proceedings.

Elektrim and T-Mobile Deutschland sought recognition of the November 2004 arbitration ruling before the Polish courts, which recognition was granted by the Warsaw court of first instance on 2 February 2005. On 29 March 2006, the Warsaw Court of Appeals confirmed the lower court decision recognising the Vienna arbitration award of November 2004 as binding and enforceable in Poland. The Warsaw Court of Appeals thus gave full effect to the November 2004 Vienna arbitration ruling. This decision has been subject to a further appeal by Telco to the Polish Supreme Court, which sent the case back to the court of first instance to be reconsidered on the basis of a procedural error made by the Warsaw court of first instance. T-Mobile Deutschland seeks the reaffirmation of the recognition ruling in these further proceedings.

Other litigation among the parties, including Vivendi, Elektrim and Telco continues. In particular, in April 2005, T-Mobile International AG (formerly T-Mobile International AG & Co. KG) and Deutsche Telekom AG were served with a complaint filed by Vivendi with the Tribunal de Commerce de Paris seeking a declaratory judgment on the basis of allegations that that contractual negotiations with Vivendi had been maliciously terminated in September 2004, and seeking damages in the amount of approximately EUR 3.9 billion. The court dismissed the claims on 18 March 2008. Additionally, Telco initiated tort actions in the Warsaw court of first instance against, among others, six employees of Deutsche Telekom and affiliated companies who were nominated to, or have acted as nominees of T-Mobile Deutschland and its affiliates in, the governing bodies of PTC, T-Mobile Deutschland and T-Mobile Poland Holding No. 1 B.V. ("**T-Mobile Poland Holding**") claiming 3 million Polish zloty (approximately EUR 0.8 million), and an additional as yet undetermined amount, in damages.

In February 2006, Deutsche Telekom was informed that Telco had filed a lawsuit before the District Court in Warsaw, seeking to exclude T-Mobile Deutschland, T-Mobile Poland Holding and Polpager Sp. z o.o. ("**Polpager**") from ownership in PTC and to obtain summary relief freezing T-Mobile Deutschland's shareholder rights. Such summary relief was not granted.

On 21 August 2007, Elektrim was declared bankrupt with the possibility of reorganisation. On 26 November 2007, T-Mobile Deutschland filed its claims as well as alternative claims of T-Mobile Poland Holding, Polpager and PTC that had been transferred to T-Mobile Deutschland on a fiduciary basis against Elektrim in the aggregate amount of approximately 14.2 billion Polish zloty

(approximately EUR 3.9 billion). These damage claims relate to interference by TelCo, which was supported by Elektrim at that time, in the business of PTC. The same damages have alternatively been asserted against TelCo in civil proceedings which T-Mobile Deutschland initiated in Polish courts and which are still pending.

In addition, T-Mobile Deutschland initiated arbitration proceedings before the Vienna Arbitration Tribunal against Vivendi, Carcom and Autoinvest in 2007 seeking a damage award in excess of EUR 1.2 billion for damages incurred by T-Mobile Deutschland as a result of Vivendi's tortious interference with its rights as a PTC shareholder and Carcom's and Autoinvest's breaches of the PTC Deed of Formation and the Shareholders' Agreement. Deutsche Telekom also initiated separate arbitration proceedings against Carcom and Autoinvest, seeking a declaration that Carcom and Autoinvest are both in material default under the Shareholders' Agreement.

On 13 April 2006, Vivendi and certain affiliated companies filed arbitration proceedings against Deutsche Telekom AG, T-Mobile International, Elektrim, Telco and other defendants with the International Chamber of Commerce in Paris, France (with the place of arbitration located in Geneva, Switzerland), alleging a breach of an asserted oral contract that purportedly caused Vivendi to incur damages in an amount of more than EUR 3 billion. The Vivendi claimants allege that they and the defendants had reached an oral agreement to end, among other things, all legal disputes concerning the equity interests in PTC. A hearing with respect to this proceeding is scheduled for September 2008.

On 23 October 2006, T-Mobile USA, Inc., T-Mobile Deutschland, T-Mobile International and Deutsche Telekom AG (the "**DT Defendants**") were named as defendants in a complaint filed by Vivendi in the United States District Court for the Western District of Washington. On 1 August 2007, after two previous amended complaints, Vivendi filed a Third Amended Complaint in which it added its U.S. subsidiary, Vivendi Holding I Corp. ("**Vivendi Holding**"), as an additional plaintiff. Plaintiffs' complaint, as amended, alleges violations of the Racketeer Influenced and Corrupt Organisations provisions of the Organised Crime Control Act of 1970 ("**RICO**"), and common law fraud, in connection with the DT Defendants' acquisition of a controlling stake in PTC. Plaintiffs are seeking, among other things, damages equal to the fair market value of Vivendi's alleged investment in PTC, and treble damages pursuant to the RICO statute. In December 2007, the DT Defendants filed a motion to dismiss the Third Amended Complaint on grounds of *forum non conveniens*, lack of subject matter and personal jurisdiction, and failure to state a claim. The Court has not yet ruled on the DT Defendants' motion.

In addition to the foregoing, there are other disputes and proceedings stemming from the conflict over the ownership of PTC and related matters.

Deutsche Telekom is contesting the PTC-related controversies vigorously. Deutsche Telekom can offer no assurances as to the duration or outcome of the proceedings described above. Furthermore, if the proceedings described above were determined in a manner adverse to Deutsche Telekom's interests, its current and future investments in PTC could be put at risk.

Proceedings Relating to the Merger with T-Online International AG (T-Online)

Release Proceedings Relating to the T-Online Merger

Some former shareholders of T-Online filed lawsuits with the District Court in Darmstadt challenging the validity of the resolution approving the merger agreement of 8 March 2005, between T-Online and Deutsche Telekom AG, adopted at the T-Online Shareholders' Meeting on 29 April 2005.

On 12 August 2005, T-Online filed an application for release with the District Court in Darmstadt, seeking an order preventing the lawsuits of such shareholders from standing in the way of the merger's registration in the commercial registers of T-Online and Deutsche Telekom in Darmstadt and Bonn, respectively, and thus becoming effective. On 29 November 2005, the District Court rejected T-Online's application for release. On 9 December 2005, T-Online filed an immediate appeal with the Court of Appeals in Frankfurt am Main in the release proceedings. In response to T-Online's appeal, the Court of Appeals set aside the decision of the District Court in Darmstadt and found that such lawsuits do not stand in the way of the registration of the merger with Deutsche Telekom in the commercial register. The decision by the Court of Appeals became final and binding upon the Federal Court of Justice refusing to review the decision of the Court of Appeals by a ruling communicated on 1 June 2006. Accordingly, the merger was registered in the commercial registers on 6 June 2006 and became effective on such date.

To the extent that the plaintiffs have not withdrawn their lawsuits, the main proceedings on the lawsuits challenging the validity of the T-Online shareholder's resolution approving the merger agreement continue. However, even if the plaintiffs prevail, these lawsuits would not lead to an annulment of the merger, and the court could only find Deutsche Telekom liable for damages. On 23 August 2006, the District Court in Frankfurt am Main rejected the transfer of the lawsuits from the District Court in Darmstadt to the District Court in Frankfurt am Main. On 20 October 2006, the District Court in Darmstadt decided to have the Court of Appeals in Frankfurt am Main determine the competent court. On 28 December 2007, the Court of Appeals in Frankfurt am Main decided that the District Court in Frankfurt am Main is the competent court. Deutsche Telekom believes that the lawsuits challenging the validity of the merger resolution are without merit.

Several former T-Online shareholders filed requests for judicial review of the appropriateness of the merger exchange ratio set forth in the merger agreement of 8 March 2005, between T-Online and Deutsche Telekom with the District Court in Frankfurt am Main. Under the German Transformation Act (*Umwandlungsgesetz*) former shareholders of T-Online, whose shares have been exchanged for Deutsche Telekom shares in the course of the merger, may request a judicial review of the appropriateness of the merger exchange ratio by the District Court in Frankfurt am Main in appraisal proceedings. If in these appraisal proceedings it is found in a final and binding way that the exchange ratio was too low for the T-Online shares, the competent court would assess an additional cash payment, which Deutsche Telekom would pay to all former T-Online shareholders whose shares had been exchanged for Deutsche Telekom shares in the course of the merger. The exchange ratio set forth in the merger agreement was determined on the basis of company evaluations conducted by Deutsche Telekom and T-Online with the assistance of two audit firms. In addition, after the conclusion of the merger agreement, the independent merger auditor selected and appointed by order of the court had stated that, according to his findings, the exchange ratio is appropriate. The court scheduled a first oral hearing in the case for 12 February 2008 and took evidence by hearing of witnesses. Further, the court indicated that a first decision is expected in April 2008. Most likely, this will be a procedural order (e.g., the appointment of an authorised expert) rather than a final judgment. Deutsche Telekom believes that the judicial review of the appropriateness of the merger exchange ratio is without merit.

Damage and Information Proceedings Relating the Voluntary Public Offer for T-Online Shares

In December 2005, four shareholders of T-Online International AG, who had tendered their T-Online shares in the voluntary public offer by Deutsche Telekom to acquire T-Online shares, have filed lawsuits with the District Court in Frankfurt am Main. These plaintiffs allege that Deutsche Telekom had provided incomplete information in connection with the offer, and therefore requested a declaratory judgment to the effect that it is liable for damages. The plaintiffs did not specify the amount of damages sought. The District Court in Frankfurt am Main dismissed the lawsuits on 19 June 2006. On 18 April 2007 the Court of Appeals in Frankfurt am Main dismissed the appeals that were filed by the plaintiffs. The Court of Appeals did not admit a further appeal. However, the plaintiffs have filed a complaint against the denial of admission to appeal with the Federal Court of Justice (*Bundesgerichtshof*). Deutsche Telekom believes that these lawsuits are without merit.

In addition, two of these plaintiffs filed an application with the District Court in Frankfurt am Main requesting disclosure with regard to information in connection with the voluntary public offer. They allege that T-Online had provided incomplete information in the 2006 ordinary meeting of the shareholders of T-Online and seek additional information to be provided. The court rejected the application on 12 September 2006. The plaintiffs have filed appeals with the Court of Appeals in Frankfurt am Main. Deutsche Telekom believes that these lawsuits are without merit.

Lawsuits Relating to the Resolutions Passed in the 2006 Ordinary Meeting of the Shareholders of T-Online

Two former T-Online shareholders have filed lawsuits with the District Court in Frankfurt am Main challenging the validity of the resolutions formally approving the acts of the management board and the supervisory board of T-Online and of the resolution rejecting the application for the appointment of a special auditor. Further, the plaintiffs request a declaratory judgment that the application for the appointment of a special auditor be approved instead. They allege that T-Online had provided incomplete information in the 2006 ordinary meeting of the shareholders of T-Online and that Deutsche Telekom was excluded from exercising voting rights at this shareholders' meeting. On 18 September 2006, the court decided it did not have jurisdiction and transferred the lawsuit to the

District Court in Bonn. The District Court in Bonn dismissed the lawsuits on 8 January 2008. The judgment by the District Court in Bonn became final and binding since the plaintiffs did not appeal within the prescribed time.

Competition Law

The German Act Against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*) prohibits the abuse of a market-dominant position as well as the distortion of competition through agreements or collusive behaviour by market participants. Mergers, including the creation of joint ventures, must be notified to the Federal Cartel Office before they can be executed if the concerned undertakings' turnover reaches a certain threshold, but remains below the threshold above which mergers must be notified to the EU Commission. The Federal Cartel Office is obligated to prohibit a merger if it creates or strengthens a market-dominant position.

The Federal Cartel Office is empowered to enforce these provisions and may impose sanctions if its orders are violated. However, before taking action against abuses of market-dominant position in the telecommunications sector, the Federal Cartel Office must consult with the Federal Network Agency. Market participants damaged by abusive practices of a market-dominant provider may claim damages under the Telecommunications Act as well as under the Act Against Restraints of Competition.

In December 2006, Communication Services Tele2 GmbH ("**Tele2**") filed a lawsuit with the District Court in Düsseldorf requesting an injunction ordering Deutsche Telekom to refrain from (i) offering product bundles consisting of an option tariff and T-DSL broadband access and broadband online tariffs to the extent that the price advantage for the bundled offer compared to the sum of the charges for the individual elements exceeds EUR 48 during a subscription period of 12 months or (ii) granting option tariff subscribers a voucher that is worth more than EUR 85 and which may be used in connection with a subscription for an additional T-DSL broadband access or broadband online tariff. In September 2007, Tele2 amended its pleadings by requesting an injunction ordering Deutsche Telekom to refrain from (i) offering product bundles to the extent the price advantage exceeds EUR 9.94 per month as well as to refrain from offering bundles containing a minimum contract term (or containing a minimum contract term of 12 months or more with an automatic extension for another 12 months) and (ii) granting subscribers of bundled offers a credit of more than EUR 40 and marketing this credit as a "welcome gift" or as "start credit" In addition, Tele2 was seeking a declaratory judgment that it is entitled to obtain compensation for all material and immaterial damages resulting from the bundled offers described above. Tele2 bases its claims on the assumption that Deutsche Telekom holds a market dominant position in the relevant market and alleges that bundled offers with price discounts exceeding the described thresholds would be abusive and, therefore, prohibited. The court dismissed the claims on 5 December 2007. Tele2 appealed the judgment regarding product bundles with a minimum contract term of 12 months or more.

Tele2 has sued Deutsche Telekom for damages of approximately EUR 170 million alleging Deutsche Telekom had denied accepting voice-files as a sufficient documentation for Tele2 pre-selection orders during 2002 through 2005. The Federal Court of Justice held in 2006 that the claim is justified on the merits. The court will now decide the amount of the damage award. Oral hearings are not yet scheduled. Deutsche Telekom believes the amount claimed by Tele2 to be unfounded and expect to contest these proceedings vigorously.

Proceedings against Decisions of the Federal Network Agency

Wholesale Markets

Interconnection

In December 2003, the Federal Network Agency partly approved an application from 15 local carriers for higher call termination charges. Deutsche Telekom pays these charges for calls originating in its network that are terminated in the networks of other carriers. Before this decision, these charges had always been billed on a reciprocal basis, for example, at the rate approved for Deutsche Telekom. Under this decision, with effect from 15 December 2003 through 31 October 2004, local carriers were allowed to charge EUR 0.005 per minute more for the termination of calls in their networks than Deutsche Telekom could charge for the termination of calls in its network. Deutsche Telekom filed a complaint against this decision in the Cologne Administrative Court and asked the court for an injunction, which was granted in February 2004. The Federal Network Agency appealed this decision, but the Appellate Administrative Court in Münster rejected its appeal. In the main action, the Cologne

Administrative Court decided in favor of Deutsche Telekom, but several of the competitors appealed this decision. The Federal Administrative Court (*Bundesverwaltungsgericht*) in Leipzig rejected the appeals. In addition, 15 local carriers filed a complaint against the Federal Network Agency's December 2003 decision, claiming that the call termination charges they were allowed to charge should be higher. The Cologne Administrative Court rejected the complaints. The carriers appealed these decisions. The Federal Administrative Court referred the cases back to the Cologne Administrative Court. The proceedings are still pending.

In June 2003, the Federal Network Agency issued a decision approving a surcharge of EUR 0.04 on Deutsche Telekom's basic interconnection tariffs (an "**access-cost contribution**"). Certain of the competitors filed complaints with the Cologne Administrative Court, seeking the annulment of the Federal Network Agency's decision, and asked the court for an injunction. The court granted the injunction, but Deutsche Telekom appealed this decision to the Appellate Administrative Court in Münster, which decided in its favour. In the main action, the Cologne Administrative Court granted the competitors' requested relief, but Deutsche Telekom has appealed this decision. The Federal Administrative Court transferred the case to the European Court of Justice. These proceedings are still pending.

In September 2003, the Federal Network Agency revoked the aforementioned access-cost contribution insofar as it applied up to November 2003. Two of the competitors filed complaints against this decision, claiming that the access-cost contribution should have been revoked retrospectively as well as prospectively. These proceedings are still pending.

In September 2006, the Federal Network Agency imposed upon Deutsche Telekom the obligation to offer bitstream access to the competitors. Deutsche Telekom was obliged to publish a reference offer for these access services by mid-December 2006. Bitstream access is viewed by the competitors as essential for the provision of wholesale DSL products and services. The Federal Network Agency's order obliges Deutsche Telekom to provide competitors access to the DSL network to enable them to offer broadband high-speed services to customers. Additionally, Deutsche Telekom is required to provide transmission services to competitors, to carry traffic to a higher level in the network hierarchy where new entrants may already have a point of presence. This will allow competitors to provide data services without the need to enlarge their own IP-based networks. In October 2006, Deutsche Telekom filed a complaint against this decision and asked the Cologne Administrative Court for an injunction to suspend these obligations. The Court rejected the requested injunction, as well as Deutsche Telekom's claims in the main action. Deutsche Telekom appealed against this judgment. The proceedings relating to the appeal in front of the Federal Administrative Court are still pending.

Local Loop

In 1999, the Federal Network Agency issued a decision adjusting the rates Deutsche Telekom could charge for access to the local loop during the period from 1 April 1999 to 31 March 2001. Certain of the competitors and Deutsche Telekom filed complaints with the Cologne Administrative Court against this decision. Deutsche Telekom subsequently withdrew its complaint. Regarding the complaints of the competitors a dispute arose as to whether, and to what extent, Deutsche Telekom's business secrets disclosed to the Federal Network Agency could also be disclosed to the competitors taking part in the proceedings. In August 2003, the Federal Administrative Court ordered the Federal Network Agency to disclose to the Administrative Court, and thus indirectly to the competitors participating in these proceedings all of its files in connection with its local loop rates decision, including the disclosure of Deutsche Telekom's business secrets. In October 2003, Deutsche Telekom filed a complaint with the Federal Constitutional Court (*Bundesverfassungsgericht*) and applied for an injunction. In February 2004, the Federal Constitutional Court granted the injunction in essence. The court decided that the Federal Network Agency could not disclose the files containing Deutsche Telekom's business secrets, except for those related to the Federal Network Agency's challenged decision in 1999. In March 2006, the Federal Constitutional Court also ruled in Deutsche Telekom's favor in the proceedings in the main action, holding that it has certain constitutional rights. The Federal Constitutional Court stated that the Federal Administrative Court had violated Deutsche Telekom's constitutional rights by ordering the disclosure of its business secrets. In addition, the Federal Constitutional Court remanded the case to the Federal Administrative Court to implement the rules laid down in the main decision of the Federal Constitutional Court. In February 2007, the Federal Administrative Court remanded the case to the Cologne Administrative Court to decide whether or not the files contain business secrets and whether or not these secrets must be disclosed to competitors.

In 2001, the Federal Network Agency issued a decision adjusting the rates Deutsche Telekom could charge for access to the local loop during the period from 1 April 2001 to 31 March 2003. In April 2001, certain of the competitors and Deutsche Telekom filed complaints against this decision with the Cologne Administrative Court. Deutsche Telekom subsequently withdrew its complaint. Regarding the complaints of the competitors, proceedings are still pending. However, in February 2006, the Cologne Administrative Court submitted ten questions related to the interpretation of the relevant EU local loop regulation to the European Court of Justice. In March 2007, the European Court of Justice held a hearing and in July 2007 the Advocate General gave his opinion in this matter. The proceedings of the Cologne Administrative Court can only continue after the European Court of Justice has reached a decision referring to this interpretation request, which is scheduled for 24 April 2008.

In 2003, the Federal Network Agency issued a decision adjusting the rates Deutsche Telekom could charge for access to the local loop during the period from 1 May 2003 to 31 March 2005. Certain of the competitors and Deutsche Telekom filed complaints against this decision with the Cologne Administrative Court. These proceedings are still pending.

In 2004, the Federal Network Agency issued a decision adjusting the rates Deutsche Telekom could charge for access to the local loop (in this case, relating to its activation and termination charges). Certain of the competitors filed complaints against this decision and asked the Cologne Administrative Court for an injunction, but the court rejected this request. The proceedings in the main action are still pending.

In 2005, the Federal Network Agency issued a decision adjusting the rates Deutsche Telekom could charge for access to the local loop provided during the period from 1 April 2005 to 31 March 2007. Deutsche Telekom filed a complaint against this decision with the Cologne Administrative Court, claiming higher rates, and asked the court for an injunction. The Cologne Administrative Court rejected the requested injunction. In the main action, the proceedings are still pending. Certain of the competitors also filed complaints against the Federal Network Agency's decision seeking lower rates. These proceedings are still pending.

In 2005, the Federal Network Agency issued a decision adjusting the rates Deutsche Telekom could charge for access to the local loop (relating to the activation and termination charges). Certain of the competitors filed complaints with the Cologne Administrative Court against this decision. The proceedings are still pending.

In 2005, the Federal Network Agency issued a decision regarding the access to the local loop according to legal conditions of the new telecommunication law which was implemented in summer 2004. Certain of the competitors filed complaints against this decision. In addition, a competitor asked the Cologne Administrative Court for an injunction. The court, however, rejected the requested injunction. In the main action, the Cologne Administrative Court also rejected the complaint of the competitor. The competitor appealed the decision. In February 2007, the Federal Administrative Court rejected the competitor's appeal. Regarding the complaints of the other competitors, the Cologne Administrative Court dismissed the complaints, but permitted appeal to the Federal Administrative Court. In November 2007, the Federal Administrative Courts rejected the competitor's appeals.

In 2007, the Federal Network Agency issued a decision regarding access to the local loop, which permitted the competitors for the first time access to a portion of Deutsche Telekom's cable ducts between the Main Distribution Frame (*Hauptverteiler*) and the Distribution Frame (*Kabelverzweiger*), or, if such access was not possible due to capacity reasons, access to dark fiber. This access to the ducts is of considerable importance since it would permit the competitors to benefit indirectly from the investments in the newly built VDSL-network. Deutsche Telekom filed an injunctive action with the Cologne Administrative Court against this decision which has been dismissed. The proceedings in the main action are still pending.

Mobile Termination Rates

In 2006, the Federal Network Agency issued a decision subjecting T-Mobile Deutschland's mobile termination rates to ex-ante regulation. As a consequence, T-Mobile Deutschland will be required to obtain approval for new mobile termination rates from the Federal Network Agency before such rates can be charged to competitors. T-Mobile Deutschland, like the other major mobile network operators, filed complaints with the Cologne Administrative Court and asked the Court for an injunction against this decision. The request for injunction was rejected. Regarding the proceedings in the main action, the Cologne Administrative Court partly ruled in Deutsche Telekom's favour and thus dismissed the

ex-ante regulation of mobile termination rates. However, the Cologne Administrative Court permitted the parties to appeal to the Federal Administrative Court. On appeal of the Federal Network Agency, the Federal Administrative Court dismissed the claims of T-Mobile Deutschland and the other mobile network operators on 3 April 2008 leaving them to ex-ante regulation of mobile termination rates.

In addition, on the basis of this decision, the Federal Network Agency issued decisions adjusting the rates Deutsche Telekom could charge for the termination of calls into the mobile network of T-Mobile Deutschland during the periods from 23 November 2006 to 30 November 2007 and from 1 December 2007 to 31 March 2009. Deutsche Telekom filed complaints against the decisions with the Cologne Administrative Court, claiming higher rates, and asked the court for preliminary injunctions and initiated main proceedings, which were either rejected or are still pending. Certain of the competitors also filed complaints against the Federal Network Agency's decision seeking lower rates. These proceedings are still pending.

Leased Lines

Between January 2005 and October 2006, the Federal Network Agency issued several decisions approving the rates Deutsche Telekom could charge for its digital leased lines, which are based on a new tariff structure. Three of the competitors filed complaints with the Cologne Administrative Court against the approval of these tariffs. The proceedings are still pending.

Retail Markets

In June 2006, the Federal Network Agency decided that the rates for retail telecommunications services, including the rates for individually agreed services and VoIP services, charged by Deutsche Telekom are subject to ex-post regulation. Additionally, the Federal Network Agency imposed upon Deutsche Telekom the obligation to inform it about new rates two months prior to their planned effective date. Where planned rates would clearly not be compatible with the German Telecommunications Act, the Federal Network Agency may, within a period of two weeks of notice of the measure, prohibit introduction of the rates until such time as it has completed its examination. In August 2006, Deutsche Telekom filed a complaint against this decision and asked the Cologne Administrative Court for an injunction, asking for the suspension of the obligation. The Cologne Administrative Court rejected the requested injunction. In the main action, the Cologne Administrative Court granted Deutsche Telekom's claim regarding the obligation to inform the Federal Network Agency about new VoIP services rates two months prior to their planned effective date and rejected its complaint in view of the other claims. As a result, Deutsche Telekom has to inform the Federal Network Agency about all other rates for retail communications services two months prior to their planned decision. Deutsche Telekom appealed the decision of the Cologne Administrative Court to the Federal Administrative Court, which is still pending.

Other Proceedings

Radio Frequency Emissions

Beginning in 2000, plaintiffs filed numerous state court class-action lawsuits against T-Mobile USA and several other wireless service operators and wireless telephone manufacturers, asserting product liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless mobile devices. The complaints seek substantial money damages (including punitive damages), as well as injunctive relief. In 2006, the plaintiffs voluntarily dismissed without prejudice three of the four lawsuits in which T-Mobile USA is involved. The remaining case was removed to federal court and, on 14 February 2008, the court denied the plaintiffs' motion to remand the case to state court. T-Mobile USA continues to vigorously defend this case.

Consumer Class Actions

A number of substantially identical purported consumer class-action lawsuits have been pending in various state and federal courts in the United States against T-Mobile USA, as well as other major U.S. wireless carriers, alleging that each of the defendants had violated federal and/or state antitrust laws by improperly tying the sale of wireless mobile devices to the sale of wireless telephone services. The complaints seek injunctive relief, compensatory damages, treble damages, and attorneys' fees. In August 2005, the federal district court granted a motion for summary judgment in favor of all defendants, dismissing all claims in the federal cases except the conspiracy claims, which had not been the subject of the motion. In August 2006, in the federal cases, all claims were settled for a

minimal payment by the defendants. Deutsche Telekom is continuing to defend the various state cases vigorously.

QPSX Patents

In April 2001, QPSX Europe GmbH filed suit for a permanent injunction with the District Court in Munich against us and Siemens AG, alleging that Deutsche Telekom is both infringing on the plaintiff's patent by providing services using ATM technology. Because ATM technology is used in a number of products and services that Deutsche Telekom offers (e.g., T-DSL and T-ATM), an unfavorable outcome in this proceeding could have a substantial adverse effect on its business. In June 2004, the Federal Patent Court (*Bundespatentgericht*) nullified the QPSX-Patent. QPSX has lodged an appeal to the Federal Court of Justice. The appeal is still pending.

VAT Repayment for UMTS Licenses

In 2000, Deutsche Telekom acquired UMTS licenses pursuant to auctions in Germany, the United Kingdom, The Netherlands and Austria, for an aggregate amount of approximately EUR 15.8 billion. These purchases were invoiced by the respective countries without identifying whether a portion of the purchase price included the collection of VAT from the purchaser. Subsequent to the acquisition of these licenses, in the United Kingdom and Austria other licensees and Deutsche Telekom initiated proceedings in the respective home countries under the provisions of the EU directives relating to the recovery of VAT in certain circumstances. In June 2007, the European Court of Justice issued a final ruling in this matter on the EU level indicating that the UMTS auctions were not economic activities and therefore not subject to VAT. Accordingly, Deutsche Telekom will not be able to recover any VAT with respect to the UMTS auctions.

CIF

In October 2007, CIF Licensing LLC filed various suits with the Düsseldorf Regional Court against Deutsche Telekom AG for purported damages totaling EUR 120 million, alleging that Deutsche Telekom is infringing on four of the plaintiff's patents by using DSL technology. CIF is also pursuing a permanent injunction with regard to one patent. Deutsche Telekom intends to contest these proceedings vigorously.

Reimbursement and Damages for Subscriber Data Costs

From December 2004 to February 2008, a number of telephone directory service providers, including among others telegate AG ("**telegate**"), Klicktel and Vodafone, who received data from Deutsche Telekom relating to subscribers of voice telephony services for the purpose of providing their own directory services, filed lawsuits with the District Courts in Cologne and Bonn in the aggregate amount of approximately EUR 122 million, plus interest, claiming reimbursement for payments made to Deutsche Telekom since 1998. The plaintiffs, referring to a decision by the EU Court of Justice (C-109/03; *KPN vs. Onafhankelijke Post en Telecommunicatie Autoriteit*), accused Deutsche Telekom of having included inadmissible costs in the charges for providing customer data.

In a number of cases, the District Court in Cologne ordered Deutsche Telekom essentially to reimburse the plaintiffs. In connection with Deutsche Telekom's appeals against these decisions, the Court of Appeals in Düsseldorf basically confirmed these decisions. Deutsche Telekom has appealed all the decisions of the Court of Appeals to the Federal Court of Justice.

The decisions in the other cases are still pending with the Court of First instance.

In a related matter, on 19 October 2005, in addition to and consideration of the foregoing judgments, as well as the Federal Network Agency's decision of 17 August 2005, relating to the costs of subscriber information, two further lawsuits were served on Deutsche Telekom, one by telegate for damages of approximately EUR 86 million, plus interest, and another by telegate's founding shareholder, Dr. Klaus Harisch, for damages of approximately EUR 329 million, plus interest. In the latter claim, the claimant subsequently increased the amount claimed to approximately EUR 612 million. Both plaintiffs claim that they incurred losses, due to the alleged adverse effect that Deutsche Telekom's alleged inclusion of inadmissible costs in its provision of customer data had on telegate's position in the market, the resulting capital increases that this required, and the weaker development of telegate's share price and the loss of shares of certain shareholders. Oral hearings at the District Court in Cologne took place on 26 June 2006 and on 15 February 2008. The court decided to obtain expert advice before a new date for oral hearing or a decision should be fixed.

On 25 January 2007, klicktel filed another lawsuit with the same court for damages of approximately EUR 13 million based on analogous claims plus interest and the determination to pay damages arising in the future until 2010. Subsequently the claimant specified the amount and is now claiming payment of approximately EUR 11 million plus interest and the determination that Deutsche Telekom is obliged to compensate all damages arising in the future from 2007 to 2010.

Deutsche Telekom defends these lawsuits vigorously.

Damages for Lost Profits/Price Squeeze

In December 2005, Arcor filed a lawsuit with the District Court in Cologne in the aggregate amount of approximately EUR 41.9 million, plus interest, claiming damages for lost profit with retail analogue access products as a result of an alleged price squeeze between Deutsche Telekom's wholesale tariffs for access to the local loop and its retail access tariffs between January 1998 and September 2003. Arcor bases its claim primarily on the EU Commission's decision of 21 May 2003 against Deutsche Telekom for allegedly abusing its dominant position by charging the competitors and end-users unfair monthly and one-off charges for access to its local network. In July 2003, Deutsche Telekom filed a lawsuit with the Court of First Instance of the European Communities (the "**Court of First Instance**") to obtain reversal of that decision. In February 2006, the original damage claim was increased to an aggregate of EUR 223 million, purportedly based on customer relationships not realised between September 2003 and June 2005 and a new calculation methodology used by the plaintiff, which, in Deutsche Telekom's view, deviates from the EU Commission's approach. If the Court of First Instance or the European Court of Justice would annul the EU Commission's decision, Deutsche Telekom expects that the basis of Arcor's damage claim will be undermined. On 18 October 2006, the District Court in Cologne suspended the lawsuit until the European Courts have finally decided on the proceedings for annulment of the EU Commission's decision. In May 2007, a hearing took place before the Court of First Instance. On 10 April 2008 the Court of First Instance dismissed Deutsche Telekom's claim for reversal of the EU Commission's decision. Against this decision, appeal to the European Court of Justice is possible. Should the decision of the Court of First Instance prevail, the national courts (i.e. the District Court in Cologne) in the damage claim would be bound by the European Court's assessment.

Damage claim by Eutelsat SA

On 31 October 2006, Eutelsat SA filed against Deutsche Telekom AG, T-Systems Business Services GmbH and SES SA a suit before the Commercial Court of Paris claiming EUR 141.5 million in damages. Eutelsat, like SES, operates satellites and markets transponders (*i.e.*, satellite capacity) to customers worldwide. Based on a preferential tariff, T-Systems has leased several transponders on a Eutelsat satellite and has sub-leased six of these transponders to SES. Eutelsat argues that this sub-lease constitutes a breach of contract by T-Systems and SES based on the alleged undertaking by T-Systems to only use these transponders for certain purposes and SES' alleged breach of its undertaking to use certain frequencies utilised on these transponders only outside of Europe. The damages claimed by Eutelsat amount to the difference between the preferential and the alleged market tariffs for each transponder for the remaining life span of the Eutelsat satellite. Eutelsat has waived its claim against SES before the Commercial Court of Paris on 16 October 2007 reserving its right to sue SES before an arbitration court. Deutsche Telekom believes the claims to be unfounded and will contest the proceedings vigorously.

Toll Collect

As previously reported, the Federal Republic of Germany has initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the Toll Collect consortium for damages suffered as a result of the delay in the commencement of operations of the German highway toll collection system and alleged breaches of the related operating agreement.

The Federal Republic of Germany, in its statement of claims received on 2 August 2005, asserts claims for damages of approximately EUR 5.2 billion plus interest. This amount includes contractual penalties of EUR 1.1 billion relating to the allegation that the agreement of the Federal Republic of Germany was not sought prior to the execution of certain subcontractor agreements. As some of the contractual penalties are time-related and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. Daimler Financial Services AG, Deutsche Telekom AG and the Toll Collect consortium filed their answer to the claim on 30 June 2006 and to the subsequent counterplea of the Federal Republic of

Germany on 1 October 2007. The Federal Republic of Germany has served further briefs on 7 January 2008 and 16 February 2008.

Additionally, in December 2006, Toll Collect GmbH, the operating company of the Toll Collect consortium, initiated an arbitration proceeding seeking a determination that the Federal Republic of Germany's basis for denying the issuance of the final operating permit is unfounded and claiming that additional remuneration is due to Toll Collect in accordance with the operating agreement. The Statement of Claims of Toll Collect GmbH was served on the Federal Republic of Germany on 25 May 2007. The answer of the Federal Republic of Germany together with a counterclaim claiming over payment of remuneration to Toll Collect GmbH was received 31 January 2008. The tribunal has given the parties further opportunity to file briefs prior to an initial hearing scheduled for summer 2008.

Although the outcome of these arbitration proceedings is difficult to predict, Deutsche Telekom believes the Federal Republic of Germany's claims presented in the arbitration notice and statement of claims are unsustainable. Deutsche Telekom is contesting the Federal Republic of Germany's claims vigorously.

Magyar Telekom

As previously reported, in the course of conducting their audit of Magyar Telekom's 2005 financial statements, Magyar Telekom's independent auditors identified two contracts the nature and business purposes of which were not readily apparent. In February 2006, Magyar Telekom's Audit Committee initiated an independent investigation into this matter. In the course of the investigation, two further contracts entered into by Magyar Telekom raised concerns. To date, the independent investigators have been unable to find sufficient evidence to show that any of the four contracts under investigation resulted in the provision of services to Magyar Telekom or its subsidiaries under those contracts of a value commensurate with the payments made under those contracts (approximately EUR 8 million). The independent investigators have been unable to determine definitively the purpose of the contracts, and it is possible that the purpose may have been improper. The independent investigators further identified several other contracts that could warrant review. In February 2007, Magyar Telekom's Board of Directors determined that these contracts should be reviewed and expanded the scope of the independent investigation to cover these additional contracts and related transactions.

The investigation, which has been impeded by the destruction of certain documents, delayed the finalisation of Magyar Telekom's 2005 financial statements, and as a result Magyar Telekom and some of its subsidiaries failed to meet certain deadlines prescribed by U.S., Hungarian and other applicable laws and regulations for preparing and filing audited annual results and holding annual general meetings. The 2005 financial statements have now been finalised and the delayed filings and annual general meeting have been completed.

The investigation revealed certain weaknesses in Magyar Telekom's internal controls and procedures, including the lack of consistent approval procedures for procurement and third-party contracts and the lack of a comprehensive compliance training programme. Accordingly, Magyar Telekom has approved and is currently implementing certain remedial measures designed to enhance its internal controls to ensure compliance with Hungarian and U.S. legal requirements and NYSE listing requirements.

Magyar Telekom has notified the Hungarian Financial Supervisory Authority, the Hungarian National Bureau of Investigation, the U.S. Securities and Exchange Commission and the U.S. Department of Justice of the investigation. Magyar Telekom is in regular contact with these authorities regarding the investigation and is responding to inquiries raised in investigations being conducted by these authorities. Additionally, Deutsche Telekom has been contacted by the U.S. Securities and Exchange Commission and the U.S. Department of Justice in connection with their review of Deutsche Telekom's role in certain of the matters currently under investigation by these agencies with respect to Magyar Telekom. Deutsche Telekom has been advised that the U.S. Securities and Exchange Commission and the U.S. Department of Justice are also reviewing the actions taken by Magyar Telekom and Deutsche Telekom in response to the findings of and issues raised by the investigation. Deutsche Telekom is cooperating with these agencies and have provided documents and information responsive to their requests.

Significant Change in Deutsche Telekom's Financial Position

Save as disclosed herein, there has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since the publication of its last audited financial statements as of 31 December 2007.

Additional Information

Share Capital

As of 1 February 2008 the share capital of Deutsche Telekom amounted to €11,164,979,182.08 divided into 4,361,319,993 registered ordinary shares without par value (*Stückaktien*). All shares have been issued and are fully paid. In addition to the above mentioned major shareholders, Deutsche Telekom held approximately 0.04% of its total ordinary shares.

Material Contracts

In the usual course of the Company' s business, Deutsche Telekom enters into numerous contracts with various other entities. Deutsche Telekom has not, however, entered into any material contracts outside the ordinary course of its business within the past two years.

Third Party Information and Statement by Experts and Declaration of any Interest

Where information, contained in this document, has been sourced from a third party, Deutsche Telekom confirms that to the best of its knowledge this information has been accurately reproduced and that so far as Deutsche Telekom is aware and able to ascertain from information published by such third party no facts have been omitted which would render the reproduced information materially inaccurate or misleading.

Deutsche Telekom International Finance B.V. as Issuer

Statutory Auditors

The statutory auditors of Finance are Ernst & Young Accountants, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands. The auditors of Ernst & Young Accountants are members of the Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*). They have audited the financial statements of Finance as of and for the years ended 31 December 2006 and 31 December 2007 and issued unqualified auditors' reports. The financial statements for the years 2006 and 2007 were prepared in accordance with Dutch GAAP.

General Information about Deutsche Telekom International Finance B.V.

History and development of Finance

Finance was incorporated on 30 October 1995 under the laws of the Netherlands as a private company with limited liability for an unlimited duration. Finance is a wholly-owned subsidiary of Deutsche Telekom. Finance has its corporate seat in Amsterdam and is registered with the Trade Register in Amsterdam under number 33274743. Its address is World Trade Center, Strawinskylaan 1243, 1077 XX Amsterdam, The Netherlands (telephone number: +31 20 575 31 77).

Investments

Finance has not conducted any principal investments since the date of the last published financial statements nor does Finance intend making such principal investments in the near future on which the management has already made firm commitments.

Business Overview

According to § 2 of the Articles of Association (*Satzung*), the corporate objects of Finance are a) the issue and acquisition of debt instruments issued by Finance or of debts instruments issued by a limited partnership or a general partnership of which Finance is the general partner with full liability; b) to participate in, to establish and to administer and/or manage, to finance and to render services to companies, firms and enterprises; c) to lend and/or borrow moneys, to provide guarantees, and to commit itself with respect to the commitments of third parties and to do anything which is connected with the before mentioned activities or which may be promotive thereof, all this in the broadest sense.

I. Activities

The activities of Finance are in line with the objects stated in the Articles of Association of Finance, which are:

1. a) The issue and acquisition of debt instruments issued by Finance or of debt instruments issued by a limited partnership or a general partnership of which Finance is the general partner with full liability;
 - b) to participate in, to establish and to administer and/or manage, to finance and to render services to companies, firms and enterprises;
 - c) to lend and/or borrow moneys, to provide guarantees, and to commit itself with respect to the commitments of third parties.
2. To do anything which is connected with the provisions of paragraph 1 of this article or which may be promotive thereof, all this in the broadest sense.

II. Principal Markets

Since the foundation of Finance in 1995, Finance has issued various notes in the capital markets of Europe and the United States of America.

Organisational Structure

Finance is wholly-owned by Deutsche Telekom AG, Bonn, Germany, but acts as an independent company within The Netherlands. Finance is the finance organisation of the Deutsche Telekom group and it is not dependent upon other entities within the group. In this position, Finance issues debt instruments at the capital market on its own on the basis of the capital needs within the group. At the capital market, Finance has to compete with other financial institutions and companies for getting best

prices for the issue of debt instruments. The capital obtained after an issue is transferred to the group by concluding loan agreements with the specific group members.

Selected Financial Information of Deutsche Telekom International Finance B.V.

(Before proposed appropriation of result)

Unconsolidated Balance Sheets

	31 December 2007		31 December 2006	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Assets</i>				
Fixed assets				
Tangible fixed assets	7		14	
Financial fixed assets	<u>27,851,160</u>		<u>32,753,609</u>	
		27,851,167		32,753,623
Current assets				
Receivables and other current assets		5,254,310		4,663,499
		<u>33,105,477</u>		<u>37,417,122</u>

	31 December 2007		31 December 2006	
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Shareholder's equity and liabilities</i>				
Shareholder's equity				
Issued share capital and other reserves	2,000		2,000	
Result current year	<u>10,916</u>		<u>10,824</u>	
		12,916		12,824
Long-term liabilities		27,687,937		32,552,960
Current liabilities		5,404,624		4,851,338
		<u>33,105,477</u>		<u>37,417,122</u>

Unconsolidated Profit and loss account for the years ended 31 December 2007 and 2006

	2007		2006	
	EUR'000	EUR'000	EUR'000	EUR'000
Income from financing activities	2,793,619		2,728,850	
Direct costs for financing activities	(2,778,378)		(2,712,707)	

Added value	15,241	16,143
General and administrative expenses	<u>(592)</u>	<u>(769)</u>
Total costs	<u>(592)</u>	<u>(769)</u>
Result on ordinary activities before taxation	14,649	15,374
Taxation on result on ordinary activities	<u>(3,733)</u>	<u>(4,550)</u>
Net result after taxation	<u>10,916</u>	<u>10,824</u>

Significant Change in Finance's Financial Position

Save as disclosed herein, there has been no significant change in the financial or trading position of Finance and no material adverse change in the prospects of Finance since the publication of its last audited financial statements as of 31 December 2007.

Administrative, Management and Supervisory Bodies

Finance has both a Supervisory Board and a Board of Managing Directors. These Boards are separate; no individual may be a member of both. Deutsche Telekom, as the sole shareholder of Finance, appoints the members of both the Supervisory Board and the Board of Managing Directors. The Supervisory Board supervises the Board of Managing Directors. The Board of Managing Directors represents Finance and is responsible for its management.

The members of the **Supervisory Board** of Finance are at present as follows:

Gerhard Mischke
Senior Executive Vice President, Finance, Deutsche Telekom AG
Dieter Cazzonelli
Senior Executive Vice President, Taxes, Deutsche Telekom AG
Dr. Axel Lützner
Vice President Mergers & Acquisitions, Deutsche Telekom AG

The members of the **Board of Managing Directors** are at present as follows:

Robin Sheridan
Stephan Wiemann

The members of the Board of Managing Directors accept membership on the Supervisory Boards of other corporations within the limits prescribed by law.

The business address of each member of the Board of Managing Directors of Finance is World Trade Center, Strawinskylaan 1243, 1077 XX Amsterdam, The Netherlands.

There are no potential conflicts of interest of the members of the Board of Management and the members of the Supervisory Board of Finance between their respective duties to Finance and their private interests or other duties.

The audit committee described under "Deutsche Telekom AG as Issuer and Guarantor - Administrative, Management and Supervisory Bodies" is also responsible for Finance.

Major Shareholders

Finance is a wholly-owned subsidiary of Deutsche Telekom.

Legal and arbitration proceedings

Finance is not aware of any governmental, legal or arbitration proceedings pending or threatened against it which may have or have had during the past 12 months, significant effects on Finance and/or the Deutsche Telekom group' s financial position or profitability.

Additional Information***Share Capital***

The authorised share capital of Finance consists of 5,000 shares of common stock at a par value of EUR 453.78 each. The issued share capital amounts to EUR 453,780 and consists of 1,000 shares of common stock at a par value of EUR 453.78. The remaining 4,000 shares are unissued.

Material Contracts

In the usual course of its business, Finance enters into numerous contracts with various other entities. Finance has not, however, entered into any material contracts outside the ordinary course of its business within the past two years.

Third Party Information and Statement by Experts and Declaration of any Interest

Where information, contained in this document, has been sourced from a third party, Finance confirms that to the best of its knowledge this information has been accurately reproduced and that so far as Finance is aware and able to ascertain from information published by such third party no material facts have been omitted which would render the reproduced information inaccurate or misleading.

Terms and Conditions
(English language version)

This Series of Notes is issued pursuant to an Amended and Restated Agency Agreement, dated 24 April 2008 (the "**Agency Agreement**") between Deutsche Telekom AG ("**Deutsche Telekom**"), Deutsche Telekom International Finance B.V. ("**Finance**"), Deutsche Bank Aktiengesellschaft, as fiscal agent and paying agent (the "**Fiscal Agent**" which expression shall include any successor fiscal agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents), **[in the case of Notes issued by Finance:** The Notes have the benefit of an unconditional and irrevocable guarantee (the "**Guarantee**") by Deutsche Telekom (the "**Guarantor**").]

in the case of Long-Form Conditions insert:

[The provisions of these Terms and Conditions apply to the Notes as completed, modified, supplemented or replaced, in whole or in part, by the terms of the final terms which are attached hereto (the "**Final Terms**"). The blanks in the provisions of these Terms and Conditions which are applicable to the Notes shall be deemed to be completed by the information contained in the Final Terms as if such information were inserted in the blanks of such provisions; any provisions of the Final Terms modifying, supplementing or replacing, in whole or in part, the provisions of these Terms and Conditions shall be deemed to so modify, supplement or replace the provisions of these Terms and Conditions; alternative or optional provisions of these Terms and Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted shall be deemed to be deleted from these Terms and Conditions; and all provisions of these Terms and Conditions which are inapplicable to the Notes (including instructions, explanatory notes and texts set out in square brackets) shall be deemed to be deleted from these Terms and Conditions, as required to give effect to the terms of the Final Terms. Copies of the Final Terms may be obtained free of charge at the specified offices of the Paying Agents; provided that, in the case of Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be made available to Holders of such Notes.]

§ 1

Currency, Denomination, Form and Title, Certain Definitions

(1) *Currency and Denomination.* This Series of Notes of [] (the "**Issuer**" is issued in [] (the "**Specified Currency**") in the aggregate principal amount of **[in case the Global Note is an NGN insert:** (subject to § 1 (8)) **[insert aggregate principal amount]** and is divided into [[] Notes in the principal amount of [],] [[] Notes in the principal amount of []] **[and]** [] Notes in the principal amount of [] (the "**Specified Denominations**").

in the case of a Temporary Global Note which is exchangeable for Definitive Notes:

[(2) *Definitive Notes.* Individual Notes in definitive form ("**Definitive Notes**") [shall have [interest coupons ("**Coupons**")]] **[and talons ("**Talons**") for further Coupons]** **[and]** **[payment receipts ("**Receipts**") in respect of the instalments of principal payable]** attached on initial delivery and] shall be serially numbered.]

[(3)] *Form and Title.* The Notes **[and Coupons]** are in bearer form and represented by one or more global notes (each a "**Global Note**"). Title to the Notes **[and Coupons]** **[and the rights evidenced by Receipts]** shall pass in accordance with the rules of applicable law. Neither the Issuer **[in the case of Notes issued by Finance:** nor the Guarantor] nor the Fiscal Agent nor any Paying Agent is obliged to examine the title of any person presenting Notes **[or Coupons]** **[or Receipts]**.

in the case of Notes which are initially represented by a Temporary Global Note:

[[(4)] *Temporary Global Note - Exchange.*

- (a) The Notes are initially represented by a temporary global Note (the "**Temporary Global Note**") [in the case of Notes other than Zero Coupon Notes insert: without coupons]. The Temporary Global Note will be exchangeable, as provided below, for [if Temporary Global Note is to be exchanged for Definitive Notes insert: Definitive Notes in the Specified Denomination(s) [with [Coupons] [and] [Talons] [,] [and Receipts]]] [if Temporary Global Note is to be exchanged for Definitive Notes and Collective Global Notes insert: in part, Definitive Notes in the Specified Denomination(s) [with [Coupons] [and] [Talons] [,] [and Receipts] and in the other part, one or more collective global Notes (each, a "**Collective Global Note**") [with global interest coupons (each, a "**Global Interest Coupon**")]; the right of Holders to require delivery of Definitive Notes in exchange for Notes which are represented by a Collective Global Note shall be governed by § 9a(3), first sentence of the German Securities Custody Act] [if Temporary Global Note is to be exchanged for one or more Permanent Global Notes insert: Notes in Specified Denominations represented by [a] [specify if more than one] permanent global Note[s] ([the] [each, a] "**Permanent Global Note**") [in the case of Notes other than Zero Coupon Notes insert: without coupons]].
- (b) The Temporary Global Note shall be exchanged for [Definitive Notes] [in part Definitive Notes and in the other part Collective Global Notes] [Notes represented by the Permanent Global Note[s]] on a date (the "**Exchange Date**") [in the case of TEFRA D Notes: not earlier than 40 days and] not later than 180 days after the date of issue of the Temporary Global Note [in the case of TEFRA D Notes:, upon delivery by the relevant account holder to the Clearing System, and by the Clearing System to the Fiscal Agent, of certificates in the form available from the Fiscal Agent for such purpose, to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person other than certain financial institutions or certain persons holding through such financial institutions. [Any Permanent Global Note] [Any Definitive Notes] delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in subparagraph (3) of § 5)].

in the case of Notes which are initially represented by a Permanent Global Note insert:

[[(4) *Permanent Global Note.* The Notes are represented by [a] [specify if more than one] permanent global Note[s] ([the] [each, a] "**Permanent Global Note**") [in the case of Notes other than Zero Coupon Notes insert: without Coupons]. The right to demand delivery of Definitive Notes shall be excluded.]

in the case of Notes which will initially be represented by a Temporary Global Note:

[[(5) *Fees Payable on Exchange of Global Notes.* Any exchange of a Global Note pursuant to this § 1 shall be made free of charge to the Holders of the Notes[, except that a person receiving Definitive Notes must bear the cost of insurance, postage, transportation and the like in the event that such person does not take delivery of such Definitive Notes in person at the offices of the Clearing System.]

[[(6) *Execution of Notes.* Global Notes shall be executed manually on behalf of the Issuer by two authorised representatives of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. [In the case of Definitive Notes insert: Definitive Notes[, and] [Coupons] [and] [Talons] [and Receipts] shall be executed in facsimile on behalf of the Issuer by two authorised representatives of the Issuer and the Definitive Notes shall be authenticated by or on behalf of the Fiscal Agent. Each Note [, and] [Coupon] [and] [Talon] [and Receipt] shall bear an embossed stamp.]]

[[(7) *Certain Definitions.* For purposes of the Terms and Conditions:

"**Clearing System**" means [each of] [Clearstream Banking AG, Frankfurt am Main ("**CBF**")] [,] [and] [Clearstream Banking, société anonyme, Luxembourg ("**CBL**") [,] [and] [Euroclear BankSA/NV ("**Euroclear**")], [(CBL and Euroclear each an "**ICSD**" and together the "**ICSDs**")] [and] [specify any other Clearing System] and any successor in such capacity.

[if there will be a Calculation Agent insert: "**Calculation Agent**" means [the Fiscal Agent] [insert other Calculation Agent] and any successor to [the Fiscal Agent] [insert other Calculation Agent] in its capacity as Calculation Agent.]

"Global Note" means [the/any] [Temporary Global Note] [or Collective Global Note] [or] [Permanent Global Note].

"Holder" means, in respect of Notes deposited with any Clearing System or other central securities depository, any holder of a proportionate co-ownership or other beneficial interest or right in the Notes so deposited, and otherwise the bearer of a Note [and/or a Coupon] [and/or a Receipt].

"Paying Agent" means the Fiscal Agent in its capacity as paying agent, acting through its office specified in § 7, the Paying Agent(s) specified in § 7, or any substitute or additional paying agent appointed under § 7.

References herein to the "Notes" are references to Notes of this Series and shall, as the context requires, include reference to any Global Note [or Definitive Note].

References herein to a "Specified Currency" shall include any successor currency provided for by the laws in force in the jurisdiction where the Specified Currency is issued or pursuant to intergovernmental agreement or treaty (a **"Successor Currency"**) to the extent that payment in the predecessor currency is no longer a legal means of payment by the Issuer on the Notes **[in the case of Notes issued by Finance:** or, in the event of payments under the Guarantee, by the Guarantor under the Guarantee].

In the case of Notes kept in custody on behalf of the ICSDs insert:

[In the case the Global Note is an NGN insert: The Notes are issued in new global note ("NGN") form and are kept in custody by a common safekeeper on behalf of both ICSDs.]

[In the case the Global Note is an CGN insert: The Notes are issued in classical global note ("CGN") form and are kept in custody by a common depository on behalf of both ICSDs.]

In the case the Global Note is an NGN insert:

[(8) *Records of the ICSDs.* The nominal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the nominal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.]

[In the case the Temporary Global Note is a NGN insert: On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.]

§ 2

Status

The Notes constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

§ 3

Negative Pledge of the Issuer [, Guarantee and Negative Pledge of the Guarantor]

[(1)] *Negative Pledge.* So long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness issued or guaranteed by the Issuer or by any other person, without at the same time having the Holders share equally and rateably

in such security. "**Capital Market Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer, the expression "assets" as used in this § 3 does not include assets of the Issuer that are sold on a non-recourse basis determined in accordance with the civil law applicable to such transaction.

in the case of Notes issued by Finance:

[(2) *Guarantee and Negative Pledge of the Guarantor.* The Guarantor has given its unconditional and irrevocable guarantee (the "**Guarantee**") for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Note [or Coupon] [or Receipt]. The Guarantor has further undertaken in a negative pledge (the "**Negative Pledge**"), so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness (as defined above) issued or guaranteed by the Guarantor or by any other person, without at the same time having the Holders share equally and rateably in such security. The Guarantee and Negative Pledge constitute a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328 of the German Civil Code, giving rise to the right of each Holder to require performance of the Guarantee and the Negative Pledge directly from the Guarantor and to enforce the Guarantee and the Negative Pledge directly against the Guarantor. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Guarantor, the expression "assets" as used in this § 3 does not include assets of the Guarantor that are sold on a non-recourse basis determined in accordance with the civil law applicable to such transactions. Copies of the Guarantee and Negative Pledge may be obtained free of charge at the specified offices of each of the Paying Agents.]

§ 4
Interest

in the case of Fixed Rate Notes insert:

[(1) *Rate of Interest and Interest Payment Dates.* The Notes bear interest on their principal amount at the rate of [insert Rate of Interest] per cent. per annum from (and including) [insert Interest Commencement Date] to (but excluding) the Maturity Date. Interest shall be payable in arrears on [insert Fixed Interest Date(s)] in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on [insert First Interest Payment Date] [if First Interest Payment Date is not first anniversary of Interest Commencement Date insert: and will amount to [insert Initial Broken Amount(s)].] [if Maturity Date is not a Fixed Interest Date insert: Interest in respect of the period from (and including) [insert Fixed Interest Date preceding the Maturity Date] to (but excluding) the Maturity Date will amount to [insert Final Broken Amount(s)].]

[In the case of Notes represented by Global Notes insert:

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes until the expiry of the day preceding the day of actual redemption of the Notes at the default rate of interest established by law.¹]

[In the case of Definitive Notes insert:

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes beyond the due date until the expiry of the day preceding the day of actual redemption of the Notes at the default rate of interest established by law¹) but not beyond the fourteenth day after notice has been given by the

¹ The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time, §§ 288(1), 247 German Civil Code.

Fiscal Agent in accordance with § 13 that the funds required for redemption have been provided to the Fiscal Agent.]

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).]

in the case of Floating Rate Notes insert:

[(1) *Interest Payment Dates.*

(a) The Notes bear interest on their principal amount from (and including) **[insert Interest Commencement Date]** (the "**Interest Commencement Date**"). Interest on the Notes shall be payable on each Interest Payment Date. "**Interest Payment Date**" means **[in the case of Specified Interest Payment Dates insert: each [insert Specified Interest Payment Dates]] [in the case of Specified Interest Periods insert: each date which (except as otherwise provided in these Terms and Conditions) falls [] [weeks] [months] [insert other specified period(s)]** after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.]

(b) If any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be:

[if Modified Following Business Day Convention insert: postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be brought forward to the immediately preceding Business Day.]

[if FRN Convention insert: postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) the payment date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent payment date shall be the last Business Day in the month which falls **[[insert number] months] [insert other specified period(s)]** after the preceding applicable payment date.]

[if Following Business Day Convention insert: postponed to the next day which is a Business Day.]

[if Preceding Business Day Convention insert: brought forward to the immediately preceding Business Day.]

In this § 4 "**Business Day**" means **[if the Specified Currency is not euro insert:** a day which is a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in, and foreign exchange markets settle payments in **[insert all relevant financial centres]] [if the Specified Currency is euro insert:** a day on which all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System ("**TARGET**") are operational to effect the relevant payment].

(2) *Rate of Interest.* **[if Screen Rate Determination insert:** The rate of interest (the "**Rate of Interest**") for each Interest Period (as defined below) will, except as provided below, be the offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for that Interest Period which appears on the Screen Page as of 11:00 a.m. ([London] [Brussels] time) on the Interest Determination Date (as defined below) **[if Margin insert: [plus] [minus] the Margin (as defined below)],** all as determined by the Calculation Agent.

"**Interest Period**" means each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the following Interest Payment Date.

"**Interest Determination Date**" means the **[second] [insert other applicable number of days] [TARGET] [London] [insert other relevant location]** Business Day prior to the commencement of the relevant Interest Period, **[in case of a TARGET Business Day insert: "TARGET Business Day"** means a day which is a day on which the Trans-European Automated Real-time Gross Settlement Transfer system (TARGET) is operating.] **[in case of a non-TARGET Business Day insert: "[London] [insert other relevant location]** Business Day" means a day which is a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency) in **[London] [insert other relevant location].]**

[if Margin insert: "Margin" means [-] per cent. per annum.]

"Screen Page" means, **[insert relevant Screen Page]** or any successor page.

[If another basis for determining any reference rate is to apply, insert applicable provisions]

If the Screen Page is not available or if, no such quotation appears as at such time, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the **[London] [Euro-Zone]** interbank market at approximately 11.00 a.m. (**[London] [Brussels]** time) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one **[if the Reference Rate is EURIBOR insert: thousandth of a percentage point, with 0.0005] [if the Reference Rate is not EURIBOR insert: hundred-thousandth of a percentage point, with 0.000005]** being rounded upwards) of such offered quotations **[if Margin insert: [plus] [minus] the Margin]**, all as determined by the Calculation Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the nearest one **[if the Reference Rate is EURIBOR insert: thousandth of a percentage point, with 0.0005] [if the Reference Rate is not EURIBOR insert: hundred-thousandth of a percentage point, with 0.000005]**, being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, as at 11.00 a.m. (**[London] [Brussels]** time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the **[London] [Euro-Zone]** interbank market **[if Margin insert: [plus] [minus] the Margin]** or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) inform(s) the Calculation Agent it is or they are quoting to leading banks in the **[London] [Euro-Zone]** interbank market (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) **[if Margin insert: [plus] [minus] the Margin]**. If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotations were offered **[if Margin insert: [plus] [minus] the Margin]** (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).]

As used herein, "Reference Banks" means **[if no other Reference Banks are specified in the Final Terms, insert: those offices of four of such banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page [if other Reference Banks are specified in the Final Terms, insert names here].]**

[In the case of Euro-Zone interbank market insert: "Euro-Zone" means the region comprised of those member states of the European Union that have adopted, or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, as further amended from time to time.]

[if Reference Rate is other than LIBOR or EURIBOR insert relevant details in lieu of the provisions of this subparagraph 2]

[if ISDA Determination applies insert the relevant provisions and attach the relevant 2000 ISDA Definitions published by the International Swap and Derivatives Association.]

[If another method of determination applies, insert relevant details in lieu of the provisions of this subparagraph (2).]

[If Reference Rate is other than EURIBOR, EURO-LIBOR or LIBOR, insert relevant details in lieu of the provisions of this subparagraph (2)]

[If ISDA Determination applies insert the relevant provisions and attach the 2000 ISDA Definitions or the 2006 ISDA Definitions, as applicable, published by the International Swaps and Derivatives Association, Inc.]

[If other method of determination applies, insert relevant details in lieu of the provisions of this subparagraph (2)]

[If Minimum and/or Maximum Rate of Interest applies insert:

(3) [Minimum] [and] [Maximum] Rate of Interest.

[If Minimum Rate of Interest applies insert: If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is less than **[insert Minimum Rate of Interest]**, the Rate of Interest for such Interest Period shall be **[insert Minimum Rate of Interest].]**

[If Maximum Rate of Interest applies insert: If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is greater than **[insert Maximum Rate of Interest]**, the Rate of Interest for such Interest Period shall be **[insert Maximum Rate of Interest].]**

[(4)] *Interest Amount.* The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the "**Interest Amount**") payable on the Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to each Specified Denomination and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

[(5)] *Notification of Rate of Interest and Interest Amount.* The Calculation Agent will cause notification of the Rate of Interest and each Interest Amount for each Interest Period and of the applicable Interest Payment Date to the Issuer **[in the case of Notes issued by Finance: and to the Guarantor]** and to the Holders in accordance with § 13 as soon as possible after their determination, but in no event later than the fourth **[London] [TARGET] [insert other relevant location]** Business Day (as defined in § 4(2)) thereafter and, if required by the rules of such stock exchange, to any stock exchange on which the Notes are from time to time listed as soon as possible after their determination, but in no event later than the first day of the applicable Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are for the time being listed and to the Holders in accordance with § 13.

[(6)] *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, **[the Guarantor,] the Fiscal Agent, the Paying Agents and the Holders.**

[In the case of Notes represented by Permanent Global Notes insert:

[(7)] *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes beyond the due date until the expiry of the day preceding the day of actual redemption of the Notes. The applicable Rate of Interest will be the default rate of interest established by law.^{1]}

[In the case of Definitive Notes insert:

[(7)] *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due,

¹ The default rate of interest established by law is five percentage points above the basic rate of interest published by *Deutsche Bundesbank* from time to time, §§ 288(1), 247 German Civil Code.

interest shall continue to accrue on the outstanding principal amount of the Notes beyond the due date until the expiry of the day preceding the day of actual redemption of the Notes, but not beyond the fourteenth day after notice has been given by the Fiscal Agent in accordance with § 13 that the funds required for redemption have been provided to the Fiscal Agent. The applicable Rate of Interest will be the default rate of interest established by law.¹]

in the case of Zero Coupon Notes insert:

[(1) *No Periodic Payments of Interest.* There will not be any periodic payments of interest on the Notes.

[In the cases of Zero Coupon Notes which are represented by a Permanent Global Note insert:

(2) *Accrual of Interest.* If the Issuer shall fail to redeem the Notes when due, interest shall accrue on the outstanding principal amount of the Notes as from the due date to the expiry of the day preceding the day of actual redemption at the default rate of interest established by law.²]

[In the case of Zero Coupon Definitive Notes insert:

(2) *Accrual of Interest.* If the Issuer shall fail to redeem the Notes when due, interest shall accrue on the outstanding principal amount of the Notes as from the due date to the expiry of the day preceding the day of actual redemption at the default rate of interest established by law²), but not beyond the fourteenth day after notice has been given by the Fiscal Agent in accordance with § 13 that the funds required for redemption have been provided to the Fiscal Agent.]

[In the case of Index-linked Notes or Credit Linked Notes relating to interest, insert all applicable provisions regarding interest. The same applies in the case of Dual Currency Notes.]

[(*)* *Day Count Fraction.* "Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (the "Calculation Period"):

[if Actual/Actual (ICMA Rule 251) with annual interest payments insert: the actual number of days in the Calculation Period divided by the actual number of days in the respective interest period.] **[in the case of first/last short or long Interest Periods insert appropriate Actual/Actual (ICMA Rule 251) method]**

[if Actual/Actual (ICMA Rule 251) with two or more constant interest periods within an interest year insert: the number of days in the Calculation Period divided by (x) in the case of Notes where interest is scheduled to be paid only by means of regular annual payments, the number of days in the Interest Period or (y) in the case of Notes where interest is scheduled to be paid other than only by means of regular annual payments, the product of the number of days in the Interest Period and the number of Interest Payment Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year.] **[in the case of first/last short or long Interest Periods insert appropriate Actual/Actual (ICMA Rule 251) method]**

[if Actual/Actual (ISDA) insert: the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).]

[if Actual/365 (Fixed): the actual number of days in the Calculation Period divided by 365.]

[if Actual/360: the actual number of days in the Calculation Period divided by 360.]

[if 30/360, 360/360 or Bond Basis: the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).]

[if 30E/360 or Eurobond Basis: the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period).]

§ 5
Payments

(1) *Payment of Principal.* **[in the case of Notes represented by Definitive Notes:** Payment of principal in respect of Definitive Notes shall be made, subject to subparagraph (3) below, against presentation and (except in the case of partial payment) surrender of the relevant Note at the specified office of any Paying Agent outside the United States.]

in the case of Notes represented by a Permanent Global Note insert:

[Payment of principal in respect of Notes represented by a Global Note shall be made, subject to subparagraph (3) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and surrender of the Global Note at the specified office of any Paying Agent outside the United States.]

in the case of Instalment Notes insert:

[Payment of Instalment Amounts in respect of an Instalment Note with Receipts will be made against presentation of the Note together with the relevant Receipt and surrender of such Receipt and, in the case of the final Instalment Amount, surrender of the Note at the specified office of any Paying Agent outside the United States. Receipts are not documents of title and, if separated from the Note to which they relate, shall not represent any obligation of the Issuer. Accordingly, the presentation of an Instalment Note without the relevant Receipt or the presentation of a Receipt without the Note to which it pertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.]

For purposes of **[in the case of TEFRA D Notes insert:** subparagraph [(4)] of § 1 and] this § 5, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

in the case of Notes other than Zero Coupon Notes insert:

[(2) *Payment of Interest.* **[in the case of Notes represented by Definitive Notes:** Payment of interest on Definitive Notes with Coupons shall be made, subject to paragraph (3), against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Notes, at the specified office of any Paying Agent outside the United States.]

[in the case of Notes represented by a Permanent Global Note insert: Payment of interest on Notes represented by a Permanent Global Note shall be made, subject to subparagraph (3), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System against presentation of the Permanent Global Note at the specified office of any Paying Agent outside the United States.]

[in the case of interest payable on a Temporary Global Note insert: Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to subparagraph (3), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, against presentation of the Temporary Global Note at the specified office of any Paying Agent outside the United States, upon due certification as provided in § 1[(4)](b).]

(3) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made

In the case of Notes represented by Global Notes insert:

[in the freely negotiable and convertible currency which on the respective due date is the currency of the country of the Specified Currency.]

In the case of Notes represented by Definitive Notes insert:

[in the case of payments in a currency other than euro or U.S. dollars insert: by [insert Specified Currency] check drawn on a bank in [insert Principal Financial Centre of Country of Specified Currency] or, at the option of the payee, by transfer to an account denominated in [insert Specified Currency] maintained by the payee with a bank in [insert Principal Financial Centre of Country of Specified Currency].]

[in the case of payments in U.S. dollars insert: by U.S. dollar check drawn on a bank in New York City or, at the option of the payee, by transfer to a U.S. dollar account maintained by the payee at a bank outside the United States. If payment of principal or interest at the offices of all paying agents outside the United States becomes illegal or is effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in United States dollars, the Issuer will appoint an office or agent in the United States at which such payment may be made.]

[in the case of payments in euro insert: in cash or by check denominated in euro drawn on or, at the option of the payee, by transfer to a euro account maintained by the payee with, a bank in the principal financial centre of a country which has become a participating member state in European Economic and Monetary Union as contemplated by the Treaty on European Union which was signed at Maastricht on 7 February 1992 and the Amsterdam Treaty of 2 October 1997, as further amended from time to time.]

(4) *Discharge.*

[In the case of Notes represented by Global Notes insert:

The Issuer shall be discharged by payment to, or to the order of, the Clearing System.]

[In the case of Definitive Notes insert:

In the case of any Notes held through any Clearing System, the Issuer shall be discharged by payment to, or to the order of, the Clearing System.]

(5) *Payment Business Day.* If the date for payment of any amount in respect of any Note [or Coupon] [or Receipt] is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is **[in the case of Notes not denominated in euro insert:** a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in **[insert all relevant financial centres]]** **[in the case of Notes denominated in euro insert:** a day (other than a Saturday or a Sunday) on which all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) are operational to forward the relevant payment] **[in the case of Definitive Notes insert:** and banks in the place where the Paying Agent is located and where the Notes [,] [Coupons] [,] [Talons] [or] [Receipts] are presented for payment are open for business].

in the case of Definitive Notes initially delivered with Coupons, Talons or Receipts insert:

(6) *Surrender of [Coupons][,][Talons] [and][Receipts].* Each Note initially delivered with Coupons [or Talons] [or Receipts] attached thereto must be presented and, except in the case of partial payment of the redemption amount, surrendered for final redemption together with all unmatured Coupons [and Talons] [and Receipts] relating thereto, failing which

[in the case of Fixed Rate Notes insert: the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) shall be deducted from the amount otherwise payable on such final redemption [,] [and] [.]

[in the case of Floating Rate Notes insert: all unmatured Coupons relating to such Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them [,] [and] [.]

[in the case of Definitive Notes initially delivered with Talons insert: all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them [,] [and] [.]

[in the case of Definitive Notes initially delivered with Receipts insert: all Receipts relating to such Notes in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect to them.]

If the Notes should be issued with a maturity date and an interest rate or rates such that, on the presentation for payment of any such Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required to be deducted in accordance with the foregoing would be greater than the redemption amount otherwise due for payment, then, upon the due date for redemption of any such Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that the amount required to be deducted in accordance with the foregoing would not be greater than the redemption amount otherwise due for payment. Where the application of the preceding sentence requires some but not all of the unmatured Coupons relating to a Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.]

[in the case of Definitive Notes initially delivered with Talons insert:

(7) *Exchange of Talons.* On or after the Interest Payment Date on which the final Coupon in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent, in exchange for a further Coupon sheet (including any appropriate further Talon). Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon in the relative Coupon sheet matures.]]

[(8)] *References to Principal and Interest.* Reference in these Terms and Conditions to principal in respect of the Notes be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes, **[if redeemable at option of Issuer for other than taxation reasons insert: the Call Redemption Amount of the Notes,] [if redeemable at option of the Holder insert: the Put Redemption Amount of the Notes.] [in the case of Zero Coupon Notes insert: the Amortised Face Amount of the Notes,] [in the case of Instalment Notes insert: the Instalment Amount(s) of the Notes]** and any premium and any other amounts which may be payable under or in respect of the Notes. Reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 8.

[(9)] *Deposit of Principal and Interest.* The Issuer may deposit with the *Amtsgericht* in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

**§ 6
Redemption**

(1) *Redemption at Maturity.*

in the case of Notes other than Instalment Notes insert:

[Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on **[[in the case of a specified Maturity Date insert such Maturity Date]** (the "**Maturity Date**") **[in the case of a Redemption Month insert: the Interest Payment Date falling in [insert Redemption Month]]**. The redemption amount of this series of Notes shall be 100 per cent. of the aggregate principal amount of the Notes. The Final Redemption Amount in respect of each Note shall be **[insert Final Redemption Amount per Specified Denomination].]**

in the case of Instalment Notes insert:

[Unless previously redeemed in whole or in part or purchased and cancelled, the notes shall be redeemed at the Instalment Date(s) and in the Instalment Amount(s) set forth below:

Instalment Date(s)	Instalment Amount(s)
[insert Instalment Date(s)]	[insert Instalment Amount(s)]
[]	[]
[]	[]

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of **[in the case of Notes issued by Finance: The Netherlands or]** the Federal Republic of Germany or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after **[insert Issue Date]**, the Issuer **[in the case of Notes issued by Finance: or the Guarantor being unable for reasons outside its control to procure payment by the Issuer,]** will become obligated to pay Additional Amounts (as defined in § 8 herein **[in the case of Notes issued by Finance: and in the Guarantee, respectively]**) and this obligation cannot be avoided by the use of measures reasonably available to the Issuer **[in the case of Notes issued by Finance: or the Guarantor]**, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer **[in the case of Notes issued by Finance: or the Guarantor]** would be obligated to pay such Additional Amounts, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect, **[in the case of Floating Rate Notes insert: The date fixed for redemption must be an Interest Payment Date.]**

Prior to the publication of any notice of redemption pursuant to this paragraph (3), the Issuer shall deliver to the Fiscal Agent a certificate signed by a director of **[in the case of Notes issued by Deutsche Telekom: the Issuer] [in the case of Notes issued by Finance: the Guarantor]** stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer **[in the case of Notes issued by Finance: or the Guarantor]** has or will become obliged to pay such additional amounts as a result of such change or amendment.

Any such notice of redemption shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

if Notes are subject to Early Redemption at the option of the Issuer insert:

[(3) Early Redemption at the Option of the Issuer.

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all or some only of the Notes on the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Call Redemption Date, **[if Minimum Redemption Amount or Higher Redemption Amount applies insert: Any such redemption must be of a principal amount equal to [at least [Minimum Redemption Amount]] [Higher Redemption Amount]**

Call Redemption Date(s)	Call Redemption Amount(s)
[insert Call Redemption Date(s)]	[insert Call Redemption Amounts]
[]	[]
[]	[]

[if Notes are subject to Early Redemption at the Option of the Holder insert: The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under subparagraph **[(4)]** of this § 6.]

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 13 and to the Fiscal Agent (the notice to the Fiscal Agent to be given not less than 15 days before the giving of notice to the Holders). Such notice shall specify:

(i) the Series of Notes subject to redemption;

- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and, if the Notes are represented by Definitive Notes, the serial numbers of the Notes which are to be redeemed;
 - (iii) the Call Redemption Date, which shall be not less than 15 nor more than 30 days after the date on which notice is given by the Issuer to the Holders; and
 - (iv) the Call Redemption Amount at which such Notes are to be redeemed.
- (c) In the case of a partial redemption of Notes, **[in the case of Definitive Notes insert:** the Notes to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair.] **[if Notes are represented by a Permanent Global Note insert:** the Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System.] **[In the case of Notes in NGN form insert:** Such partial redemption shall be reflected in the records of CBL and Euroclear as either a pool factor or a reduction in principal amount, at the discretion of CBL and Euroclear.]

if the Notes are subject to Early Redemption at the Option of a Holder insert:

[(4)] *Early Redemption at the Option of a Holder.*

- (a) The Issuer shall, upon the exercise of the relevant option by the Holder of any Note, redeem such Note on the Put Redemption Date(s) at the Put Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Put Redemption Date.

Put Redemption Date(s)	Put Redemption Amount(s)
[insert Put Redemption Date(s)]	[insert Put Redemption Amount(s)]
[]	[]
[]	[]

The Holder may not exercise such option in respect of any Note which is the subject of the prior exercise by the Issuer of its option to redeem such Note under paragraph (2) **[if Notes are subject to Early Redemption at the Option of the Issuer insert:** or (3)] of this § 6.

- (b) In order to exercise such option, the Holder must, not less than 15 days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Notice (as defined below), deposit the relevant Note [together with all unmatured Coupons appertaining thereto] during normal business hours at the specified office of any Paying Agent together with a duly completed early redemption notice ("**Put Notice**") in the form available from the specified office of any of the Paying Agents. No Note so deposited and option so exercised may be withdrawn or revoked.]

[(5)] *Early Redemption Amount.*

in the case of Notes other than Zero Coupon Notes insert: in the case of Zero Coupon Notes insert:

[For purposes of subparagraph (2) of this § 6 and § 10, the Early Redemption Amount of a Note shall be [its Final Redemption Amount] **[other Redemption Amount - provide details].**]

in the case of Zero Coupon Notes insert:

- (a) For purposes of subparagraph (2) of this § 6 and § 10, the Early Redemption Amount of a Note shall be equal to the Amortised Face Amount of the Note.
- (b) The Amortised Face Amount of a Note shall be an amount equal to the sum of:
- (i) **[insert Reference Price]** (the "**Reference Price**"), and
 - (ii) the product of **[insert Amortisation Yield]** (compounded annually) and the Reference Price from (and including) **[insert Issue Date]** to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Notes become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year (the "**Calculation Period**") shall be made on the basis of the Day Count Fraction (as defined in § 4).

- (c) If the Issuer fails to pay the Early Redemption Amount when due, the Amortised Face Amount of a Note shall be calculated as provided herein, except that references in subparagraph (ii) above to the date fixed for redemption or the date on which such Note becomes due and repayable shall refer to the earlier of (i) the date on which upon due presentation and surrender of the relevant Note (if required), payment is made, and (ii) the fourteenth day after notice has been given by the Fiscal Agent in accordance with § 13 that the funds required for redemption have been provided to the Fiscal Agent.]

§ 7

Fiscal Agent[,] [and] Paying Agents [and Calculation Agent]

(1) *Appointment; Specified Offices.* The initial Fiscal Agent[,] [and] Paying Agents [and the Calculation Agent] and their respective initial specified offices are:

Fiscal Agent and Principal Paying Agent: Deutsche Bank Aktiengesellschaft
Trust & Securities Services (TSS)
Grosse Gallusstrasse 10-14
60272 Frankfurt am Main
Germany

Paying Agent[s]: Fortis Banque Luxembourg S.A.
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

[insert other Paying Agents and specified offices]

[insert name and specified office]

[Calculation Agent] [insert name and specified office]

The Fiscal Agent[,] [and] the Paying Agent[s] [and the Calculation Agent] reserve the right at any time to change their respective specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent [or the Calculation Agent] and to appoint another Fiscal Agent or additional or other Paying Agents [or another Calculation Agent]. The Issuer shall at all times maintain (i) a Fiscal Agent[,] [and] (ii) a Paying Agent in addition to the Fiscal Agent with a specified office in a continental European city and outside Germany **[in the case of Notes listed on a stock exchange insert: [,] [and] (iii) so long as the Notes are listed on the [name of Stock Exchange], a Paying Agent (which may be the Fiscal Agent) with a specified office in [location of Stock Exchange] and/or in such other place as may be required by the rules of such stock exchange] [in the case of Notes denominated in U.S. dollars insert: [,] [and] [(iv)] in the circumstances described in § 5 (3), a Paying Agent with a specified office in New York City] [if any Calculation Agent is to be appointed, insert [,] [and] [(v)] a Calculation Agent [insert if Calculation Agent is required to maintain a specified office in a required location: with a specified office located in [insert required location]], [in the case of Definitive Notes insert: In the event that any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26 - 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, the Issuer shall at all times maintain a Paying Agent in a Member State of the European Union that will not be obliged to deduct or withhold tax pursuant to any such Directive or law, to the extent this is possible in a Member State of the European Union.] Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.**

(3) *Agent of the Issuer.* The Fiscal Agent[,] [and] [the Paying Agent[s]] [and the Calculation Agent] act[s] solely as the agent[s] of the Issuer and [does] [do] not assume any obligations towards or relationship of agency or trust for any Holder.

§ 8 Taxation

Principal and interest shall be payable by the Issuer without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of **[in the case of Notes being issued by Finance insert: The Netherlands or]** the Federal Republic of Germany or by or on behalf of any political subdivision or authority therein having power to tax (hereinafter together called "**Withholding Taxes**"), unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the Holder after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which

- (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with **[in the case of Notes being issued by Finance insert: The Netherlands or]** the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, **[in the case of Notes being issued by Finance insert: The Netherlands or]** the Federal Republic of Germany; or
- (c) are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany, The Netherlands or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with such directive, regulation, treaty or understanding; or
- (d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for, and notice thereof is published in accordance with the Conditions whichever occurs later [.] [;or]

In the case of Definitive Notes insert:

- [(e)** are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding; or
- (f)** would not be payable if the Notes had been kept in safe custody with, and the payments had been collected by, a banking institution.]

[§ 9 Presentation Period

In the case of Notes represented by Global Notes insert:

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (*German Civil Code*) is reduced to ten years for the Notes.]

[§ 9 Presentation Period, Replacement of Notes

[If the Notes are issued with Coupons insert: and Coupons]

In the case of Definitive Notes insert:

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (*German Civil Code*) is reduced to ten years for the Notes. **[If the Notes are issued with Coupons insert:** The presentation period for the Coupons shall, in accordance with § 801 paragraph 2 BGB (*German Civil Code*), be four years, beginning with the end of the calendar year in which the relevant Coupon falls due. The right pursuant to § 804 paragraph 1, sentence 1 BGB in respect of lost or destroyed coupons is excluded (§ 804 paragraph 2 BGB).] Should any Note **[if the Notes are issued with Coupons insert: or Coupon]** be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent, subject to relevant stock exchange requirements and all applicable laws, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes **[if the Notes are issued with Coupons insert: or Coupons]** must be surrendered before replacements will be issued.]

§ 10 Acceleration

(1) *Right of Acceleration.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Early Redemption Amount (as described in § 6[(5)], together with accrued interest (if any) to the date of repayment, in the event that any of the following events (each, an "**Acceleration Event**") occurs:

- (a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or
- (b) the Issuer fails duly to perform any other obligation arising from the Notes **[in the case of Notes issued by Finance:** or the Guarantor fails to perform any obligation arising from the Guarantee referred to in § 3] which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 days after the Fiscal Agent has received notice thereof from a Holder, or
- (c) any Capital Market Indebtedness (as defined in § 3 (1)) of the Issuer **[in the case of Notes issued by Finance:** or the Guarantor] becomes prematurely repayable as a result of a default in respect of the terms thereof, or the Issuer **[in the case of Notes issued by Finance:** or the Guarantor] fails to fulfil any payment obligation in excess of EUR 25,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantee or suretyship given for any Capital Market Indebtedness of others within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer, **[in the case of Notes issued by Finance:** or the Guarantor] shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked, or if a security granted therefor is enforced on behalf of or by the creditor(s) entitled thereto, or
- (d) the Issuer **[in the case of Notes issued by Finance:** or the Guarantor] announces its inability to meet its financial obligations or ceases its payments, or
- (e) a court opens insolvency proceedings against the Issuer **[in the case of Notes issued by Finance:** or the Guarantor], or the Issuer **[in the case of Notes issued by Finance:** or the Guarantor] applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or **[in the case of Notes issued by Finance:** the Issuer applies for a "*surseance van betaling*" (within the meaning of the Statute of Bankruptcy of The Netherlands), or]
- (f) the Issuer **[in the case of Notes issued by Finance:** or the Guarantor] goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer **[in the case of Notes issued by Finance:** or the Guarantor], as the case may be, in connection with this issue, or
- (g) any governmental order, decree or enactment shall be made in or by **[in the case of Notes issued by Finance:** The Netherlands or] the Federal Republic of Germany whereby the Issuer **[in the case of Notes issued by Finance:** or the Guarantor] is prevented from observing and performing in full its obligations as set forth in these Conditions **[in the case of Notes issued by Finance:** and in the Guarantee, respectively,] and this situation is not cured within 90 days [.] [, or]

in the case of Notes issued by Finance:

[(h) the Guarantee ceases to be valid and legally binding for any reason whatsoever.]

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Quorum.* In the events specified in § 10 subparagraph (1)(b) or subparagraph (1)(c), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in § 10 subparagraph (1)(a), (1)(d), (1)(e), (1)(f) [or] (1)(g) [or (1)(h)] entitling Holders to declare their Notes due has occurred, become effective only when the Fiscal Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding.

(3) *Form of Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a written declaration delivered by hand or registered mail to the specified office of the Fiscal Agent.

**§ 11
Substitution**

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal or interest on any of the Notes is in default, at any time substitute for the Issuer **[in the case of Notes issued by Finance: either the Guarantor or] any Subsidiary (as defined below) [in the case of Notes issued by Deutsche Telekom: of it] [in the case of Notes issued by Finance: of the Guarantor]** as principal debtor in respect of all obligations arising from or in connection with this issue (the "**Substitute Debtor**") provided that:

- (a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes [and the Coupons] [and the Receipts];
- (b) the Substitute Debtor has obtained all necessary authorisations and may transfer to the Fiscal Agent in the Specified Currency and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes [and Coupons] [and Receipts];
- (c) **[in the case of Notes issued by Deutsche Telekom: the Issuer] [in the case of Notes issued by Finance: the Guarantor if it is not itself the Substitute Debtor]** irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes **[in the case of Notes issued by Finance: , such guarantee being substantially in the form of the Guarantee] [in the case of Notes issued by Deutsche Telekom: and such guarantee contains a covenant by the guarantor corresponding to the provisions in § 3].**
- (d) there shall have been delivered to the Fiscal Agent an opinion or opinions of lawyers of recognised standing to the effect that subparagraphs (a), (b) and (c) above have been satisfied.

For purposes of these Conditions "**Subsidiary**" shall mean any corporation or partnership in which Deutsche Telekom directly or indirectly in the aggregate holds not less than 90% of the capital of any class or of the voting rights.

(2) *Notice.* Any notice of such substitution shall be published in accordance with § 13.

(3) *References.* In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor.

§ 12

Further Issues, Purchases and Cancellation

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes [,] [and] [Coupons] [and] [Receipts] in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

[If the Notes are to be issued with Coupons insert:

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith together with all unmatured Coupons surrendered therewith or attached thereto and may not be reissued or resold.]

[If the Notes are to be issued without Coupons insert:

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.]

§ 13

Notices

[In the case of Notes which are listed on the Luxembourg Stock Exchange insert:

(1) *Publication.* All notices concerning the Notes will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* The Issuer shall deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System. So long as any Notes are listed on the Luxembourg Stock Exchange, subparagraph (1) shall apply. In the case of notices regarding the Rate of Interest or, if the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.]

[In the case of Notes which are unlisted insert:

(1) *Notification to Clearing System.* The Issuer shall deliver all notices concerning the Notes to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.]

[In case of Notes which are listed on a Stock Exchange other than the Luxembourg Stock Exchange insert relevant provisions]

[(3)] *Form of Notice.* Notices to be given by any Holder shall be made by means of a written declaration to be lodged together with the relevant Note or Notes with the Agent. So long as any of the Notes are represented by a global Note, such notice may be given by any Holder of a Note to the Agent through the Clearing System in such manner as the Agent and the Clearing System may approve for such purpose.]

§ 14

Applicable Law, Place of Performance, Place of Jurisdiction and Enforcement

(1) *Applicable Law.* The Notes[,] [and] [the Coupons] [,] [and] [the Talons] [and the Receipts], as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Place of Performance.* Place of performance shall be Frankfurt am Main.

(3) *Submission to Jurisdiction.* The **[in the case of Notes issued by Deutsche Telekom: exclusive]** place of jurisdiction for all legal proceedings arising out of or in connection with the Notes [or the Coupons] [or the Talons] [or the Receipts] shall be Frankfurt am Main, **[in the case of Notes issued by Finance:** Each Holder, however, may pursue his claims also before any other court of competent jurisdiction] The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

[in the case of Notes issued by Finance:

(4) *Appointment of Authorised Agent.* For any legal disputes or other proceedings before German courts, the Issuer appoints Deutsche Telekom, as its authorised agent for service of process in Germany].

[(5)] *Enforcement.* Any Holder of Notes [and Coupons] [and Receipts] through a Clearing System may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes [and Coupons] [and Receipts] on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global or definitive form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global Note or Definitive Note. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings. For purposes of the foregoing, "**Custodian**" means any banker other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System.

§ 15

Language

[The Conditions are written in the [German] [English] language only.]

[The Conditions are written in the [German] [English] language and provided with [an English] [a German] language translation. The [German] [English] text shall be controlling and binding. The [English] [German] language translation is provided for convenience only.]

[in the case of Notes that are publicly offered, in whole or in part, in Germany or distributed, in whole or in part, to non-professional investors in Germany with English language Conditions:

Eine deutsche Übersetzung der Emissionsbedingungen wird bei der Deutsche Telekom Aktiengesellschaft, Friedrich-Ebert-Allee 140, 63105 Bonn, Bundesrepublik Deutschland, und [der] [den] Zahlstelle[n] zur kostenlosen Ausgabe bereit-gehalten.]

Emissionsbedingungen (German Language Version of the Terms and Conditions)

Diese Serie von Schuldverschreibungen wird gemäß einem geänderten und neugefaßten Agency Agreement vom 24. April 2008 (das "**Agency Agreement**") zwischen Deutsche Telekom AG ("**Deutsche Telekom**"), Deutsche Telekom International Finance B.V. ("**Finance**"), Deutsche Bank Aktiengesellschaft, als Fiscal Agent und Zahlstelle (der "**Fiscal Agent**", wobei dieser Begriff auch Nachfolger des Fiscal Agent einschließt) sowie den weiteren darin genannten Zahlstellen (gemeinsam mit dem Fiscal Agent die "**Zahlstellen**" genannt, wobei dieser Begriff auch Nachfolger dieser Zahlstellen oder weitere Zahlstellen einschließt) begeben. **[Bei von Finance begebenen Schuldverschreibungen:** Die Schuldverschreibungen sind mit einer unbedingten und unwiderruflichen Garantie (die "**Garantie**") der Deutsche Telekom (die "**Garantin**") ausgestattet.]

bei nicht-konsolidierten Bedingungen:

[Die Bestimmungen dieser Emissionsbedingungen gelten für diese Schuldverschreibungen so, wie sie durch die Angaben der beigefügten endgültigen Bedingungen (die "**Endgültigen Bedingungen**") vervollständigt, geändert, ergänzt oder ganz oder teilweise ersetzt werden. Die Leerstellen in den auf die Schuldverschreibungen anwendbaren Bestimmungen dieser Emissionsbedingungen gelten als durch die in den Endgültigen Bedingungen enthaltenen Angaben ausgefüllt, als ob die Leerstellen tatsächlich in den betreffenden Bestimmungen durch diese Angaben ausgefüllt worden wären. Sofern die Endgültigen Bedingungen die Änderung, Ergänzung oder (vollständige oder teilweise) Ersetzung von Bestimmungen dieser Emissionsbedingungen vorsehen, gelten die betreffenden Bestimmungen dieser Emissionsbedingungen als entsprechend geändert, ergänzt oder ersetzt. Alternative oder wählbare Bestimmungen dieser Emissionsbedingungen, deren Entsprechungen in den Endgültigen Bedingungen nicht ausdrücklich ausgefüllt oder die gestrichen sind, gelten als aus diesen Emissionsbedingungen gestrichen. Sämtliche auf die Schuldverschreibungen nicht anwendbaren Bestimmungen dieser Emissionsbedingungen (einschließlich der Anweisungen, Anmerkungen und der Texte in eckigen Klammern) gelten als insoweit aus diesen Emissionsbedingungen gestrichen, wie dies erforderlich ist, um den Bestimmungen der Endgültigen Bedingungen Geltung zu verschaffen. Kopien der Endgültigen Bedingungen werden bei den bezeichneten Geschäftsstellen der Zahlstellen zur kostenlosen Ausgabe bereitgehalten. Soweit die Schuldverschreibungen nicht an einer Börse notiert sind, sind Kopien der Endgültigen Bedingungen allerdings ausschließlich für die Gläubiger solcher Schuldverschreibungen erhältlich.]

§ 1

Währung, Nennbetrag, Form und Eigentumsrecht Definitionen

(1) *Währung und Nennbetrag.* Diese Serie der Schuldverschreibungen der [] (die "**Emittentin**") wird in **[festgelegte Währung einfügen]** (die "**festgelegte Währung**") im Gesamtnennbetrag von **[falls die Globalurkunde eine NGN ist, einfügen:** (vorbehaltlich § 1(8)) **[Gesamtnennbetrag einfügen]** begeben und ist eingeteilt in [[] Schuldverschreibungen im Nennbetrag von [],] [[] Schuldverschreibungen im Nennbetrag von []] [und] [] Schuldverschreibungen im Nennbetrag von [] (die "**festgelegten Nennbeträge**").

bei vorläufiger Globalurkunde, die gegen Einzelkunden ausgetauscht wird:

[(2) *Einzelkunden.* Schuldverschreibungen in Form von Einzelkunden ("**Einzelkunden**") [sind bei ihrer anfänglichen Lieferung [Zinsscheine ("**Zinsscheine**") [und Talons ("**Talons**") für weitere Zinsscheine] [und] [Rückzahlungsscheine ("**Rückzahlungsscheine**") für die Zahlung der Tilgungsraten] beigefügt] [und sie] sind fortlaufend nummeriert.]

[(3)] *Form und Eigentumsrecht.* Die Schuldverschreibungen [und die Zinsscheine] lauten auf den Inhaber und sind durch eine oder mehrere Globalurkunden verbrieft (jede eine "**Globalurkunde**"). Die Übertragung des Eigentumsrechts an den Schuldverschreibungen [und Zinsscheinen] [und den durch die Rückzahlungsscheine verbrieften Rechten] erfolgt nach den Vorschriften des jeweils anwendbaren Rechts. Weder die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** noch die Garantin] noch der Fiscal Agent oder die Zahlstellen sind verpflichtet, das Eigentumsrecht desjenigen, der Schuldverschreibungen [oder Zinsscheine] [oder Rückzahlungsscheine] vorlegt, zu überprüfen.

bei Schuldverschreibungen, die anfänglich in einer vorläufigen Globalurkunde verbrieft sind:

[[4]] *Vorläufige Globalurkunde - Austausch.*

- (a) Die Schuldverschreibungen sind anfänglich in einer vorläufigen Globalurkunde (die "**vorläufige Globalurkunde**") **[bei Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind:** ohne Zinsscheine] verbrieft. Die vorläufige Globalurkunde wird, wie nachstehend bestimmt, **[bei Austausch der vorläufigen Globalurkunde gegen Einzelurkunden:** gegen Einzelurkunden in den festgelegten Nennbeträgen [mit beigefügten [Zinsscheinen] [und] [Talons] [,] [und Rückzahlungsscheinen]]] **[bei Austausch der vorläufigen Globalurkunde gegen Einzelurkunden und Sammelglobalurkunden:** zum Teil gegen Einzelurkunden in den festgelegten Nennbeträgen [mit [Zinsscheinen] [und] [Talons] [,] [und Rückzahlungsscheinen] und zum anderen Teil gegen eine oder mehrere Sammelglobalurkunden (jeweils eine "**Sammelglobalurkunde**") [mit Globalzinsscheinen (jeweils ein "**Globalzinsschein**")]) ausgetauscht; das Recht der Gläubiger, die Auslieferung von Einzelurkunden im Austausch gegen Schuldverschreibungen, die durch eine Sammelglobalurkunde verbrieft sind, zu fordern, richtet sich nach § 9a Absatz 3, Satz 1 Depotgesetz] **[bei Austausch der vorläufigen Globalurkunde gegen eine oder mehrere Dauerglobalurkunden:** gegen Schuldverschreibungen in den festgelegten Nennbeträgen, die durch [eine] [falls mehrere Dauerglobalurkunden, Zahl angeben] Dauerglobalurkunde[n] ([die] [jeweils eine] "**Dauerglobalurkunde**") **[bei Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind:** ohne Zinsscheine] verbrieft sind ausgetauscht].
- (b) Die vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen [Einzelurkunden] [zum Teil Einzelurkunden und zum anderen Teil Sammelglobalurkunden] [durch [eine] Dauerglobalurkunde[n] verbrieft]e Schuldverschreibungen] ausgetauscht, der **[bei TEFRA D Schuldverschreibungen:** mindestens 40 Tage und] nicht mehr als 180 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt **[bei TEFRA D Schuldverschreibungen:**, und zwar nach Vorlage von Bescheinigungen durch den jeweiligen Kontoinhaber bei dem Clearing-System sowie durch das Clearing-System bei der Emissionsstelle, in der Form von für diese Zwecke bei dem Fiscal Agent erhältlichen Formularen. Darin wird bescheinigt, dass der bzw. die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind, ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten]. [Dauerglobalurkunden] [Einzelurkunden], die im Austausch für die vorläufige Globalurkunde geliefert werden, werden ausschließlich außerhalb der Vereinigten Staaten (wie in § 5 Absatz 3 definiert) ausgeliefert.]

bei Schuldverschreibungen, die von Anfang an durch eine Dauerglobalurkunde verbrieft sind:

[[4]] *Dauerglobalurkunde.* Die Schuldverschreibungen sind in [einer] **[falls mehrere Dauerglobalurkunden, Zahl angeben]** Dauerglobalurkunde[n] ([die] [jeweils eine] "**Dauerglobalurkunde**") **[bei Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind:** ohne Zinsscheine] verbrieft.] Die Lieferung von Einzelurkunden kann nicht verlangt werden.

bei Schuldverschreibungen, die anfänglich in einer vorläufigen Globalurkunde verbrieft sind:

[[5]] *Bei Austausch von Globalurkunden zahlbare Gebühren.* Der Austausch einer Globalurkunde gemäß diesem § 1 erfolgt für die Inhaber der Schuldverschreibungen kostenfrei. **[Bei Einzelurkunden einfügen:** Lediglich in dem Fall, in dem die Einzelurkunden nicht persönlich bei der Geschäftsstelle des Clearing-Systems in Empfang genommen werden, sind die für Versicherung, Versand, Transport und ähnliches anfallenden Kosten vom Empfänger der Einzelurkunden zu tragen.]]

[[6]] *Unterzeichnung der Schuldverschreibungen.* Die Globalurkunden sind namens der Emittentin durch zwei vertretungsberechtigte Personen der Emittentin zu unterschreiben. Sie tragen die Kontrollunterschrift des Fiscal Agent oder seines Beauftragten. **[Bei Einzelurkunden einfügen:** Einzelurkunden [,] [und] [Zinsscheine] [und] [Talons] [und Rückzahlungsscheine] sind namens der Emittentin durch faksimilierte Unterschriften von zwei vertretungsberechtigten Personen der Emittentin zu unterzeichnen. Die Einzelurkunden tragen außerdem die Kontrollunterschrift des Fiscal Agent oder seines Beauftragten. Jede Schuldverschreibung [,] [und] [jeder Zinsschein] [und] [jeder Talon] [und Rückzahlungsschein] ist mit einem Prägestempel versehen.]

[[7]] *Definitionen.* In diesen Emissionsbedingungen bedeutet:

"**Clearing-System**" [sowohl] [Clearstream Banking AG, Frankfurt am Main, ("**CBF**")][.][als auch] [Clearstream Banking, société anonyme, Luxembourg ("**CBL**")] [und] [Euroclear Bank SA/NV ("**Euroclear**")] [CBL and Euroclear jeweils ein "**ICSD**" und zusammen die "**ICSDs**"] [und] [ggf. weitere Clearing-Systeme einfügen] sowie jeder Funktionsnachfolger.

[Im Fall von Schuldverschreibungen, die im Namen der ICSDs verwahrt werden, einfügen:

[Falls die Globalurkunde eine NGN ist, einfügen: Die Schuldverschreibungen werden in Form einer new global note ("**NGN**") ausgegeben und von einem common safekeeper im Namen beider ICSDs verwahrt.]

[Falls die Globalurkunde eine CGN ist, einfügen: Die Schuldverschreibungen werden in Form einer classical global note ("**CGN**") ausgegeben und von einer gemeinsamen Verwahrstelle im Namen beider ICSDs verwahrt.]

[im Falle einer Berechnungsstelle: "Berechnungsstelle" [der Fiscal Agent] [andere Berechnungsstelle einfügen] und jeder Nachfolger des [Fiscal Agent] [andere Berechnungsstelle einfügen] in seiner Eigenschaft als Berechnungsstelle.]

"Globalurkunde" die/jede [vorläufige Globalurkunde] [oder Sammelglobalurkunde] [oder] [Dauerglobalurkunde].

"Gläubiger" in Bezug auf die bei einem Clearing-System oder einem sonstigen zentralen Wertpapierverwahrer hinterlegten Schuldverschreibungen der Inhaber eines Miteigentumsanteils oder anderen Rechts an den hinterlegten Schuldverschreibungen, und andernfalls der Inhaber einer Schuldverschreibung [und/oder eines Zinsscheins] [und/oder eines Rückzahlungsscheins].

"Zahlstelle" den Fiscal Agent in seiner Eigenschaft als Zahlstelle handelnd durch ihre nachstehend in § 7 bezeichnete Geschäftsstelle, die in § 7 genannte(n) Zahlstelle(n) oder eine gemäß § 7 ernannte Ersatz- oder weitere Zahlstelle.

Bezugnahmen in diesen Emissionsbedingungen auf die "Schuldverschreibungen" beziehen sich auf die Schuldverschreibungen dieser Serie und schließen, wenn der Zusammenhang dies erfordert, Globalurkunden [und Einzelurkunden] ein.

Bezugnahmen auf die "festgelegte Währung" schließen jede Nachfolge-Währung ein, die entweder durch Gesetz in dem Hoheitsgebiet, in dem die festgelegte Währung ausgegeben wird, oder durch eine zwischen-staatliche Vereinbarung eingeführt wird (die "**Nachfolgewährung**"), sofern Zahlungen in der ursprünglichen Währung nicht mehr als zu-lässiges Zahlungsmittel für Zahlungen der Emittentin hinsichtlich der Schuldverschreibungen [**bei von Finance begebenen Schuldverschreibungen:** bzw. für Zahlungen der Garantin hinsichtlich der Garantie] gelten.

Falls die Globalurkunde eine NGN ist, einfügen:

[(8) *Register der ICSDs.* Der Nennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen man die Register versteht, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind schlüssiger Nachweis über den Nennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen, und ein zu diesen Zwecken von einem ICSD jeweils ausgestellte Bescheinigung mit dem Nennbetrag der so verbrieften Schuldverschreibungen ist ein schlüssiger Nachweis über den Inhalt des Registers des jeweiligen ICSD zu diesem Zeitpunkt.

Bei Rückzahlung oder Zahlung einer Rate oder einer Zinszahlung bezüglich der durch die Globalurkunde verbrieften Schuldverschreibungen bzw. bei Kauf und Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten über Rückzahlung und Zahlung bzw. Kauf und Löschung bezüglich der Globalurkunde *pro rata* in die Unterlagen der ICSDs eingetragen werden, und dass, nach dieser Eintragung, vom Nennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen bzw. der Gesamtbetrag der so gezahlten Raten abgezogen wird.]

[Falls die vorläufige Globalurkunde eine NGN ist, einfügen: Bei Austausch eines Anteils von ausschließlich durch eine vorläufige Globalurkunde verbrieftter Schuldverschreibungen wird die

Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs *pro rata* in die Aufzeichnungen der ICSDs aufgenommen werden.]

§ 2 Status

Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind.

§ 3 Negativverpflichtung der Emittentin [, Garantie und Negativverpflichtung der Garantin]

[(1)] *Negativverpflichtung.* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit, die von der Emittentin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichen Verhältnis teilnehmen zu lassen. "**Kapitalmarktverbindlichkeit**" ist jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldscheine verbrieft, verkörpert oder dokumentiert ist oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können. Um etwaige Zweifel bezüglich von asset-backed financings der Emittentin zu vermeiden, schließt das in diesem § 3 benutzte Wort "Vermögen" nicht solche Vermögensgegenstände der Emittentin ein, die nach dem jeweils auf die Transaktion anwendbaren Zivilrecht ohne Rückgriffsmöglichkeiten veräußert sind.

bei von Finance begebenen Schuldverschreibungen:

[(2)] *Garantie und Negativverpflichtung der Garantin.* Die Garantin hat die unbedingte und unwiderrufliche Garantie (die "**Garantie**") für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen und sonstiger auf die Schuldverschreibungen [oder Zinsscheine] [oder Rückzahlungsscheine] zahlbarer Beträge übernommen. Die Garantin hat sich außerdem in einer Negativverpflichtung (die "**Negativverpflichtung**") verpflichtet, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit (wie vorstehend definiert), die von der Garantin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichem Verhältnis teilnehmen zu lassen. Die Garantie und die Negativverpflichtung stellen einen Vertrag zugunsten jedes Gläubigers als begünstigtem Dritten gemäß § 328 BGB dar, welcher das Recht jedes Gläubigers begründet, Erfüllung aus der Garantie und der Negativverpflichtung unmittelbar von der Garantin zu verlangen und die Garantie und die Negativverpflichtung unmittelbar gegen die Garantin durchzusetzen. Um etwaige Zweifel bezüglich von asset-backed financings der Garantin zu vermeiden, schließt das in diesem § 3 benutzte Wort "Vermögen" nicht solche Vermögensgegenstände der Garantin ein, die nach dem jeweils auf die Transaktion anwendbaren Zivilrecht ohne Rückgriffsmöglichkeiten veräußert sind. Kopien der Garantie und Negativverpflichtung werden bei den bezeichneten Geschäftsstellen der Zahlstellen zur kostenlosen Ausgabe bereitgehalten.]

§ 4 Zinsen

bei festverzinslichen Schuldverschreibungen:

[(1)] *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden in Höhe ihres Nennbetrages verzinst, und zwar vom [**Verzinsungsbeginn einfügen**] (einschließlich) bis zum Fälligkeitstag (ausschließlich) mit jährlich [**Zinssatz einfügen**] %. Die Zinsen sind nachträglich am [**Festzinstermine einfügen**] eines jeden Jahres zahlbar (jeweils ein "**Zinszahlungstag**"). Die erste Zinszahlung erfolgt am [**ersten Zinszahlungstag einfügen**] [**sofern der erste Zinszahlungstag**

nicht der erste Jahrestag des Verzinsungsbeginns ist: und beläuft sich auf **[den anfänglichen Bruchteilszinsbetrag/die anfänglichen Bruchteilszinsbeträge einfügen].** **[Sofern der Fälligkeitstag kein Festzinsternin ist:** Die Zinsen für den Zeitraum vom **[den letzten dem Fälligkeitstag vorausgehenden Festzinsternin einfügen]** (einschließlich) bis zum Fälligkeitstag (ausschließlich) belaufen sich auf **[den abschließenden Bruchteilszinsbetrag/die abschließenden Bruchteilszinsbeträge einfügen].**]

[Im Fall von Schuldverschreibungen, die durch Globalurkunden verbrieft sind, einfügen:

(2) *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, erfolgt die Verzinsung der Schuldverschreibungen vom Tag der Fälligkeit bis zu dem Tag, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht, in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen.¹⁾]

[Im Fall von Schuldverschreibungen, die durch Einzelurkunden verbrieft sind, einfügen:

(2) *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, endet die Verzinsung des ausstehenden Nennbetrages der Schuldverschreibungen erst mit Ablauf des Tages, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht, spätestens jedoch mit Ablauf des vierzehnten Tages nach der Bekanntmachung durch den Fiscal Agent gemäß § 13, dass ihm die für die Rückzahlung der Schuldverschreibungen erforderlichen Mittel zur Verfügung gestellt worden sind. Der jeweils geltende Zinssatz ist der gesetzlich festgelegte Satz für Verzugszinsen.¹⁾

(3) *Berechnung der Zinsen für gebrochene Zeiträume.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).]

bei variabel verzinslichen Schuldverschreibungen:

[(1) Zinszahlungstage.

(a) Die Schuldverschreibungen werden in Höhe ihres Nennbetrages ab dem **[Verzinsungsbeginn einfügen]** (der "**Verzinsungsbeginn**") (einschließlich) verzinst. Die Zinsen sind an jedem Zinszahlungstag zahlbar. "**Zinszahlungstag**" in diesem Sinne ist **[bei festgelegten Zinszahlungstagen:** jeweils **[festgelegte Zinszahlungstage einfügen]** **[bei festgelegten Zinsperioden:** (sofern diese Emissionsbedingungen keine abweichenden Bestimmungen vorsehen) jeweils der Tag, der [] **[Wochen]** **[Monate]** **[ggf. einen anderen festgelegten Zeitraum/andere festgelegte Zeiträume einfügen]** nach dem vorausgehenden Zinszahlungstag liegt oder, im Falle des ersten Zinszahlungstages, nach dem Verzinsungsbeginn liegt.]

(b) Fällt ein Zinszahlungstag auf einen Tag, der kein Geschäftstag (wie nachstehend definiert) ist, so wird der Zinszahlungstag:

[bei Anwendung der Modified Following Business Day Convention: auf den nächstfolgenden Geschäftstag verschoben, es sei denn, dieser würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Zahlungstag auf den unmittelbar vorausgehenden Geschäftstag verlegt.]

[bei Anwendung der FRN Convention: auf den nächstfolgenden Geschäftstag verschoben, es sei denn, dieser würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall (i) wird der Zahlungstag auf den unmittelbar vorangehenden Geschäftstag vorgezogen und (ii) ist jeder nachfolgende Zahlungstag der jeweils letzte Geschäftstag des Monats, der **[] Monate** **[ggf. einen anderen Zeitraum/andere Zeiträume einfügen]** nach dem vorangegangenen gültigen Zahlungstag liegt.]

¹ Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

[bei Anwendung der Following Business Day Convention: auf den nächstfolgenden Geschäftstag verschoben.]

[bei Anwendung der Preceding Business Day Convention: auf den unmittelbar vorangegangenen Geschäftstag verlegt.]

In diesem § 4 bezeichnet "**Geschäftstag**" **[falls die festgelegte Währung nicht Euro ist, einfügen:** einen Tag (außer einem Samstag oder Sonntag), an dem Geschäftsbanken allgemein für Geschäfte in **[sämtliche relevanten Finanzzentren einfügen]** geöffnet sind und Devisenmärkte Zahlungen in **[sämtliche relevanten Finanzzentren einfügen]** abwickeln **[falls die festgelegte Währung Euro ist, einfügen:** einen Tag an dem alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System ("**TARGET**") betriebsbereit sind, um die betreffende Zahlung abzuwickeln].

(2) **Zinssatz.** **[Bei Bildschirmfeststellung:** Der Zinssatz (der "**Zinssatz**") für jede Zinsperiode (wie nachstehend definiert) ist, sofern nachstehend nichts abweichendes bestimmt wird, der Angebotssatz (ausgedrückt als Prozentsatz per annum) für Einlagen in der festgelegten Währung für die jeweilige Zinsperiode, der auf der Bildschirmseite am Zinsfestlegungstag (wie nachstehend definiert) um 11.00 Uhr ([Londoner] [Brüsseler] Ortszeit) angezeigt wird **[im Falle einer Marge: [zuzüglich] [abzüglich]** der Marge (wie nachstehend definiert)], wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

"**Zinsperiode**" bezeichnet jeweils den Zeitraum von dem Verzinsungsbeginn bis zum ersten Zinszahlungstag bzw. von jedem Zinszahlungstag bis zum jeweils darauf folgenden Zinszahlungstag.

"**Zinsfestlegungstag**" bezeichnet den [zweiten] **[zutreffende andere Zahl von Tagen einfügen]** [TARGET] [Londoner] **[zutreffende andere Bezugnahmen einfügen]** Geschäftstag vor Beginn der jeweiligen Zinsperiode. **[Im Falle eines TARGET-Geschäftstages einfügen:** "**TARGET-Geschäftstag**" bezeichnet einen Tag, an dem TARGET (Trans-European Automated Real-time Gross Settlement Express Transfer System) betriebsbereit ist.] **[Im Falle eines nicht-TARGET-Geschäftstages einfügen:** "[Londoner] **[zutreffenden anderen Ort einfügen]** Geschäftstag" bezeichnet einen Tag (außer einem Samstag oder Sonntag), an dem Geschäftsbanken in [London] **[zutreffenden anderen Ort einfügen]** für Geschäfte (einschließlich Devisen- und Sortengeschäfte) geöffnet sind.]

[Im Fall einer Marge einfügen: Die "**Marge**" beträgt [I]% per annum.]

"**Bildschirmseite**" bedeutet **[Bildschirmseite einfügen]** oder jede Nachfolgesseite.

[Sofern eine andere Basis zur Bestimmung eines Referenzzinssatzes gelten soll, sind die entsprechenden Bestimmungen hier einzufügen.]

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen oder wird kein Angebotssatz angezeigt (zur genannten Zeit), wird die Berechnungsstelle von jeder der Referenzbanken (wie nachstehend definiert) deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Einlagen in der festgelegten Währung für die betreffende Zinsperiode bei führenden Banken im [Londoner] Interbanken-Markt [in der Euro-Zone] um ca. 11.00 ([Londoner] [Brüsseler] Ortszeit) am Zinsfestlegungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein **[falls der Referenzsatz EURIBOR ist, einfügen:** Tausendstel Prozent auf- oder abgerundet, wobei 0,0005] **[falls der Referenzsatz nicht EURIBOR ist, einfügen:** Hunderttausendstel Prozent auf- oder abgerundet, wobei 0,000005] aufgerundet wird) dieser Angebotssätze **[im Falle einer Marge: [zuzüglich] [abzüglich]** der Marge], wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

Falls an einem Zinsfestlegungstag nur eine oder keine der Referenzbanken der Berechnungsstelle solche im vorstehenden Absatz beschriebenen Angebotssätze nennt, ist der Zinssatz für die betreffende Zinsperiode der Satz per annum, den die Berechnungsstelle als das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein **[falls der Referenzsatz EURIBOR ist, einfügen:** Tausendstel Prozent auf- oder abgerundet, wobei 0,0005] **[falls der Referenzsatz nicht EURIBOR ist, einfügen:** Hunderttausendstel Prozent auf- oder abgerundet, wobei 0,000005] aufgerundet wird) der Angebotssätze ermittelt, die die Referenzbanken bzw. zwei oder mehrere von

ihnen der Berechnungsstelle auf deren Anfrage als den jeweiligen Satz nennen, zu dem ihnen um ca. 11.00 Uhr ([Londoner] [Brüsseler] Ortszeit) an dem betreffenden Zinsfestlegungstag Einlagen in der festgelegten Währung für die betreffende Zinsperiode von führenden Banken im [Londoner] Interbanken-Markt [in der Euro-Zone] angeboten werden **[im Falle einer Marge: [zuzüglich] [abzüglich] der Marge]**; falls weniger als zwei der Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, dann soll der Zinssatz für die betreffende Zinsperiode der Angebotsatz für Einlagen in der festgelegten Währung für die betreffende Zinsperiode oder das arithmetische Mittel (gerundet wie oben beschrieben) der Angebotssätze für Einlagen in der festgelegten Währung für die betreffende Zinsperiode sein, den bzw. die eine oder mehrere Banken (die nach Ansicht der Berechnungsstelle für diesen Zweck geeignet sind) der Berechnungsstelle als Sätze bekannt geben, die sie an dem betreffenden Zinsfestlegungstag gegenüber führenden Banken am [Londoner] Interbanken-Markt [in der Euro-Zone] (bzw. den diese Banken gegenüber der Berechnungsstelle) nennen **[im Falle einer Marge: [zuzüglich] [abzüglich] der Marge]**. Für den Fall, dass der Zinssatz nicht gemäß den vorstehenden Bestimmungen dieses Absatzes ermittelt werden kann, ist der Zinssatz der Angebotsatz oder das arithmetische Mittel der Angebotssätze auf der Bildschirmseite, wie vorstehend beschrieben, an dem letzten Tag vor dem Zinsfestlegungstag, an dem diese Angebotssätze angezeigt wurden **[im Falle einer Marge: [zuzüglich] [abzüglich] der Marge]** (wobei jedoch, falls für die betreffende Zinsperiode eine andere Marge als für die unmittelbar vorangegangene Zinsperiode gilt, die Marge der betreffenden Zinsperiode an die Stelle der Marge für die vorangegangene Zinsperiode tritt).]

"Referenzbanken" bezeichnen **[falls in den Endgültigen Bedingungen keine anderen Referenzbanken bestimmt werden:** diejenigen Niederlassungen von vier derjenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotsatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde. **[Falls in den Endgültigen Bedingungen andere Referenzbanken bestimmt werden, sind sie hier einzufügen].]**

[Im Fall des Interbankenmarktes in der Euro-Zone einfügen: "Euro-Zone" bezeichnet das Gebiet derjenigen Mitgliedstaaten der Europäischen Union, die gemäß dem Vertrag über die Gründung der Europäischen Gemeinschaft, geändert durch den Vertrag über die Europäische Union, in der jeweils geltenden Fassung, eine einheitliche Währung eingeführt haben oder jeweils eingeführt haben werden.]

[Sofern ein anderer Referenzzinssatz als LIBOR oder EURIBOR anwendbar ist, sind die Einzelheiten hier einzufügen, und zwar in Ersetzung der Bestimmungen dieses Absatzes 2]

[Sofern ISDA-Feststellung gelten soll, sind die entsprechenden Einzelheiten hier einzufügen und der betreffenden von der International Swaps and Derivatives Association, Inc. veröffentlichten 2000 ISDA-Definitionen oder, falls anwendbar, die 2006 ISDA Definitionen beizufügen]

[Sofern eine andere Methode der Bestimmung anwendbar ist, sind die entsprechenden Einzelheiten in Ersetzung der Bestimmungen dieses Absatzes 2 hier einzufügen.]

[Falls ein Mindest- oder Höchstzins gilt:

(3) *[Mindest-][und] [Höchst-] Zinssatz.*

[Falls ein Mindestzinssatz gilt: Wenn der gemäß den obigen Bestimmungen für eine Zinsperiode ermittelte Zinssatz niedriger ist als **[Mindestzinssatz einfügen]**, so ist der Zinssatz für diese Zinsperiode **[Mindestzinssatz].]**

[Falls ein Höchstzinssatz gilt: Wenn der gemäß den obigen Bestimmungen für eine Zinsperiode ermittelte Zinssatz höher ist als **[Höchstzinssatz einfügen]**, so ist der Zinssatz für diese Zinsperiode **[Höchstzinssatz].]**

[(4)] Zinsbetrag. Die Berechnungsstelle wird zu - oder baldmöglichst nach - jedem Zeitpunkt, an dem der Zinssatz zu bestimmen ist, den Zinssatz bestimmen und den zahlbaren Zinsbetrag in Bezug auf jeden festgelegten Nennbetrag (der "**Zinsbetrag**") für die entsprechende Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient (wie nachstehend definiert) auf jeden festgelegten Nennbetrag angewendet werden, wobei der resultierende Betrag auf die kleinste Einheit der festgelegten Währung auf- oder abgerundet wird, wobei 0,5 solcher Einheiten aufgerundet werden.

[(5)] Mitteilung von Zinssatz und Zinsbetrag. Die Berechnungsstelle wird veranlassen, dass der für die jeweilige Zinsperiode geltende Zinssatz, Zinsbetrag und Zinszahlungstag der Emittentin **[bei von Finance begebenen Schuldverschreibungen: und der Garantin]** und den Gläubigern gemäß § 13 baldmöglichst, aber keinesfalls später als am vierten auf die Berechnung jeweils folgenden **[Londoner] [TARGET] [zutreffenden anderen Ort einfügen]** Geschäftstag (wie in § 4 Absatz 2 definiert) sowie jeder Börse, an der die betreffenden Schuldverschreibungen zu diesem Zeitpunkt notiert werden und deren Regeln eine Mitteilung an die Börse verlangen, baldmöglichst, aber keinesfalls später als zu Beginn der jeweiligen Zinsperiode, mitgeteilt werden. Im Falle einer Verlängerung oder Verkürzung der Zinsperiode können der mitgeteilte Zinsbetrag und Zinszahlungstag nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Börsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert werden, sowie den Gläubigern gemäß § 13 mitgeteilt.

[(6)] Verbindlichkeit der Festsetzungen. Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 4 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, **[die Garantin,]** den Fiscal Agent, die Zahlstellen und die Gläubiger bindend.

[Im Fall von Schuldverschreibungen, die durch Dauerglobalurkunden verbrieft sind, einfügen:

[(7)] Auflaufende Zinsen. Der Zinslauf der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, endet die Verzinsung des ausstehenden Nennbetrages der Schuldverschreibungen erst mit Ablauf des Tages, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht. Der jeweils geltende Zinssatz ist der gesetzlich festgelegte Satz für Verzugszinsen.^{1]}

[Im Fall von Schuldverschreibungen, die durch Einzelurkunden verbrieft sind, einfügen:

[(7)] Auflaufende Zinsen. Der Zinslauf der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, endet die Verzinsung des ausstehenden Nennbetrages der Schuldverschreibungen erst mit Ablauf des Tages, der dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht, spätestens jedoch mit Ablauf des vierzehnten Tages nach der Bekanntmachung durch den Fiscal Agent gemäß § 13, dass ihm die für die Rückzahlung der Schuldverschreibungen erforderlichen Mittel zur Verfügung gestellt worden sind. Der jeweils geltende Zinssatz ist der gesetzlich festgelegte Satz für Verzugszinsen .]

im Falle von Nullkupon-Schuldverschreibungen:

[(1)] Periodische Zinszahlungen. Es erfolgen keine periodischen Zinszahlungen auf die Schuldverschreibungen.

[Im Fall von Nullkupon-Schuldverschreibungen, die durch Dauerglobalurkunden verbrieft sind, einfügen:

(2) Auflaufende Zinsen. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, fallen auf den Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag bis zu dem Tag, der dem Tag der tatsächlichen Rückzahlung vorangeht, Zinsen in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen.^{1]}

[Im Fall von Nullkupon-Schuldverschreibungen, die durch Einzelurkunden verbrieft sind, einfügen:

(2) Auflaufende Zinsen. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, fallen auf den Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag bis zum Tag, der dem Tag der tatsächlichen Rückzahlung vorangeht, Zinsen in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen¹; die Verzinsung endet jedoch spätestens mit Ablauf des vierzehnten Tages nach

¹ Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

Bekanntmachung durch den Fiscal Agent gemäß § 13, dass ihm die für die Rückzahlung der Schuldverschreibungen erforderlichen Mittel zur Verfügung gestellt worden sind.]

[Im Fall von indexierten Schuldverschreibungen oder Credit Linked Notes sind die anwendbaren Bestimmungen die Zinsen betreffend einzufügen. Dasselbe gilt für Doppelwährungs-Schuldverschreibungen.]

[(I)] Zinstagequotient. "Zinstagequotient" bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der "Zinsberechnungszeitraum"):

[Im Falle von Actual/Actual (ICMA Regelung 251) mit jährlichen Zinszahlungen einfügen: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch die tatsächliche Anzahl von Tagen in der jeweiligen Zinsperiode.] **[bei ersten/letzten langen oder kurzen Zinsperioden entsprechende Actual/Actual Regelung 251 Berechnungsmethode angeben.]**

[Im Falle von Actual/Actual (ICMA Regelung 251) mit zwei oder mehr gleich bleibenden Zinsperioden innerhalb eines Zinsjahres einfügen: die Anzahl von Tagen in dem Zinsberechnungszeitraum, geteilt durch (x) die Anzahl der Tage in der Zinsperiode im Fall von Schuldverschreibungen, bei denen die planmäßige Zinszahlung nur durch regelmäßige jährliche Zahlungen erfolgt, oder (y) das Produkt der Anzahl der Tage in der Zinsperiode und der Anzahl von Zinszahlungstagen, die angenommen, dass Zinsen für das gesamte Jahr zu zahlen wären in ein Kalenderjahr fallen würden, im Fall von Schuldverschreibungen, bei denen die planmäßige Zinszahlung anders als nur durch regelmäßige jährliche Zahlungen erfolgt.] **[bei ersten/letzten langen oder kurzen Zinsperioden entsprechende Actual/Actual Regelung 251 Berechnungsmethode angeben.]**

[Falls Actual/Actual (ISDA) anwendbar ist, einfügen: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch 365 (oder, falls ein Teil dieses Zinsberechnungszeitraumes in ein Schaltjahr fällt, die Summe aus (A) der tatsächlichen Anzahl der in das Schaltjahr fallenden Tage des Zinsberechnungszeitraumes dividiert durch 366 und (B) die tatsächliche Anzahl der nicht in das Schaltjahr fallenden Tage des Zinsberechnungszeitraumes dividiert durch 365.)]

[im Falle von Actual/365 (Fixed): die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 365.]

[im Falle von Actual/360: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.]

[im Falle von 30/360, 360/360 oder Bond Basis: die Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360, wobei die Anzahl der Tage auf der Grundlage eines Jahres von 360 Tagen mit zwölf Monaten zu je 30 Tagen zu ermitteln ist (es sei denn, (A) der letzte Tag des Zinsberechnungszeitraumes fällt auf den 31. Tag eines Monats, während der erste Tag des Zinsberechnungszeitraumes weder auf den 30. noch den 31. Tag eines Monats fällt, in welchem Fall der diesen Tag enthaltende Monat nicht als ein auf 30 Tage gekürzter Monat zu behandeln ist, oder (B) der letzte Tag des Zinsberechnungszeitraumes fällt auf den letzten Tag des Monats Februar, in welchem Fall der Monat Februar nicht als ein auf 30 Tage verlängerter Monat zu behandeln ist.)]

[im Falle von 30E/360 oder Eurobond Basis: die Anzahl der Tage im Zinsberechnungszeitraum dividiert durch 360 (dabei ist die Anzahl der Tage auf der Grundlage eines Jahres von 360 Tagen mit 12 Monaten zu 30 Tagen zu ermitteln, und zwar ohne Berücksichtigung des ersten oder letzten Tages des Zinsberechnungszeitraumes).]

§ 5 Zahlungen

(1) *Zahlungen auf Kapital.*

bei durch Einzelurkunden verbrieften Schuldverschreibungen:

[Zahlungen auf Kapital in Bezug auf durch Einzelurkunden verbrieft Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 3 gegen Vorlage und (Teilzahlungen ausgenommen) Einreichung der entsprechenden Schuldverschreibung bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.]

bei durch eine Dauerglobalurkunde verbrieften Schuldverschreibungen:

[Zahlungen auf Kapital in Bezug auf durch eine Globalurkunde verbriefte Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 3 an das Clearing-System oder dessen Order zur Gutschrift auf die Konten der jeweiligen Kontoinhaber des Clearing-Systems gegen Vorlage und Einreichung der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.]

bei Raten-Schuldverschreibungen:

[Die Zahlung von Raten auf eine Raten-Schuldverschreibung mit Rückzahlungsscheinen erfolgt gegen Vorlage der Schuldverschreibung zusammen mit dem betreffenden Rückzahlungsschein und Einreichung dieses Rückzahlungsscheins und, im Falle der letzten Ratenzahlung gegen Einreichung der Schuldverschreibung bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten. Rückzahlungsscheine begründen keinen Titel. Rückzahlungsscheine, die ohne die dazugehörige Schuldverschreibung vorgelegt werden, begründen keine Verpflichtungen der Emittentin. Daher berechtigt die Vorlage einer Raten-Schuldverschreibung ohne den entsprechenden Rückzahlungsschein oder die Vorlage eines Rückzahlungsscheins ohne die dazugehörige Schuldverschreibung den Gläubiger nicht, die Zahlung einer Rate zu verlangen.]

Für die Zwecke **[bei TEFRA D Schuldverschreibungen einfügen:** des § 1 Absatz [4] und] dieses § 5 bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, die U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

bei Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind:

[(2) *Zahlung von Zinsen.* **[Bei durch Einzelkunden verbrieften Schuldverschreibungen:** Die Zahlung von Zinsen auf durch Einzelkunden verbriefte Schuldverschreibungen mit Zinsscheinen erfolgt nach Maßgabe des nachstehenden Absatzes 3 gegen Einreichung der entsprechenden Zinsscheine, oder im Falle von Zinsen, die zwar fällig sind, aber nicht an einem der vorher festgelegten Zinszahlungstage, gegen Vorlage der entsprechenden Schuldverschreibungen bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.]

[im Falle von Schuldverschreibungen, die durch eine Dauerglobalurkunde verbrieft werden: Die Zahlung von Zinsen auf durch eine Dauerglobalurkunde verbriefte Schuldverschreibungen erfolgt nach Maßgabe des nachstehenden Absatzes 3 an das Clearing-System oder dessen Order zur Gutschrift für die betreffenden Kontoinhaber des Clearing-Systems gegen Vorlage der Dauerglobalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.]

[im Falle von auf eine Vorläufige Globalurkunde zahlbaren Zinsen: Die Zahlung von Zinsen auf durch eine vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgt nach Maßgabe des nachstehenden Absatzes 3 an das Clearing-System oder dessen Order zur Gutschrift für die betreffenden Kontoinhaber des Clearing-Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz [4] (b) gegen Vorlage der vorläufigen Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.]]

(3) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf Schuldverschreibungen

bei durch Globalurkunden verbrieften Schuldverschreibungen:

[in der frei handelbaren und konvertierbaren Währung, die am entsprechenden Fälligkeitstag die Währung des Staates der festgelegten Währung ist.]

bei Einzelkunden einfügen:

[im Falle von Zahlungen in einer anderen Währung als Euro oder U.S.-Dollar: durch **[festgelegte Währung einfügen]** Scheck, der auf eine Bank in **[Hauptfinanzzentrum des Landes der festgelegten Währung einfügen]** ausgestellt ist oder nach Wahl des Zahlungsempfängers durch Überweisung auf ein auf **[festgelegte Währung]** lautendes von diesem bei einer Bank in **[Hauptfinanzzentrum des Landes der festgelegten Währung]** geführtes Konto.]

[im Falle von Zahlungen in U.S.-Dollar: durch U.S.-Dollar Scheck, ausgestellt auf eine Bank in New York City oder nach Wahl des Zahlungsempfängers durch Überweisung auf ein auf U.S.-Dollar lautendes Konto des Zahlungsempfängers bei einer Bank außerhalb der Vereinigten Staaten. Falls die

Zahlung von Kapital oder Zinsen bei den Geschäftsstellen aller Zahlstellen außerhalb der Vereinigten Staaten aufgrund der Einführung von Devisenbeschränkungen oder ähnlichen Beschränkungen hinsichtlich der vollständigen Zahlung oder des Empfangs der entsprechenden Beträge in U.S.-Dollar widerrechtlich wird oder tatsächlich ausgeschlossen wird, wird die Emittentin eine Geschäftsstelle oder einen Beauftragten innerhalb der Vereinigten Staaten ernennen, bei dem solche Zahlungen vorgenommen werden dürfen.]

[bei Zahlungen in Euro: in Bar oder durch in Euro zahlbaren Scheck ausgestellt auf eine Bank in einem Hauptfinanzzentrum eines Landes, das Teilnehmerstaat in der Europäischen Wirtschafts- und Währungsunion im Sinne des am 7. Februar 1992 in Maastricht unterzeichneten Vertrages über die Europäische Union und des Amsterdamer Vertrages vom 2. Oktober 1997, in seiner jeweiligen Fassung, geworden ist, oder nach Wahl des Zahlungsempfängers durch Überweisung auf ein auf Euro lautendes Konto des Zahlungsempfängers bei einer Bank in einem solchen Finanzzentrum.]

(4) *Erfüllung.*

[Im Fall von Schuldverschreibungen, die durch Globalurkunden verbrieft werden, einfügen:

Die Emittentin wird durch Leistung der Zahlung an das Clearing-System oder dessen Order von ihrer Zahlungspflicht befreit.]

[Im Fall von Schuldverschreibungen, die durch Einzelurkunden verbrieft sind, einfügen:

Im Fall von Schuldverschreibungen, die über ein Clearing-System gehalten werden, wird die Emittentin durch Leistung der Zahlung an das Clearing-System oder dessen Order von ihrer Zahlungspflicht befreit.]

(5) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung [oder einen Zinsschein] [oder einen Rückzahlungsschein] auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, **[bei nicht auf Euro lautenden Schuldverschreibungen, einfügen:** der ein Tag (außer einem Samstag oder Sonntag) ist, an dem Geschäftsbanken und Devisenmärkte Zahlungen in **[sämtliche relevanten Finanzzentren angeben]** abwickeln] [bei auf Euro lautenden Schuldverschreibungen, einfügen: der ein Tag (außer einem Samstag oder Sonntag) ist, an dem alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System ("**TARGET**") betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten] [bei Einzelurkunden einfügen: und an dem Banken am Ort einer Zahlstelle, bei der Schuldverschreibungen [,] [Zinsscheine] [,] [Talons] [oder] [Rückzahlungsscheine] zur Zahlung eingereicht werden, geöffnet sind].

bei Einzelurkunden, die anfänglich mit Zinsscheinen, Talons oder Rückzahlungsscheinen ausgeliefert der:

[[6) *Einreichung von [Zinsscheinen][,][Talons][und] [Rückzahlungsscheinen].* Jede Schuldverschreibung, die anfänglich mit beigefügten Zinsscheinen [oder Talons] [oder Rückzahlungsscheinen] ausgegeben wurde, ist bei Rückzahlung vorzulegen und, außer im Falle einer Teilzahlung des Rückzahlungsbetrages, bei Endfälligkeit zusammen mit allen dazugehörigen noch nicht fälligen Zinsscheinen [und Talons] [und Rückzahlungsscheinen] einzureichen; erfolgt dies nicht

[im Falle von festverzinslichen Schuldverschreibungen: wird der Betrag der fehlenden noch nicht fälligen Zinsscheine (oder falls die Zahlung nicht vollständig erfolgt, der Anteil des Gesamtbetrages solcher fehlenden, nicht fälligen Zinsscheine, wie er dem Verhältnis zwischen dem tatsächlich gezahlten Betrag und der fälligen Summe entspricht) von dem ansonsten bei der Rückzahlung fälligen Betrag abgezogen[.] [und][.]

[im Falle von variabel verzinslichen Schuldverschreibungen: werden alle nicht fälligen zugehörigen Zinsscheine (gleich, ob sie zusammen mit diesen eingereicht werden oder nicht) ungültig und es erfolgt ab diesem Zeitpunkt keine Zahlung mehr auf sie[.] [und] [.]

[im Falle von Einzelurkunden, die anfänglich mit beigefügten Talons ausgegeben werden: werden sämtliche nicht fälligen Talons (gleich, ob sie zusammen mit diesen eingereicht werden oder

nicht) ungültig und können nicht zu einem späteren Zeitpunkt gegen Zinsscheine ausgetauscht werden [.] [und] [.]

[im Falle von Einzelurkunden, die anfänglich mit beigefügten Rückzahlungsscheinen ausgegeben werden: werden sämtliche zugehörigen Rückzahlungsscheine, die in Bezug auf die Zahlung einer Rate, die (wäre sie nicht zur Rückzahlung fällig geworden) an einem Tag nach Rückzahlung fällig geworden wäre (gleich, ob sie mit dieser Schuldverschreibung eingereicht wurde oder nicht) ungültig, und bei Vorlage zu einem späteren Zeitpunkt erfolgt auf sie keine Zahlung.]

Werden Schuldverschreibungen mit einer Fälligkeit und einem Zinssatz oder Zinssätzen begeben, die dazu führen würden, dass bei Vorlage zur Zahlung dieser Schuldverschreibungen ohne dazugehörige noch nicht fällige Zinsscheine der wie vorstehend dargelegt in Abzug zu bringende Betrag den ansonsten zu zahlenden Rückzahlungsbetrag übersteigt, so werden diese noch nicht fälligen Zinsscheine (gleich, ob sie beigefügt sind oder nicht) zum Zeitpunkt der Fälligkeit solcher Schuldverschreibungen ungültig (und es erfolgt auf sie keine Zahlung), insoweit als dies erforderlich ist, damit der gemäß der vorstehenden Regelung in Abzug zu bringende Betrag den vorgesehenen Rückzahlungsbetrag nicht übersteigt. Sofern die Anwendung des letzten Satzes die Entwertung einiger, aber nicht sämtlicher noch nicht fälliger Zinsscheine einer Schuldverschreibung erfordert, bestimmt die betreffende Zahlstelle, welche nicht fälligen Zinsscheine ungültig werden sollen, wobei zu diesem Zwecke später fällige Zinsscheine vor früher fälligen Zinsscheinen für ungültig zu erklären sind.

[im Falle von Einzelurkunden, die anfänglich mit Talons ausgegeben wurden:

(7) *Austausch von Talons.* Am oder nach dem Zinszahlungstag, an dem der letzte Zinsschein eines Zinsscheinbogens fällig wird, kann der im Zinsscheinbogen enthaltene Talon bei der bezeichneten Geschäftsstelle einer Zahlstelle im Austausch gegen einen weiteren Zinsscheinbogen (einschließlich ggf. eines weiteren Talons) eingereicht werden. Jeder Talon gilt für die Zwecke dieser Emissionsbedingungen als am Zinszahlungstag fällig, an dem der letzte im jeweiligen Zinsscheinbogen enthaltene Zinsschein fällig wird.]]

[(8)] *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen, **[falls die Emittentin das Wahlrecht hat, die Schuldverschreibungen aus anderen als steuerlichen Gründen vorzeitig zurückzahlen, einfügen:** den Wahl-Rückzahlungsbetrag (Call) der Schuldverschreibungen,] **[falls der Gläubiger ein Wahlrecht hat, die Schuldverschreibungen vorzeitig zu kündigen, einfügen:** den Wahl-Rückzahlungsbetrag (Put) der Schuldverschreibungen,] **[im Fall von Nullkupon-Schuldverschreibungen einfügen:** den Amortisationsbetrag der Schuldverschreibungen,] **[im Fall von Raten-Schuldverschreibungen einfügen:** die auf die Schuldverschreibungen anwendbare(n) Rate(n)] sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 8 zahlbaren zusätzlichen Beträge einschließen.

[(9)] *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

§ 6 Rückzahlung

(1) *Rückzahlung bei Endfälligkeit.*

im Falle von Schuldverschreibungen außer Raten-Schuldverschreibungen:

[Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am **[[im Falle eines festgelegten Fälligkeitstages Fälligkeitstag einfügen]** (der "Fälligkeitstag") **[im Falle eines Rückzahlungsmonats: an dem in den [Rückzahlungsmonat] fallenden Zinszahlungstag]** zurückgezahlt. Der Rückzahlungsbetrag dieser Serie von Schuldverschreibungen beträgt 100% des Gesamtnennbetrages der Schuldverschreibungen. Der Rückzahlungsbetrag in Bezug auf jede

Schuldverschreibung beträgt **[Rückzahlungsbetrag für jeweiligen Nennbetrag einfügen].]**

im Falle von Raten-Schuldverschreibungen:

[Soweit nicht vorher bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen an dem/den nachstehenden Ratenzahlungstermin(en) zu der/den folgenden Rate(n) zurückgezahlt:

Ratenzahlungstermin(e)	Rate(n)
[Ratenzahlungstermin(e)]	[Rate(n)]
[]	[]
[]	[]

(2) *Vorzeitige Rückzahlung aus Steuergründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber dem Fiscal Agent und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin, die aus von ihr nicht zu verantwortenden Gründen die Leistung der Zahlung durch die Emittentin nicht bewirken kann.] als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften **[bei von Finance begebenen Schuldverschreibungen:** der Niederlande oder] der Bundesrepublik Deutschland oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt diese Änderung oder Ergänzung wird am oder nach dem **[Ausgabetag]** wirksam) zur Zahlung von zusätzlichen Beträgen (wie in § 8 dieser Bedingungen, **[bei von Finance begebenen Schuldverschreibungen:** bzw. in der Garantie] definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen der Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder der Garantin] zur Verfügung stehender und ihr zumutbarer Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühest möglichen Termin erfolgen, an dem die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, und (ii) zu dem Zeitpunkt, zu dem die Kündigung erfolgt, muss die Verpflichtung zur Zahlung von zusätzlichen Beträgen noch wirksam sein, **[bei variabel verzinslichen Schuldverschreibungen:** Der für die Rückzahlung festgelegte Termin muss ein Zinszahlungstag sein.]

Vor der Veröffentlichung einer Kündigung gemäß dieser Bestimmung muss die Emittentin dem Fiscal Agent eine Bescheinigung vorlegen, die von einem Vorstandsmitglied **[bei von Deutsche Telekom begebenen Schuldverschreibungen:** der Emittentin] **[bei von Finance begebenen Schuldverschreibungen:** der Garantin] unterschrieben ist und welche darlegt, dass die Voraussetzungen dieses Kündigungsrechts vorliegen und außerdem eine Stellungnahme eines unabhängigen und anerkannten Rechtsberaters enthält, in der festgestellt wird, dass die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] verpflichtet ist oder sein wird, solche zusätzlichen Beträge aufgrund einer solchen Rechts- oder Auslegungsänderung zu zahlen.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die Umstände darlegt, die das Rückzahlungsrecht der Emittentin begründen.

[(3) Vorzeitige Rückzahlung nach Wahl der Emittentin.

falls die Emittentin das Wahlrecht hat, die Schuldverschreibungen vorzeitig zurückzuzahlen:

- (a) Die Emittentin kann, nachdem sie gemäß Absatz (b) gekündigt hat, die Schuldverschreibungen insgesamt oder teilweise am/an den Wahl-Rückzahlungstag(en) (Call) zum/zu den Wahl-Rückzahlungsbetrag bzw. -beträgen (Call), wie nachstehend angegeben, nebst etwaigen bis zum Wahl-Rückzahlungstag (Call) (ausschließlich) aufgelaufenen Zinsen zurückzahlen. **[Bei Geltung eines Mindestrückzahlungsbetrages oder eines erhöhten Rückzahlungsbetrages:** Eine solche Rückzahlung muss in Höhe eines Nennbetrages von **[mindestens [Mindestrückzahlungsbetrag] [erhöhter Rückzahlungsbetrag]** erfolgen.]

Wahl-Rückzahlungstag(e) (Call)	Wahl-Rückzahlungsbetrag/-beträge (Call)
[Wahl-Rückzahlungstag(e)]	[Wahl-Rückzahlungsbetrag/-beträge]
[]	[]
[]	[]

[Falls der Gläubiger ein Wahlrecht hat, die Schuldverschreibungen vorzeitig zu kündigen: Der Emittentin steht dieses Wahlrecht nicht in Bezug auf eine Schuldverschreibung zu, deren Rückzahlung bereits der Gläubiger in Ausübung seines Wahlrechts nach Absatz [4] dieses § 6 verlangt hat.]

- (b) Die Kündigung ist den Gläubigern der Schuldverschreibungen durch die Emittentin gemäß § 13 und dem Fiscal Agent bekannt zu geben (die Kündigung gegenüber dem Fiscal Agent hat 15 Tage vor der Kündigung gegenüber den Gläubigern zu erfolgen). Sie beinhaltet die folgenden Angaben:
- (i) die zurückzuzahlende Serie von Schuldverschreibungen;
 - (ii) eine Erklärung, ob diese Serie ganz oder teilweise zurückgezahlt wird und im letzteren Fall den Gesamtbetrag der zurückzuzahlenden Schuldverschreibungen und, falls die Schuldverschreibungen durch Einzelkunden verbrieft sind, die entsprechenden Seriennummern;
 - (iii) den Wahl-Rückzahlungstag (Call), der nicht weniger als 15 und nicht mehr als 30 Tage nach dem Tag der Kündigung durch die Emittentin gegenüber den Gläubigern liegen darf; und
 - (iv) den Wahl-Rückzahlungsbetrag (Call), zu dem die Schuldverschreibungen zurückgezahlt werden.
- (c) Wenn die Schuldverschreibungen nur teilweise zurückgezahlt werden, werden die zurückzuzahlenden Schuldverschreibungen **[bei Einzelkunden einfügen:** in einer von dem Fiscal Agent bestimmten europäischen Stadt durch das Los oder nach billigem Ermessen des Fiscal Agent auf andere Weise oder an einem anderen Ort ermittelt.] **[im Falle von durch eine Dauerglobalurkunde verbrieften Schuldverschreibungen:** in Übereinstimmung mit den Regeln des betreffenden Clearing-Systems ausgewählt.] **[Falls die Schuldverschreibungen in Form einer NGN begeben werden, einfügen:** Die teilweise Rückzahlung wird in den Registern von CBL und Euroclear nach deren Ermessen entweder als Pool-Faktor oder als Reduzierung des Nennbetrags wiedergegeben.]

[[[4]] Vorzeitige Rückzahlung nach Wahl des Gläubigers.

falls der Gläubiger ein Wahlrecht hat, die Schuldverschreibungen vorzeitig zu kündigen:

- (a) Die Emittentin hat eine Schuldverschreibung nach Ausübung des entsprechenden Wahlrechts durch den Gläubiger am/an den Wahl-Rückzahlungstag(en) (Put) zum/zu den Wahl-Rückzahlungsbetrag/-beträgen (Put), wie nachstehend angegeben nebst etwaigen bis zum Wahl-Rückzahlungstag (Put) (ausschließlich) aufgelaufenen Zinsen zurückzuzahlen.

Wahl-Rückzahlungstag(e) (Put)	Wahl-Rückzahlungsbetrag/-beträge (Put)
[Wahl-Rückzahlungstag(e)]	[Wahl-Rückzahlungsbetrag/-beträge]
[]	[]

[]

[]

Dem Gläubiger steht dieses Wahlrecht nicht in Bezug auf eine Schuldverschreibung zu, deren Rückzahlung durch die Emittentin in Ausübung ihres Wahlrechts nach § 6 Absatz 2 **[falls die Emittentin das Wahlrecht hat, die Schuldverschreibungen vorzeitig zurückzuzahlen: oder Absatz 3]** verlangt hat.

- (b) Um dieses Wahlrecht auszuüben, darf der Gläubiger die betreffende Schuldverschreibung **[zusammen mit allen dazugehörigen noch nicht fälligen Zinsscheinen]** nicht früher als 15 Tage vor dem Wahl-Rückzahlungstag (Put), an dem die Rückzahlung gemäß der Ausübungserklärung (wie nachstehend definiert) erfolgen soll, bei einer bezeichneten Geschäftsstelle einer Zahlstelle während der normalen Geschäftszeiten zusammen mit einer ordnungsgemäß ausgefüllten Mitteilung zur vorzeitigen Rückzahlung ("**Ausübungserklärung**"), wie sie von der bezeichneten Geschäftsstelle jeder Zahlstelle erhältlich ist, hinterlegen. Eine so hinterlegte Schuldverschreibung kann nicht zurückgefordert und die Ausübung des Wahlrechts kann nicht widerrufen werden.]

[(5)] Vorzeitiger Rückzahlungsbetrag.

bei Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind:

[Für die Zwecke des § 6 Absatz 2 und § 10 entspricht der vorzeitige Rückzahlungsbetrag [dem Rückzahlungsbetrag] [bei einem sonstigen Rückzahlungsbetrag Einzelheiten einfügen].]

bei Nullkupon-Schuldverschreibungen:

[(a)] Für die Zwecke des § 6 Absatz 2 und § 10 ist der vorzeitige Rückzahlungsbetrag der Amortisationsbetrag der Schuldverschreibung.

(b) Der Amortisationsbetrag entspricht der Summe aus:

- (i) **[Referenz-Preis einfügen]** (der "**Referenz-Preis**"), und
(ii) dem Produkt aus **[Emissionsrendite einfügen]** (jährlich kapitalisiert) und dem Referenz-Preis ab **[Ausgabebetrag einfügen]** (einschließlich) bis zu dem vorgesehenen Rückzahlungstag (ausschließlich) oder (je nachdem) dem Termin, an dem die Schuldverschreibungen fällig und rückzahlbar werden.

Wenn diese Berechnung für einen Zeitraum, der nicht vollen von Kalenderjahren entspricht, durchzuführen ist, hat sie im Falle des nicht vollständigen Jahres (der "**Zinsberechnungszeitraum**") auf der Grundlage des Zinstagequotienten (wie vorstehend in § 4 definiert) zu erfolgen.

- (c) Falls die Emittentin den vorzeitigen Rückzahlungsbetrag bei Fälligkeit nicht zahlt, wird der Amortisationsbetrag einer Schuldverschreibung wie vorstehend beschrieben berechnet, jedoch mit der Maßgabe, dass die Bezugnahmen in Unterabsatz (ii) auf den für die Rückzahlung vorgesehenen Rückzahlungstag oder den Tag, an dem diese Schuldverschreibungen fällig und rückzahlbar werden, durch den früheren der nachstehenden Zeitpunkte ersetzt werden: (i) der Tag, an dem die Zahlung gegen ordnungsgemäße Vorlage und Einreichung der betreffenden Schuldverschreibungen (sofern erforderlich) erfolgt, und (ii) der vierzehnte Tag, nachdem der Fiscal Agent gemäß § 13 mitgeteilt hat, dass ihm die für die Rückzahlung erforderlichen Mittel zur Verfügung gestellt wurden.]

§ 7

Der Fiscal Agent[,] [und] die Zahlstellen [und die Berechnungsstelle]

(1) *Ernennung; bezeichnete Geschäftsstellen.* Der anfänglich bestellte Fiscal Agent[,] [und] die anfänglich bestellten Zahlstellen [und die anfänglich bestellte Berechnungsstelle] und deren bezeichnete Geschäftsstellen lauten wie folgt:

Fiscal Agent und Hauptzahlstelle:	Deutsche Bank Aktiengesellschaft Trust & Securities Services (TSS) Grosse Gallusstrasse 10-14 60272 Frankfurt am Main Bundesrepublik Deutschland
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Zahlstelle[n]: Fortis Banque Luxembourg S.A.
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

[weitere Zahlstellen und deren bezeichnete Geschäftsstellen]

[Name und Geschäftsstelle]

[Berechnungsstelle] [Name und Geschäftsstelle]

Der Fiscal Agent[,] [und] die Zahlstelle[n] [und die Berechnungsstelle] behalten sich das Recht vor, jederzeit ihre jeweiligen bezeichneten Geschäftsstellen durch andere bezeichnete Geschäftsstellen in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung des Fiscal Agent oder einer Zahlstelle [oder der Berechnungsstelle] zu ändern oder zu beenden und einen anderen Fiscal Agent oder zusätzliche oder andere Zahlstellen [oder eine andere Berechnungsstelle] zu bestellen. Die Emittentin wird jedoch zu jedem Zeitpunkt (i) einen Fiscal Agent unterhalten[,] [und] (ii) zusätzlich zu dem Fiscal Agent eine Zahlstelle mit einer bezeichneten Geschäftsstelle in einer kontinentaleuropäischen Stadt außerhalb der Bundesrepublik Deutschland **[für an einer Börse notierte Schuldverschreibungen: [,] [und] (iii) solange die Schuldverschreibungen an der [Name der Börse] notiert sind, eine Zahlstelle (die der Fiscal Agent sein kann) mit bezeichneter Geschäftsstelle in [Ort der Börse] und/oder an einem anderen gemäß den Vorschriften einer anderen Börse hierfür vorgeschriebenen Ort] [für auf US-Dollar lautende Schuldverschreibungen: [,] [und] [(iv)] unter den in § 5 Absatz 3 genannten Umständen eine Zahlstelle mit bezeichneter Geschäftsstelle in New York City] [,] [und] [(v)] [falls eine Berechnungsstelle bestellt werden soll einfügen: eine Berechnungsstelle [falls die Berechnungsstelle eine bezeichnete Geschäftsstelle an einem vorgeschriebenen Ort haben muss: mit bezeichneter Geschäftsstelle in [vorgeschriebenen Ort einfügen]] ernannt halten, [im Falle von Einzelurkunden einfügen: Sollte eine Richtlinie der Europäischen Union zur Umsetzung der Schlussfolgerungen des Treffens des ECOFIN-Rates vom 26. - 27. November 2000 oder eine Rechtsnorm, die zur Umsetzung einer solchen Richtlinie vorgesehen ist, dieser entspricht oder zur Anpassung an die Richtlinie eingeführt wird, ergehen, verpflichtet sich die Emittentin, eine Zahlstelle in einem Mitgliedstaat der Europäischen Union zu unterhalten, welche nicht zur Vornahme von steuerlichen Einbehalten oder Abzügen nach Maßgabe einer solchen Richtlinie oder Rechtsnorm verpflichtet ist, soweit dies in einem Mitgliedstaat der Europäischen Union möglich ist.] Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird (außer im Insolvenzfall, wo eine solche Änderung sofort wirksam wird) nur wirksam, sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und höchstens 45 Tagen informiert wurden.**

(3) *Erfüllungsgehilfe(n) der Emittentin.* Der Fiscal Agent[,] [und] [die Zahlstelle[n]] [und die Berechnungsstelle] [handelt] [handeln] ausschließlich als Erfüllungsgehilfe[n] der Emittentin und [übernimmt] [übernehmen] keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen [ihm] [ihnen] und den Gläubigern begründet.

**§ 8
Steuern**

Kapital und Zinsen werden von der Emittentin ohne Abzug oder Einbehalt wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art gezahlt, die von oder in **[im Fall von Schuldverschreibungen, die von Finance begeben werden einfügen: den Niederlanden oder]** der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden (nachstehend zusammen "**Quellensteuern**" genannt), es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem letzteren Fall wird die Emittentin die zusätzlichen Beträge an Kapital und Zinsen zahlen, die erforderlich sind, damit der dem Gläubiger nach diesem Abzug oder Einbehalt zufließende Nettobetrag jeweils den Beträgen an Kapital und Zinsen entspricht, die ihm zustehen würden, wenn der Abzug oder Einbehalt nicht erforderlich wäre. Solche zusätzlichen Beträge sind jedoch nicht zahlbar wegen Steuern, Abgaben oder amtlicher Gebühren, die

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Gläubigers zu **[im Fall von Schuldverschreibungen, die von Finance begeben werden, einfügen:** den Niederlanden oder] der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in **[im Fall von Schuldverschreibungen, die von Finance begeben werden einfügen:** den Niederlanden oder] der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland, die Niederlande oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
- (d) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß den Bedingungen wirksam wird [.] [; oder]

Falls die Schuldverschreibungen durch Einzelurkunden verbrieft sind, einfügen:

- [(e) von einer Zahlstelle abgezogen oder einbehalten werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Abzug oder Einbehalt hätte vorgenommen werden können; oder
- (f) nicht zahlbar wären, wenn die Schuldverschreibungen bei einer Bank oder einem vergleichbaren Institut verwahrt worden wären und die Bank oder das vergleichbare Institut die Zahlungen eingezogen hätte.]

**[§ 9
Vorlegungsfrist**

Falls die Schuldverschreibungen durch Globalurkunden verbrieft sind, einfügen:

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.]

**[§ 9
Vorlegungsfrist, Ersetzung von Schuldverschreibungen
[falls die Schuldverschreibungen mit Zinsscheinen begeben werden, einfügen: und
Zinsscheinen]**

Falls die Schuldverschreibungen durch Einzelurkunden verbrieft sind, einfügen:

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt. **[Falls die Schuldverschreibungen mit Zinsscheinen begeben werden, einfügen:** Die Vorlegungsfrist für Zinsscheine beträgt gemäß § 801 Absatz 2 BGB vier Jahre und beginnt mit dem Ablauf des Kalenderjahres, in dem der betreffende Zinsschein zur Zahlung fällig geworden ist. Der Anspruch gemäß § 804 Absatz 1, Satz 1 BGB wegen abhandengekommener oder vernichteter Zinsscheine ist ausgeschlossen.] Sollte eine Schuldverschreibung **[falls die Schuldverschreibungen mit Zinsscheinen begeben werden, einfügen:** oder ein Zinsschein] verloren gehen, gestohlen, beschädigt, unleserlich gemacht oder zerstört werden, so kann sie [er] bei der bezeichneten Geschäftsstelle des Fiscal Agent vorbehaltlich der betreffenden Börsenbestimmungen und aller anwendbaren Gesetze ersetzt werden; dabei hat der Anspruchsteller alle dabei möglicherweise entstehenden Kosten und Auslagen zu zahlen und alle angemessenen Bedingungen der Emittentin hinsichtlich des Nachweises, der Sicherheit, einer Freistellung und dergleichen zu erfüllen. Eine beschädigte oder unleserlich gemachte Schuldverschreibung **[falls die Schuldverschreibungen mit Zinsscheinen begeben werden, einfügen:** oder ein solcher Zinsschein] muss eingereicht werden, bevor eine Ersatzkunde ausgegeben wird.]

§ 10 Kündigung

(1) *Kündigungsrecht.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibungen zu kündigen und deren sofortige Tilgung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 6 Absatz [5] beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls einer der folgenden Kündigungsgründe ("**Kündigungsgründe**") vorliegt:

- (a) die Emittentin zahlt Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag; oder
- (b) die Emittentin unterlässt die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin unterlässt die Erfüllung einer Verpflichtung aus der Garantie, auf die in § 3 Bezug genommen wird,] und diese Unterlassung, falls sie geheilt werden kann, länger als 60 Tage fort dauert, nachdem der Fiscal Agent hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder
- (c) eine Kapitalmarktverbindlichkeit (wie in § 3 Absatz 1 definiert) der Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder der Garantin] vorzeitig zahlbar wird aufgrund einer Nicht- oder Schlechterfüllung des dieser Kapitalmarktverbindlichkeit zugrunde liegenden Vertrages, oder die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] einer Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als EUR 25.000.000 aus einer Kapitalmarktverbindlichkeit oder aufgrund einer Bürgschaft oder Garantie, die für eine Kapitalmarktverbindlichkeit Dritter gegeben wurde, nicht innerhalb von 30 Tagen nach ihrer Fälligkeit bzw. im Falle einer Bürgschaft oder Garantie nicht innerhalb von 30 Tagen nach Inanspruchnahme aus dieser Bürgschaft oder Garantie nachkommt, es sei denn die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] bestreitet in gutem Glauben, dass diese Zahlungsverpflichtung besteht oder fällig ist bzw. diese Bürgschaft oder Garantie berechtigterweise geltend gemacht wird, oder falls eine für solche Verbindlichkeiten bestellte Sicherheit für die oder von den daraus berechtigten Gläubiger(n) in Anspruch genommen wird, oder
- (d) die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] ihre Zahlungsunfähigkeit bekannt gibt oder ihre Zahlungen einstellt, oder
- (e) ein Gericht ein Insolvenzverfahren gegen die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] eröffnet, oder die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] ein solches Verfahren einleitet oder beantragt, oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft, oder **[bei von Finance begebenen Schuldverschreibungen:** die Emittentin ein "*surseance van betaling*" (Schuldenmoratorium im Sinne des niederländischen Insolvenzrechts) beantragt, oder]
- (f) die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist, oder
- (g) in **[bei von Finance begebenen Schuldverschreibungen:** den Niederlanden oder in] der Bundesrepublik Deutschland irgendein Gesetz, eine Verordnung oder behördliche Anordnung erlassen wird oder ergeht, aufgrund derer die Emittentin **[bei von Finance begebenen Schuldverschreibungen:** oder die Garantin] daran gehindert wird, die von ihr gemäß diesen Bedingungen **[bei von Finance begebenen Schuldverschreibungen:** bzw. der Garantie] übernommenen Verpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist [.[]], oder]

bei von Finance begebenen Schuldverschreibungen:

[(h) die Garantie aus irgendeinem Grund nicht mehr gilt.]

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Quorum.* In den Fällen des § 10 Absatz 1 (b) oder 1 (c) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in § 10 Absatz 1(a), 1(d), 1(e), 1(f) [oder] 1(g) [oder 1(h)] bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei dem Fiscal Agent Kündigungserklärungen von Gläubigern von Schuldverschreibungen im Nennbetrag von mindestens $\frac{1}{10}$ der dann ausstehenden Schuldverschreibungen eingegangen sind.

(3) *Form der Erklärung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz 1 ist schriftlich gegenüber dem Fiscal Agent zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln.

§ 11 Ersetzung der Emittentin

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger, **[bei von Finance begebenen Schuldverschreibungen: entweder die Garantin oder]** eine Tochtergesellschaft (wie nachstehend definiert) **[bei von Deutsche Telekom begebenen Schuldverschreibungen: der Emittentin] [bei von Finance begebenen Schuldverschreibungen: der Garantin]** an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit dieser Emission einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen [und Zinsscheine] [und Rückzahlungsscheine] übernimmt;
- (b) die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erlangt hat und berechtigt ist, an den Fiscal Agent die zur Erfüllung ihrer Zahlungsverpflichtungen aus den Schuldverschreibungen [oder Zinsscheinen] [oder Rückzahlungsscheinen] zahlbaren Beträge in der festgelegten Währung zu zahlen, ohne verpflichtet zu sein, in dem Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat, erhobene Steuern oder sonstige Abgaben jeder Art, abzuziehen oder einzubehalten;
- (c) **[bei von Deutsche Telekom begebenen Schuldverschreibungen: die Emittentin] [bei von Finance begebenen Schuldverschreibungen: die Garantin, sofern sie nicht selbst die Nachfolgeschuldnerin ist,]** unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge garantiert **[bei von Finance begebenen Schuldverschreibungen:, wobei diese Garantie im wesentlichen die Form der "Garantie" hat] [bei von Deutsche Telekom begebenen Schuldverschreibungen: und diese Garantie eine Verpflichtung der Garantin gemäß den Bestimmungen des § 3 enthält];**
- (d) dem Fiscal Agent ein oder mehrere Rechtsgutachten von anerkannten Rechtsanwälten vorgelegt wurden, die bestätigen, dass die Bestimmungen in vorstehenden Unterabsätzen (a), (b) und (c) erfüllt wurden.

Im Sinne dieser Bedingungen bedeutet "**Tochtergesellschaft**" eine Kapital- oder Personengesellschaft, an der die Deutsche Telekom direkt oder indirekt insgesamt nicht weniger als 90% des Kapitals jeder Klasse oder der Stimmrechte hält.

(2) *Bekanntmachung.* Jede solche Ersetzung wird gemäß § 13 bekannt gegeben.

(3) *Änderung von Bezugnahmen.* Im Falle einer solchen Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin, und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

§ 12

Begebung weiterer Schuldverschreibungen, Ankauf und Entwertung

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, Schuldverschreibungen [,] [und] [Zinsscheine] [und] [Rückzahlungsscheine] im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder beim Fiscal Agent zwecks Entwertung eingereicht werden. Sofern diese Käufe durch öffentliches Angebot erfolgen, muss dieses Angebot allen Gläubigern gemacht werden.

[Falls die Schuldverschreibungen mit Zinsscheinen begeben werden, einfügen:

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zusammen mit allen nicht fälligen und zusammen mit den Schuldverschreibungen eingereichten oder den Schuldverschreibungen beigefügten Zinsscheinen zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.]

[Falls die Schuldverschreibungen ohne Zinsscheine begeben werden, einfügen:

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.]

§ 13

Mitteilungen

[Im Fall von Schuldverschreibungen, die an der Luxemburger Börse notiert sind, einfügen:

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen erfolgen durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu). Jede Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System.* Die Emittentin wird alle die Schuldverschreibungen betreffenden Mitteilungen an das Clearing System zur Weiterleitung an die Gläubiger übermitteln. Jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt. Solange Schuldverschreibungen an der Luxemburger Börse notiert sind, findet Absatz (1) Anwendung. Soweit die Mitteilung den Zinssatz von variabel verzinslichen Schuldverschreibungen betrifft oder die Regeln der Luxemburger Börse dies sonst zulassen, kann die Emittentin eine Veröffentlichung nach Absatz (1) durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.]

[Im Fall von Schuldverschreibungen, die nicht an einer Börse notiert sind, einfügen:

(1) *Mitteilungen an das Clearing-System.* Die Emittentin wird alle die Schuldverschreibungen betreffenden Mitteilungen an das Clearing System zur Weiterleitung an die Gläubiger übermitteln. Jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.]

[Im Fall von Schuldverschreibungen, die an einer anderen Börse als der Luxemburger Börse notiert sind, relevante Bestimmungen einfügen]

[(3)] *Form der Mitteilung.* Mitteilungen, die von einem Gläubiger gemacht werden, müssen schriftlich erfolgen und zusammen mit der oder den betreffenden Schuldverschreibungen an die Emissionsstelle geleitet werden. Solange Schuldverschreibungen durch eine Globalurkunde verbrieft sind, kann eine solche Mitteilung von einem Gläubiger an die Emissionsstelle über das Clearing System in der von der Emissionsstelle und dem Clearing System dafür vorgesehenen Weise erfolgen.]

§ 14

Anwendbares Recht, Erfüllungsort, Gerichtsstand und gerichtliche Geltendmachung

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen[,] [und] [Zinsscheine] [,] [und] [Talons] [und Rückzahlungsscheine] sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Erfüllungsort.* Erfüllungsort ist Frankfurt am Main.

(3) *Gerichtsstand.* **[Bei von Deutsche Telekom begebenen Schuldverschreibungen:** Ausschließlicher] Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit den Schuldverschreibungen [oder den Zinsscheinen] [oder den Talons] [oder den Rückzahlungsscheinen] ist Frankfurt am Main, **[bei von Finance begebenen Schuldverschreibungen:** Die Gläubiger können ihre Ansprüche jedoch auch vor anderen zuständigen Gerichten geltend machen.] Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhandengekommener oder vernichteter Schuldverschreibungen. Die Emittentin unterwirft sich hiermit der Gerichtsbarkeit der nach diesem Absatz zuständigen Gerichte.

[bei von Finance begebenen Schuldverschreibungen:

(4) *Ernennung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten oder sonstige Verfahren vor deutschen Gerichten bestellt die Emittentin die Deutsche Telekom zu ihrem Zustellungsbevollmächtigten in Deutschland].

[(5)] *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen [und Zinsscheinen] [und Rückzahlungsscheinen], der diese über ein Clearing-System hält, darf in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen [und Zinsscheinen] [und Rückzahlungsscheinen] im eigenen Namen auf der folgenden Grundlage schützen oder geltend machen: (i) Er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der betreffenden Schuldverschreibungen als Global- oder Einzelurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing-Systems oder der Verwahrstelle des Clearing-Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der Globalurkunde oder der Einzelurkunde in einem solchen Verfahren erforderlich wäre. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist. Im Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Kreditinstitut, das berechtigt ist, das Wertpapierverwahrgeschäft zu betreiben und bei dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing-Systems.

§ 15

Sprache

[Diese Emissionsbedingungen sind ausschließlich in [deutscher] [englischer] Sprache abgefasst.]

[Diese Emissionsbedingungen sind in [deutscher] [englischer] Sprache abgefasst und mit einer Übersetzung in die [englische] [deutsche] Sprache versehen. Der [deutsche] [englische] Text soll bindend und maßgeblich sein. Die [englische] [deutsche] Übersetzung ist unverbindlich.

Guarantee
and
Negative Pledge
of
DEUTSCHE TELEKOM AG
Bonn, Federal Republic of Germany,
for the benefit of the Holders of Notes (the "**Notes**")
issued by
Deutsche Telekom International Finance B.V.
(incorporated with limited liability in The Netherlands)
under the Debt Issuance Programme (the "**Programme**")
as in force from time to time

WHEREAS:

(A) Deutsche Telekom AG (the "**Guarantor**") and Deutsche Telekom International Finance B.V. ("**Finance**") intend to issue from time to time Notes under the Programme;

(B) the Guarantor wishes to guarantee the payment of principal and interest and any other amounts payable in respect of any and all Notes that may be issued by Finance under the Programme;

(C) the Guarantor wishes to enter into a negative pledge for the benefit of each Holder of Notes that may be issued by Finance under the Programme;

IT IS AGREED AS FOLLOWS:

- (1) (a) The Guarantor unconditionally and irrevocably guarantees to the holder of each Note (which expression shall include any Temporary Global Note or Permanent Global Note representing Notes), Coupon or Receipt (each a "**Holder**"), now or at any time hereafter issued by Finance under the Programme, the due and punctual payment of the principal of, and interest on, the Notes, Coupons or Receipts, and any other amounts which may be expressed to be payable under any Note, Coupon or Receipt, in accordance with the Conditions, as and when the same shall become due in accordance with the Conditions.
- (b) This Guarantee constitutes an unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor from time to time outstanding.
- (c) All payments under this Guarantee shall be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the Federal Republic of Germany or by or on behalf of any political subdivision or authority therein having power to tax (hereinafter together called "**Withholding Taxes**"), unless such deduction or withholding is required by law. In such event, the Guarantor shall pay such additional amounts as may be necessary in order that the net amounts received by the Holder after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which
 - (i) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Guarantor from payments made by it; or

- (ii) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in the Federal Republic of Germany; or
 - (iii) are deducted or withheld pursuant to (x) any European Union directive or regulation concerning the taxation of interest income, or (y) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (z) any provision of law implementing, or complying with, or introduced to conform with such directive, regulation, treaty or understanding; or
 - (iv) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the Conditions whichever occurs later; or
 - (v) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction; or
 - (vi) would not be payable if the Notes had been kept in safe custody with, and the payments had been collected by, a banking institution.
- (d) The obligations of the Guarantor under this Guarantee (i) shall be separate and independent from the obligations of Finance under the Notes, Coupons or Receipts, (ii) shall exist irrespective of the legality, validity and binding effect or enforceability of the Notes, Coupons or Receipts, and (iii) shall not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes, Coupons or Receipts.
- (e) The obligations of the Guarantor under this Guarantee shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substituted Debtor which is not the Guarantor arising in respect of any Note, Coupon or Receipt by virtue of a substitution pursuant to the Conditions.
- (f) This Guarantee is given in respect of any and all Notes which are or will be issued by Finance under the Programme on or after the date hereof. The Guarantee dated 31 October 1997 extends to any and all Notes which have been issued by Finance during the period beginning on 31 October 1997 through 9 November 1999. The Guarantee dated 10 November 1999 extends to any and all Notes which have been issued by Finance during the period beginning on 10 November 1999 through 5 June 2001. The Guarantee dated 6 June 2001 extends to any and all Notes which have been issued by Finance on or after 6 June 2001 and prior to the date hereof.

(2) The Guarantor undertakes towards each Holder, so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security of any present or future Capital Market Indebtedness issued or guaranteed by the Guarantor or by any other person, without at the same time having the Holders share equally and rateably in such security. "**Capital Market Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Guarantor, the expression "assets" as used in this subparagraph (2) does not include assets of the Guarantor that are sold on a non-recourse basis determined in accordance with the civil law applicable to such transaction.

(3) This Agreement and all undertakings herein contained constitute a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to § 328 (1) of the German Civil Code. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor and to enforce such obligations directly against the Guarantor.

(4) Deutsche Bank Aktiengesellschaft does not act as fiduciary or in any similar capacity for the Holders.

(5) Terms used in this Agreement and not otherwise defined herein shall have the meanings attributed to them in the Terms and Conditions.

(6) This Agreement shall be governed by, and construed in accordance with, German law.

(7) This Agreement is written in the English language and attached hereto is a non-binding German language translation.

(8) The original version of this Agreement shall be delivered to, and kept by, Deutsche Bank Aktiengesellschaft.

(9) The place of jurisdiction for all legal proceedings arising out of or in connection with this Agreement shall be Frankfurt am Main. Each Holder, however, may pursue his claims also before any other court of competent jurisdiction.

(10) Each Holder may in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties protect and enforce in his own name his rights arising under this Agreement on the basis of a copy of this Agreement certified as being a true copy by a duly authorised officer of Deutsche Bank Aktiengesellschaft, without the need for production in such proceedings of this Guarantee.

Bonn, 1 September 2005

DEUTSCHE TELEKOM AG

We accept the terms of the above Guarantee without recourse, warranty or liability.

1 September 2005

DEUTSCHE BANK AKTIENGESELLSCHAFT

Non-binding translation of the Guarantee and the Negative Pledge:

Garantie
und
Negativverpflichtung
der
DEUTSCHE TELEKOM AG
Bonn, Bundesrepublik Deutschland,
zugunsten der Gläubiger von Schuldverschreibungen (die "**Schuldverschreibungen**"),
die von der
Deutsche Telekom International Finance B.V.
(einer mit beschränkter Haftung in den Niederlanden errichteten Gesellschaft)
im Rahmen des Debt Issuance Programme (das "**Programm**")
in seiner jeweils geltenden Fassung begeben werden.

IM HINBLICK DARAUF DASS:

(A) Deutsche Telekom AG (die "**Garantin**") und Deutsche Telekom International Finance B.V. ("**Finance**") beabsichtigt, von Zeit zu Zeit Schuldverschreibungen im Rahmen des Programms zu begeben;

(B) die Garantin die Zahlung von Kapital und Zinsen sowie von allen sonstigen Beträgen, die aufgrund der von Finance im Rahmen des Programms begebenen Schuldverschreibungen zu leisten sind, garantieren möchte;

(C) die Garantin gegenüber jedem Gläubiger der von Finance im Rahmen des Programms begebenen Schuldverschreibungen eine Negativverpflichtung eingehen möchte;

WIRD FOLGENDES VEREINBART:

- (1) (a) Die Garantin übernimmt gegenüber jedem Gläubiger ("**Gläubiger**") der Schuldverschreibungen (wobei dieser Begriff jede vorläufige oder Dauerglobalurkunde, die Schuldverschreibungen verbrieft, einschließt), Zinsscheine und Rückzahlungsscheine, die jetzt oder zu irgendeinem Zeitpunkt nach dem Datum dieser Garantie von Finance im Rahmen des Programms begeben werden, die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen auf die Schuldverschreibungen, Zinsscheine und Rückzahlungsscheine sowie von allen sonstigen Beträgen, die gemäß den Bedingungen auf Schuldverschreibungen, Zinsscheine oder Rückzahlungsscheine zahlbar sind, bei deren Fälligkeit gemäß den Bedingungen.
- (b) Diese Garantie begründet eine unbedingte, unbesicherte und nicht nachrangige Verbindlichkeit der Garantin, die mit allen anderen jeweils bestehenden, nicht besicherten und nicht nachrangigen Verbindlichkeiten der Garantin gleichrangig ist.

- (c) Sämtliche Zahlungen aufgrund dieser Garantie sind ohne Abzug oder Einbehalt wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden (nachstehend zusammen "**Quellensteuern**" genannt), es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem letzteren Fall wird die Garantin die zusätzlichen Beträge zahlen, die erforderlich sind, damit der dem Gläubiger nach diesem Abzug oder Einbehalt zufließende Nettobetrag jeweils den Beträgen an Kapital und Zinsen entspricht, die ihm zustehen würden, wenn der Abzug oder Einbehalt nicht erforderlich wäre. Solche zusätzlichen Beträge sind jedoch nicht zahlbar wegen Steuern, Abgaben oder amtlicher Gebühren, die
- (i) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Garantin aus den von ihr zu leistenden Zahlungen einen Abzug oder Einbehalt vornimmt; oder
 - (ii) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Gläubigers zu der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
 - (iii) aufgrund (x) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (y) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (z) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
 - (iv) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß den Bedingungen wirksam wird; oder
 - (v) von einer Zahlstelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können; oder
 - (vi) nicht zahlbar wären, wenn die Schuldverschreibungen bei einer Bank oder einem vergleichbaren Institut verwahrt worden wären und die Bank oder das vergleichbare Institut die Zahlungen eingezogen hätte.
- (d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Finance aus den Schuldverschreibungen, Zinsscheinen oder Rückzahlungsscheinen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlichkeit und Durchsetzbarkeit der Schuldverschreibungen, Zinsscheine oder Rückzahlungsscheine und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen, Zinsscheinen oder Rückzahlungsscheinen eingegangenen Zahlungsverpflichtungen.
- (e) Die Verpflichtungen der Garantin aus dieser Garantie erstrecken sich, ohne dass eine weitere Handlung vorgenommen wird oder ein weiterer Umstand eintreten muss, auf die Verpflichtungen einer nicht mit der Garantin identischen Nachfolgeschuldnerin, die infolge einer Schuldnerersetzung gemäß den Bedingungen in Bezug auf die Schuldverschreibungen, Zinsscheine oder Rückzahlungsscheine entstehen.

- (f) Diese Garantie erstreckt sich auf sämtliche Schuldverschreibungen, die am oder nach dem Datum dieser Garantie von Finance unter dem Programm begeben werden. Die Garantie mit Datum vom 31. Oktober 1997 gilt für sämtliche Schuldverschreibungen, die von Finance in der Zeit vom 31. Oktober 1997 bis zum 9. November 1999 begeben worden sind. Die Garantie mit Datum vom 10. November 1999 gilt für sämtliche Schuldverschreibungen, die von Finance in der Zeit vom 10. November 1999 bis zum 5. Juni 2001 begeben worden sind. Die Garantie mit Datum vom 6. Juni 2001 gilt für sämtliche Schuldverschreibungen, die von Finance am oder nach dem 6. Juni 2001 und vor dem Datum dieser Garantie begeben worden sind.

(2) Die Garantin verpflichtet sich gegenüber jedem Gläubiger, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit, die von der Garantin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichem Verhältnis teilnehmen zu lassen. "**Kapitalmarktverbindlichkeit**" ist jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldscheine verbrieft, verkörpert oder dokumentiert ist oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können. Um etwaige Zweifel bezüglich von asset-backed financings der Garantin zu vermeiden, schließt das in diesem Absatz (2) benutzte Wort "**Vermögen**" nicht solche Vermögensgegenstände der Garantin ein, die nach dem jeweils auf die Transaktion anwendbaren Zivilrecht ohne Rückgriffsmöglichkeiten veräußert sind.

(3) Dieser Vertrag und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der Gläubiger als begünstigte Dritte gemäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Gläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

(4) Die Deutsche Bank Aktiengesellschaft handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Gläubiger.

(5) Die in diesem Vertrag verwendeten und darin nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.

(6) Dieser Vertrag unterliegt deutschem Recht.

(7) Dieser Vertrag ist in englischer Sprache abgefasst und ihm ist eine unverbindliche Übersetzung in die deutsche Sprache beigefügt.

(8) Das Original dieses Vertrages wird der Deutsche Bank Aktiengesellschaft ausgehändigt und von dieser verwahrt.

(9) Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit diesem Vertrag ist Frankfurt am Main. Jeder Gläubiger kann seine Ansprüche jedoch auch vor jedem anderen zuständigen Gericht geltend machen.

(10) Jeder Gläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus diesem Vertrag auf der Grundlage einer von einer vertretungsberechtigten Person der Deutsche Bank Aktiengesellschaft beglaubigten Kopie dieses Vertrages ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.

Bonn, 1. September 2005

DEUTSCHE TELEKOM AG

Wir nehmen die Bedingungen der vorstehenden Garantie ohne Obligo, Gewährleistung oder Haftung an.

1. September 2005

DEUTSCHE BANKAKTIENGESELLSCHAFT

Full information on the Issuers and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated 24 April 2008. The Final Terms will be displayed on the website of the Luxembourg Stock Exchange (www.bourse.lu).

**FORM OF FINAL TERMS
MUSTER – ENDGÜLTIGE BEDINGUNGEN**

[Date]
[Datum]

**Final Terms
Endgültige Bedingungen**

[Title of relevant Series of Notes]

[(to be consolidated, form a single series with the [Title of relevant Series of Notes] issued on •)]

[Bezeichnung der betreffenden Serie der Schuldverschreibungen]

[die mit den am • [Bezeichnung der betreffenden Serie der Schuldverschreibungen] Schuldverschreibungen konsolidiert werden und eine einheitliche Serie bilden]

Series: [•]/[•], Tranche [•]

Serien: [•]/[•], Tranche [•]

issued pursuant to the
begeben aufgrund des

**Euro 25,000,000,000
Debt Issuance Programme**

dated 24 April 2008

vom 24. April 2008

of

der

Deutsche Telekom AG

and

und

Deutsche Telekom International Finance B.V.

Issue Price: [] per cent.

Ausgabepreis: []%

Issue Date: []¹

Tag der Begebung: []

These are the Final Terms of an issue of Notes under the Euro 25,000,000,000 Debt Issuance Programme of Deutsche Telekom AG and Deutsche Telekom International Finance B.V. (the "**Programme**"). Full information on the Issuer and Guarantor and the offer of the Notes is only available on the basis of the combination of the Prospectus dated 24 April 2008 as supplemented (the "**Prospectus**") and these Final Terms.

*Dies sind die Endgültigen Bedingungen einer Emission von Schuldverschreibungen unter dem Euro 25.000.000.000 Debt Issuance Programme der Deutsche Telekom AG und der Deutsche Telekom International Finance B.V. (das "**Programm**"). Vollständige Informationen über die Emittentin und die Garantin und das Angebot der Schuldverschreibungen sind nur verfügbar, wenn die Endgültigen Bedingungen und der Prospekt vom 24. April 2008 in der jeweils geltenden Fassung (der "**Prospekt**") zusammengekommen werden.*

¹ The Issue Date is the date of payment and settlement of the Notes. In the case of free delivery, the Issue Date is the delivery date.

Der Tag der Begebung ist der Tag, an dem die Schuldverschreibungen begeben und bezahlt werden. Bei freier Lieferung ist der Tag der Begebung der Tag der Lieferung.

Part I. TERMS AND CONDITIONS
Teil I. EMISSIONSBEDINGUNGEN

[In case of Long-Form Conditions, insert:

Im Fall von nicht konsolidierten Bedingungen einfügen:

This part of the Final Terms is to be read in conjunction with the Terms and Conditions of the Notes (the "**Terms and Conditions**") set forth in the Prospectus dated 24 April 2008 pertaining to the Programme, as the same may be supplemented from time to time. Capitalised terms not otherwise defined herein shall have the meanings specified in the Terms and Conditions.

*Dieser Teil der Endgültigen Bedingungen ist in Verbindung mit den Emissionsbedingungen der Schuldverschreibungen (die "**Emissionsbedingungen**") zu lesen, die in der jeweils geltenden Fassung des Prospekts vom 24. April 2008 enthalten sind, welcher für das Programm herausgegeben wird. Begriffe, die in den Emissionsbedingungen definiert sind, haben, falls die Endgültigen Bedingungen nicht etwas anderes bestimmen, die gleiche Bedeutung, wenn sie in diesen Endgültigen Bedingungen verwendet werden.*

All references in this part of the Final Terms to numbered §§ and subparagraphs are to §§ and subparagraphs of the Terms and Conditions.

Bezugnahmen in diesem Teil der Endgültigen Bedingungen auf Paragraphen und Absätze beziehen sich auf die Paragraphen und Absätze der Emissionsbedingungen.

All provisions in the Terms and Conditions corresponding to items in the Final Terms which are either not selected or completed or which are deleted shall be deemed to be deleted from the terms and conditions applicable to the Notes (the "**Conditions**").

*Sämtliche Bestimmungen der Emissionsbedingungen, die sich auf Variablen dieser Endgültigen Bedingungen beziehen und die weder angekreuzt noch ausgefüllt werden oder die gestrichen werden, gelten als aus den auf die Schuldverschreibungen anwendbaren Emissionsbedingungen (die "**Bedingungen**") gestrichen.]*

[In case of Integrated Conditions, insert:

Im Fall von konsolidierten Bedingungen einfügen:

The Integrated Conditions applicable to the Notes (the "**Conditions**") and the German or English language translation thereof, if any, are attached hereto and replace in full the Terms and Conditions of the Notes as set out in the Prospectus and take precedence over any conflicting provisions set forth in part I of the Final Terms.

*Die für die Schuldverschreibungen geltenden konsolidierten Bedingungen (die "**Bedingungen**") und eine etwaige deutsch- oder englischsprachige Übersetzung sind diesen Endgültigen Bedingungen beigefügt. Die Bedingungen ersetzen in Gänze die im Prospekt abgedruckten Emissionsbedingungen und gehen etwaigen abweichenden Bestimmungen in Teil I der Endgültigen Bedingungen vor.]*

Issuer

[]

Emittentin

Form of Conditions¹

Form der Bedingungen

- Long-Form
Nicht-konsolidierte Bedingungen
- Integrated
Konsolidierte Bedingungen

Language of Conditions²

Sprache der Bedingungen

- German only
ausschließlich Deutsch
- English only
ausschließlich Englisch
- English and German (English controlling)
Englisch und Deutsch (englischer Text maßgeblich)
- German and English (German controlling)
Deutsch und Englisch (deutscher Text maßgeblich)

CURRENCY, DENOMINATION, FORM AND TITLE, CERTAIN DEFINITIONS (§ 1)³

WÄHRUNG, NENNBETRAG, FORM UND EIGENTUMSRECHT, DEFINITIONEN (§ 1)

Currency and Denomination

Währung und Nennbetrag

Specified Currency

[]

Festgelegte Währung

¹ To be determined in consultation with the Issuer. It is anticipated that Long-Form Conditions will generally be used for Notes which are not publicly offered. Integrated Conditions will generally be used for Notes sold and distributed on a syndicated basis. Integrated Conditions will be required where the Notes are to be publicly offered, in whole or in part, or to be distributed in whole or in part to non-professional investors.

Die Form der Bedingungen ist in Abstimmung mit der Emittentin festzulegen. Es ist vorgesehen, daß nicht-konsolidierte Bedingungen für Schuldverschreibungen verwendet werden, die nicht öffentlich zum Verkauf angeboten werden. Konsolidierte Bedingungen werden im allgemeinen bei Schuldverschreibungen verwendet werden, die auf syndizierter Basis verkauft und vertrieben werden. Konsolidierte Bedingungen sind erforderlich, wenn die Schuldverschreibungen insgesamt oder teilweise öffentlich zum Verkauf angeboten werden oder insgesamt oder teilweise an nicht berufsmäßige Investoren verkauft werden.

² To be determined in consultation with the Issuer. In general, German will be the controlling language in case of Notes sold and distributed on a syndicated basis or publicly offered, in whole or in part, in Germany or distributed, in whole or in part, to non-professional investors in Germany. If, however, such Notes are publicly offered, in whole or in part, in Germany, or distributed, in whole or in part, to non-professional investors in Germany with English language Conditions, a German language translation of the Conditions will be available from the Paying Agent[s] and Deutsche Telekom AG.

Die Sprache der Bedingungen ist in Abstimmung mit der Emittentin festzulegen. In der Regel wird für Schuldverschreibungen, die auf syndizierter Basis verkauft und vertrieben werden, für Schuldverschreibungen, die insgesamt oder teilweise öffentlich zum Verkauf in Deutschland angeboten werden und für Schuldverschreibungen, die an nicht berufsmäßige Investoren in Deutschland vertrieben werden, die deutsche Sprache maßgeblich sein. Falls diese Schuldverschreibungen mit englischsprachigen Bedingungen insgesamt oder teilweise in Deutschland öffentlich angeboten oder an nicht berufsmäßige Investoren in Deutschland vertrieben werden, wird eine deutschsprachige Übersetzung der Bedingungen bei [der] [den] Zahlstelle[n] und der Deutsche Telekom AG erhältlich sein.

³ The minimum denomination of the Notes will be, if in euro, EUR 1,000, if in any currency other than euro, in an amount in such other currency nearly equivalent to EUR 1,000 at the time of the issue of the Notes .

Die Mindeststückelung der Schuldverschreibungen beträgt EUR 1.000, bzw. falls die Schuldverschreibungen in einer anderen Währung als Euro begeben werden, einem Betrag in dieser anderen Währung, der zur Zeit der Begebung der Schuldverschreibungen annähernd dem Gegenwert von EUR 1.000 entspricht.

Aggregate Principal Amount	[]
<i>Gesamtnennbetrag</i>	
Specified Denomination(s)	[]
<i>Festgelegte(r) Nennbetrag/Nennbeträge</i>	
Number of Notes to be issued in each Specified Denomination	[]
<i>Zahl der in jedem festgelegten Nennbetrag auszugebenden Schuldverschreibungen</i>	

New Global Note	[Yes/No]
<i>New Global Note</i>	[Ja/Nein]

- TEFRA C
TEFRA C
 - Temporary Global Note exchangeable for:
Vorläufige Globalurkunde austauschbar gegen:
 - Definitive Notes
Einzelurkunden
 - Definitive Notes and Collective Global Note(s)
Einzelurkunden und Sammelglobalurkunden
 - Permanent Global Note []
Dauerglobalurkunde
- TEFRA D
TEFRA D
 - Temporary Global Note exchangeable for:
Vorläufige Globalurkunde austauschbar gegen:
 - Definitive Notes
Einzelurkunden
 - Permanent Global Note
Dauerglobalurkunde
- NEITHER TEFRA D NOR TEFRA C¹
WEDER TEFRA D NOCH TEFRA C
 Permanent Global Note
Dauerglobalurkunde

Definitive Notes	[Yes/No]
<i>Einzelurkunden</i>	[Ja/Nein]

- Coupons
Zinsscheine

¹ Applicable only if Notes have an initial maturity of one year or less.
Nur anwendbar bei Schuldverschreibungen mit einer ursprünglichen Laufzeit von einem Jahr oder weniger.

- Talons
Talons
- Receipts
Rückzahlungsscheine

Certain Definitions

Definitionen

Clearing System

- Clearstream Banking AG, Frankfurt am Main (CBF)
Neue Börsenstraße 1
60487 Frankfurt am Main
Bundesrepublik Deutschland
- Clearstream Banking, société anonyme, Luxembourg (CBL)
42 Avenue JF Kennedy
1855 Luxembourg
Luxembourg
- Euroclear Bank SA/NV (Euroclear)
1 Boulevard du Roi Albert II
1210 Brussels
Belgium
- Other – specify []
sonstige (angeben)

Calculation Agent

[Yes/No]

Berechnungsstelle

[Ja/Nein]

- Fiscal Agent
Fiscal Agent
- Other (specify) []
sonstige (angeben)

INTEREST (§ 4)

ZINSEN (§ 4)

□ **Fixed Rate Notes**

Festverzinsliche Schuldverschreibungen

Rate of Interest and Interest Payment Dates

Zinssatz und Zinszahlungstage

Rate of Interest [] per cent. per annum

Zinssatz [] % per annum

Interest Commencement Date []

Verzinsungsbeginn

Fixed Interest Date(s) []

Festzinstermine

First Interest Payment Date []

Erster Zinszahlungstag

Initial Broken Amount(s) (per Specified Denomination) []

Anfängliche(r) Bruchteilzinsbetrag(-beträge) (für jede festgelegte Stückelung)

Final Broken Amount(s) (per Specified Denomination) []

Abschließende(r) Bruchteilzinsbetrag(-beträge) (für jede festgelegte Stückelung)

Floating Rate Notes

Variabel verzinsliche Schuldverschreibungen

Interest Payment Dates

Zinszahlungstage

Interest Commencement Date []

Verzinsungsbeginn

Specified Interest Payment Dates []

Festgelegte Zinszahlungstage

Specified Interest Period(s) [] [weeks/months/other - specify]

Festgelegte Zinsperiode(n) [Wochen/Monate/andere angeben]

Business Day Convention

Geschäftstagskonvention

Modified Following Business Day Convention

FRN Convention (specify period(s)) [] [months/other– specify]
[Monate/andere angeben]

Following Business Day Convention

Preceding Business Day Convention

Relevant Financial Centres (specify all) []

Relevante Finanzzentren (alle angeben)

Rate of Interest

Zinssatz

Screen Rate Determination

Bildschirmfeststellung

EURIBOR (11.00 a.m. Brussels time/Euro Business Day/Euro-Zone Interbank Market)

EURIBOR (11.00 Brüsseler Ortszeit/Euro Geschäftstag/Interbankenmarkt in der Euro-Zone)

Screen page []

Bildschirmseite

LIBOR (London time/London Business Day/City of London/London Office/London Interbank Market)

LIBOR (Londoner Ortszeit/Londoner
Geschäftstag/City of London/Londoner
Geschäftsstelle/Londoner Interbankenmarkt)

Screen page []

Bildschirmseite

Other (specify) []

Sonstige (angeben)

Screen page(s) []

Bildschirmseite(n)

Margin [] per cent. per annum

Marge []% per annum

plus

plus

minus

minus

Interest Determination Date

Zinsfestlegungstag

second Business Day prior to
commencement of Interest Period

zweiter Geschäftstag vor Beginn der
jeweiligen Zinsperiode

other (specify) []

sonstige (angeben) []

Screen Page

Bildschirmseite

Reference Banks (if other than as specified in § 4
(2))

Referenzbanken (sofern abweichend von § 4
Absatz 2)

ISDA Determination¹ [specify details]

ISDA-Feststellung [Einzelheiten angeben]

Other Method of Determination (insert details (including Interest
Determination Date, Margin, Reference Banks, fall-back
provisions)) []

Andere Methoden der Bestimmung (Einzelheiten angeben
(einschließlich Zinsfestlegungstag, Marge, Referenzbanken,
Ausweichbestimmungen))

¹ ISDA Determination should only be applied in the case of Notes permanently represented by Global Notes because the ISDA Agreement and the ISDA Definitions have to be attached to the relevant Notes.
ISDA-Feststellung sollte nur dann gewählt werden, wenn die betreffenden Schuldverschreibungen während ihrer gesamten Laufzeit durch Globalurkunden verbrieft werden, weil das ISDA-Agreement und die ISDA Definitions den Schuldverschreibungen beizufügen sind.

Minimum and Maximum Rate of Interest

Mindest- und Höchstzinssatz

- Minimum Rate of Interest [] per cent. per annum
[] % per annum
Mindestzinssatz
- Maximum Rate of Interest [] per cent. per annum
[] % per annum
Höchstzinssatz
- Zero Coupon Notes**
Nullkupon-Schuldverschreibungen
Accrual of Interest
Auflaufende Zinsen
Amortisation Yield []
Emissionsrendite
- Dual Currency Notes** []
Doppelwährungs-Schuldverschreibungen
(set forth details in full here (including exchange rate(s) or basis for calculating exchange rate(s) to determine interest/fall-back provisions))
(Einzelheiten einfügen (einschließlich Wechselkurs(e) oder Grundlage für die Berechnung des/der Wechselkurs(e) zur Bestimmung von Zinsbeträgen/Ausweichbestimmungen))
- Index-linked Notes** []
Indexierte Schuldverschreibungen
(set forth details in full here)
(Einzelheiten einfügen)
- Instalment Notes** []
Raten-Schuldverschreibungen
(set forth details in full here)
(Einzelheiten einfügen)
- Credit linked Notes** []
Schuldverschreibungen mit Kreditkomponente
(set forth details in full here)
(Einzelheiten einfügen)
- Other structured Floating Rate Notes** []
Sonstige strukturierte variable verzinslichen Schuldverschreibungen
(set forth details in full here)
(Einzelheiten einfügen)

Day Count Fraction¹

Zinstagequotient

¹ Complete for all Notes.

- Actual/Actual (ICMA 251)
- Actual/Actual (ISDA)
- Actual/365 (Fixed)
- Actual/360
- 30/360 or 360/360 (Bond Basis)
- 30E/360 (Eurobond Basis)

Payment Business Day

Zahlungstag

Relevant Financial Centre(s) (specify all) []

Relevante(s) Finanzzentrum(en) (alle angeben)

REDEMPTION (§ 6)

RÜCKZAHLUNG (§ 6)

Final Redemption

Rückzahlung bei Endfälligkeit

Notes other than Instalment Notes

Schuldverschreibungen außer Raten-Schuldverschreibungen

Maturity Date []

Fälligkeitstag

Redemption Month []

Rückzahlungsmonat

Final Redemption Amount (per Specified Denomination) []

Rückzahlungsbetrag (für jede festgelegte Stückelung)

Instalment Notes

Raten-Schuldverschreibungen

Instalment Date(s) []

Ratenzahlungstermin (e)

Instalment Amount(s) []

Rate(n)

Early Redemption at the Option of the Issuer [Yes/No]

Vorzeitige Rückzahlung nach Wahl der Emittentin [Ja/Nein]

Minimum Redemption Amount []

Mindestrückzahlungsbetrag

Higher Redemption Amount []

Höherer Rückzahlungsbetrag

Call Redemption Date(s) []

Wahlrückzahlungstag(e) (Call)

Für alle Schuldverschreibungen auszufüllen.

Call Redemption Amount(s)	[]
<i>Wahlrückzahlungsbetrag/-beträge (Call)</i>	
Early Redemption at the Option of a Holder	[Yes/No]
<i>Vorzeitige Rückzahlung nach Wahl des Gläubigers</i>	[Ja/Nein]
Put Redemption Date(s)	[]
<i>Wahlrückzahlungstag(e) (Put)</i>	
Put Redemption Amount(s)	[]
<i>Wahlrückzahlungsbetrag/-beträge (Put)</i>	
Minimum notice period	[] days
<i>Mindestkündigungsfrist</i>	[] Tage
Maximum notice period	[] days
<i>Höchstkündigungsfrist</i>	[] Tage
Early Redemption Amount	
<i>Vorzeitiger Rückzahlungsbetrag</i>	
Notes other than Zero Coupon Notes:	
<i>Schuldverschreibungen außer Nullkupon-Schuldverschreibungen</i>	
Final Redemption Amount	[Yes/No]
<i>Rückzahlungsbetrag</i>	[Ja/Nein]
Other Redemption Amount	[]
<i>Sonstiger Rückzahlungsbetrag</i>	
(specify method, if any, of calculating the same (including fall-back provisions))	[]
<i>(ggf. Berechnungsmethode angeben (einschließlich Ausweichbestimmungen))</i>	
Zero Coupon Notes	
<i>Nullkupon-Schuldverschreibungen</i>	
Reference Price	[]
<i>Referenzpreis</i>	
FISCAL AGENT AND PAYING AGENT[S] [AND CALCULATION AGENT] (§ 7)	
<i>EMISSIONSSTELLE UND DIE ZAHLSTELLE[N] [UND DIE BERECHNUNGSSTELLE] (§ 7)</i>	
Paying Agent(s)/specified office(s)	[]
<i>Zahlstelle(n)/bezeichnete Geschäftsstelle(n)</i>	
Calculation Agent/specified office	[]
<i>Berechnungsstelle/bezeichnete Geschäftsstelle</i>	
required location of Calculation Agent (specify)	[]
<i>vorgeschriebener Ort für Berechnungsstelle (angeben)</i>	
NOTICES (§ 13)	
<i>MITTEILUNGEN (§ 13)</i>	

Place and medium of publication

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- Luxemburger Wort

Luxemburger Wort

- Clearing System

Clearing System

- Other (specify)

[]

sonstige (angeben)

GOVERNING LAW (§ 14)

ANWENDBARES RECHT (§ 14)

Governing Law

German Law

Anwendbares Recht

Deutsches Recht

Part II. ADDITIONAL DISCLOSURE REQUIREMENTS RELATED TO NOTES
Teil II. ZUSÄTZLICHE ANGABEN BEZOGEN AUF SCHULDVERSCHREIBUNGEN

A. Risk Factors¹

A. Risikofaktoren

B. Key Information

B. Wichtige Informationen

Interests of natural and legal persons involved in the issue/offer

Interessen von Seiten natürlicher und juristischer Personen, die an der Emission/dem Angebot beteiligt sind

Reasons for the offer²

Gründe für das Angebot

[specify details]

[Einzelheiten einfügen]

Estimated net proceeds

[]

Geschätzter Nettobetrag der Erträge

Estimated total expenses of the issue

[]

Geschätzte Gesamtkosten der Emission

C. Information concerning the Notes to be offered/admitted to trading

C. Informationen über die anzubietenden bzw. zum Handel zuzulassenden

¹ Include only product specific risk factors which are not covered under "Risk Factors" in the Prospectus.

Nur produktbezogene Risikofaktoren aufnehmen, die nicht bereits im Abschnitt "Risk Factors" des Prospekts enthalten sind.

² Not required for Notes with a Specified Denomination of at least €50,000. See "Use of Proceeds" wording in the Prospectus. If reasons for the offer is different from making profit and/or hedging certain risks include those reasons here.

Nicht erforderlich für Schuldverschreibungen mit einer festgelegten Stückelung von mindestens € 50.000. Siehe "Use of Proceeds" im Prospekt. Sofern die Gründe für das Angebot nicht in der Gewinnerzielung und/oder der Absicherung bestimmter Risiken bestehen, sind die Gründe hier anzugeben.

Schuldverschreibungen

Eurosystem eligibility¹

EZB-Fähigkeit

Intended to be held in a manner which would allow Eurosystem eligibility
Soll in EZB-fähiger Weise gehalten werden [Yes/No]
[Ja/Nein]

Securities Identification Numbers

Wertpapier-Kenn-Nummern

Common Code []
Common Code

ISIN Code []
ISIN Code

German Securities Code []
Deutsche Wertpapier-Kenn-Nummer (WKN)

Any other securities number []
Sonstige Wertpapiernummer

Yield²

Rendite

Yield []
Rendite

Method of calculating the yield³
Berechnungsmethode der Rendite

ICMA method: The ICMA method determines the effective interest rate of notes taking into account accrued interest on a daily basis.
ICMA Methode: Die ICMA Methode ermittelt die Effektivverzinsung von Schuldverschreibungen unter Berücksichtigung der täglichen Stückzinsen.

Other method (specify)
Andere Methoden (angeben)

Historic Interest Rates⁴

Zinssätze der Vergangenheit

Details of historic [EURIBOR][LIBOR][OTHER] rates can be obtained from [insert relevant Screen Page]

Einzelheiten der Entwicklung der [EURIBOR][LIBOR][ANDERE] Sätze in der Vergangenheit

¹ Complete only if the Notes are to be kept in custody by a common safekeeper on behalf of the ICSDs. If "yes" is selected, the Notes must be issued in NGN form.

Nur auszufüllen, falls die Schuldverschreibungen von einem common safekeeper im Namen der ICSDs gehalten werden sollen. Falls "ja" gewählt wird, müssen die Schuldverschreibungen als NGN gegeben werden.

² Only applicable for Fixed Rate Notes.

Nur bei festverzinsliche Schuldverschreibungen anwendbar.

³ Not required for Notes with a Specified Denomination of at least EUR 50,000.

Nicht erforderlich bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.000

⁴ Only applicable for Floating Rate Notes. Not required for Notes with a Specified Denomination of at least EUR 50,000.

Nur bei variabel verzinslichen Schuldverschreibungen anwendbar. Nicht anwendbar auf Schuldverschreibungen mit einer festgelegten Stückelung von mindestens EUR 50.000.

können abgerufen werden unter [relevante Bildschirmseite einfügen]

○ **Details Relating to the Performance of the [Index][Formula][Other Variable] and other information concerning the underlying¹**

Einzelheiten hinsichtlich der Entwicklung des [Index][der Formel][einer anderen Variablen] und andere die Basiswerte betreffende Informationen.

Comprehensive explanation of how the value of the investment is affected by the value of the underlying, especially under circumstances when the risks are most evident²

Umfassende Erläuterung darüber, wie der Wert der Anlage durch den Wert des Basiswerts beeinflusst wird, insbesondere in Fällen, in denen die Risiken am offensichtlichsten sind.

[specify details here] [Einzelheiten hier angeben]

Indication where information about the past and further performance of the [Index][Formula][Other Variable] and its volatility can be obtained.

Angaben darüber, wo Informationen über die vergangene und künftige Wertentwicklung des [Index][der Formel][einer anderen Variablen] und deren Volatilität eingeholt werden können.

[specify details here] [Einzelheiten hier angeben]

**[[Underlying is an Index
Basiswert ist ein Index**

Name of Index []
Name des Index

[Description of Index]³ [Details of where information about the Index can be obtained]⁴
[Indexbeschreibung][Angaben, wo Informationen zum Index zu finden sind]]

[specify details here] [Einzelheiten hier angeben]

**[Underlying is an Interest Rate
Basiswert ist ein Zinssatz**

Description of Interest Rate
Beschreibung des Zinssatzes]

[specify details here] [Einzelheiten hier angeben]

**[Underlying is a Basket of Underlyings
Basiswert ist ein Korb von Basiswerten**

Weightings of each underlying in the basket

¹ Only applicable for Index-linked or other Variable Linked Notes.
Nur anwendbar bei indexierten Schuldverschreibungen und Schuldverschreibungen, die an eine Variable gebunden sind.

² Only applicable in case of Notes with a Specified Denomination of less than EUR 50,000.
Nur anwendbar bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.000.

³ Only applicable if the Index is composed by the Issuer.
Nur anwendbar, sofern der Index von der Emittentin zusammengestellt wird.

⁴ Only applicable, if the Index is not composed by the Issuer
Nur anwendbar, sofern der Index nicht von der Emittentin zusammengestellt wird.

Gewichtung jedes einzelnen Basiswertes im Korb]]¹

[specify details here] [Einzelheiten hier angeben]

Comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when risks are most evident²

[insert details here]

Umfassende Erläuterung darüber, wie der Wert der Anlage durch den Wert des Basiswerts beeinflusst wird, insb. in den Fällen, in denen die Risiken offensichtlich sind

[Einzelheiten hier einfügen]

Market disruption or settlement disruption events that may affect the underlying³

[insert details here]

Störungen des Markts oder bei der Abrechnung, die den Basiswert beeinflussen

[Einzelheiten hier einfügen]

Adjustment rules with relation to events concerning the underlying

[insert details here]

Korrekturvorschriften in Bezug auf Vorfälle, die den Basiswert beeinflussen

[Einzelheiten hier einfügen]

- Details Relating to the Performance of Rate(s) of Exchange and Explanation of Effect on Value of Investment⁴

[specify details here]

Einzelheiten der Entwicklung des bzw. der Wechselkurse und Erläuterung der Auswirkungen auf den Wert der Anlage sowie verbundene Risiken

[Einzelheiten hier angeben]

- **Details Relating to the Performance of Rate(s) of Exchange and Explanation of Effect on Value of Investment⁵**

Einzelheiten der Entwicklung des bzw. der Wechselkurse und Erläuterung der Auswirkungen auf den Wert der Anlage sowie verbundene Risiken

[specify details here]

[Einzelheiten hier angeben]

¹ Where the underlying does not fall within the categories Index/Interest Rate/Basket of Underlyings, include equivalent information.

Fällt der Basiswert nicht unter eine der Kategorien Index/Zinssatz/Korb von Basiswerten, sind vergleichbare Informationen einzufügen.

² Not required for Notes with a Specified Denomination of at least EUR 50,000 or a minimum transfer amount of at least EUR 50,000.

Nicht erforderlich bei Schuldverschreibungen anwendbar mit einer festgelegten Stückelung von mindestens EUR 50.000 oder Schuldverschreibungen, die lediglich für mindestens EUR 50.000 pro Wertpapier erworben werden können.

³ To be completed only if applicable.

Nur falls anwendbar einzufügen.

⁴ Only applicable for Dual Currency Notes. Need to include details of where past and future performance and volatility of the relevant rate(s) can be obtained. In case of Notes with a Specified Denomination of less than EUR 50,000 need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.

Nur bei Doppelwährungs-Schuldverschreibungen anwendbar. Angaben darüber erforderlich, wo Informationen über die vergangene und künftige Wertentwicklung und Volatilität der maßgeblichen Wechselkurse eingeholt werden können. Bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.000 ist eine umfassende Erläuterung vorzunehmen, wie der Wert der Anlage durch den Wert des Basiswerts beeinflusst wird, insbesondere in Fällen, in denen die Risiken offensichtlich sind.

⁵ Only applicable for Dual Currency Notes. Need to include details of where past and future performance and volatility of the relevant rate(s) can be obtained. In case of Notes with a Specified Denomination of less than EUR 50,000 need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.

Nur bei Doppelwährungsschuldverschreibungen anwendbar. Angaben darüber erforderlich, wo Informationen über die vergangene und künftige Wertentwicklung und Volatilität der maßgeblichen Wechselkurse eingeholt werden können. Bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.000 ist eine umfassende Erläuterung vorzunehmen, wie der Wert der Anlage durch den Wert des Basiswerts beeinflusst wird, insbesondere in Fällen, in denen die Risiken offensichtlich sind.

Selling Restriction Verkaufsbeschränkungen

The Selling Restrictions set out in the Prospectus shall apply.
Es gelten die im Prospekt wiedergegebenen Verkaufsbeschränkungen.

- TEFRA C
TEFRA C
- TEFRA D
TEFRA D
- Neither TEFRA C nor TEFRA D
Weder TEFRA C noch TEFRA D

Additional Selling Restrictions (specify) []
Zusätzliche Verkaufsbeschränkungen (angeben)

Non-exempt Offer [Not applicable] [Applicable]¹
Nicht-befreites Angebot [Nicht anwendbar] [anwendbar]

Taxation Besteuerung

Information on taxes on the income from the notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought²
Informationen über die an der Quelle einbehaltene Einkommensteuer auf die Schuldverschreibungen hinsichtlich der Länder in denen das Angebot unterbreitet oder die Zulassung zum Handel beantragt wird

[None] [specify details]
[keine] [Einzelheiten einfügen]

Restrictions on the free transferability of the Notes Beschränkungen der freien Übertragbarkeit der Wertpapiere

[None] [specify details]
[Keine] [Einzelheiten einfügen]

¹ Not applicable in Germany. If applicable in the relevant jurisdiction, insert: "An offer of the Notes may be made by the Dealers [and **[specify, if applicable]**] other than pursuant to Article 3(2) of the Prospectus Directive in **[specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported]** during the period from [] until []".
*Nicht anwendbar in Deutschland. Wenn anwendbar in der jeweiligen Jurisdiktion, einfügen: "Die Schuldverschreibungen können von den Platzeuren [und **[angeben, falls anwendbar]**] anders als gemäß Artikel 3(2) der Prospekttrichtlinie in **[die jeweiligen Mitgliedstaaten angeben, die den Jurisdiktionen entsprechen müssen, in die der Prospekt und etwaige Nachträge notifiziert wurden]** im Zeitraum von [] bis [] angeboten werden".*

² Unless specified in the Prospectus. Only applicable for Notes with a Specified Denomination of less than EUR 50,000 per Notes.
Soweit nicht bereits im Prospekt beschrieben. Nur bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.000 anwendbar.

D. TERMS AND CONDITIONS OF THE OFFER¹
D. BEDINGUNGEN UND KONDITIONEN DES ANGEBOTS

Expected price at which the notes will be offered / method of determining the price and the process for its disclosure and amount of any expenses and taxes specifically charged to the subscriber or purchaser

Kurs, zu dem die Schuldverschreibungen angeboten werden / Methode, mittels deren der Angebotskurs festgelegt wird und Angaben zum Verfahren für die Offenlegung sowie der Kosten und Steuern, die speziell dem Zeichner oder Käufer in Rechnung gestellt werden

Method of distribution
Vertriebsmethode

[insert details]
[Einzelheiten einfügen]

Non-syndicated
Nicht syndiziert

Syndicated
Syndiziert

Date of Subscription Agreement²
Datum des Subscription Agreements

[]

Management Details including form of commitment³
Einzelheiten bezüglich des Bankenkonsortiums einschließlich der Art der Übernahme

Dealer/Management Group (specify)
Platzeur/Bankenkonsortium (angeben)

firm commitment
feste Zusage

[]

no firm commitment / best efforts arrangements
Keine feste Zusage / zu den bestmöglichen Bedingungen

[]

Commissions⁴
Provisionen

Management/Underwriting Commission (specify)
Management- und Übernahmeprovision (angeben)

[]

Selling Concession (specify)
Verkaufsprovision (angeben)

[]

Listing Commission (specify)
Börsenzulassungsprovision (angeben)

[]

Other (specify)
Andere (angeben)

[]

¹ In the case of a public offer of Notes, information regarding items 5.1.1, 5.1.3. – 5.1.8, 5.2, 5.4.1. of Annex V of the Commission Regulation 809/2004 will be completed in the Final Terms.

Im Falle eines öffentlichen Angebotes von Schuldverschreibungen werden Angaben zu den Unterpunkten 5.1.1, 5.1.3 – 5.1.8, 5.2 und 5.4.1 des Anhang V der Verordnung 809/2004 in den Endgültigen Bedingungen ergänzt.

² Not required for Notes with a Specified Denomination of at least EUR 50,000.

Nicht erforderlich bei Schuldverschreibungen mit einer festgelegten Stückelung von mindestens EUR 50.000.

³ Not required for Notes with a Specified Denomination of at least EUR 50,000.

Nicht erforderlich bei Schuldverschreibungen mit einer festgelegten Stückelung von mindestens EUR 50.000.

⁴ To be completed in consultation with the Issuer.

In Abstimmung mit der Emittentin auszuführen.

Stabilising Dealer/Manager
Kursstabilisierender Dealer/Manager

[insert details/None]
[Einzelheiten einfügen/keiner]

E. ADMISSION TO TRADING AND DEALING ARRANGEMENTS
E. ZULASSUNG ZUM HANDEL UND HANDELSREGELN

Listing(s) [Yes/No]
Notierung(en) [Ja/Nein]

- Luxembourg Stock Exchange
 - Regulated Market "Bourse de Luxembourg"
Geregelter Markt "Bourse de Luxembourg"
 - Euro MTF
Euro MTF
- Other (insert details) []
Sonstige (Einzelheiten einfügen)

Date of admission []
Termin der Zulassung

Estimate of the total expenses related to admission to trading¹ []
Geschätzte Gesamtkosten für die Zulassung zum Handel

Regulated markets or equivalent markets on which, to the knowledge of the Issuer, notes of the same class of the notes to be offered or admitted to trading are already admitted to trading.²
Angabe geregelter oder gleichwertiger Märkte, auf denen nach Kenntnis der Emittentin Schuldverschreibungen der gleichen Wertpapierkategorie, die zum Handel angeboten oder zugelassen werden sollen, bereits zum Handel zugelassen sind

- Luxembourg (Regulated Market "Bourse de Luxembourg")
- Frankfurt am Main (regulated market)
- Other (insert details) []
Sonstige (Einzelheiten einfügen)

F. ADDITIONAL INFORMATION
F. ZUSÄTZLICHE INFORMATIONEN

¹ Not required for Notes with a Specified Denomination of less than EUR 50,000

Nicht erforderlich bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.000.

² In case of a fungible issue, need to indicate that the original notes are already admitted to trading. Not required for Notes with a Specified Denomination of at least EUR 50,000.

Im Falle einer Aufstockung, die mit einer vorangegangenen Emission fungibel ist, ist die Angabe erforderlich, dass die ursprünglichen Schuldverschreibungen bereits zum Handel zugelassen sind. Nicht erforderlich bei Schuldverschreibungen mit einer festgelegten Stückelung von mindestens EUR 50.000.

Rating¹ []
Rating

Other relevant terms and conditions (specify) []
Andere relevante Bestimmungen (einfügen)

Information from a third party
Informationen von Seiten Dritter

[Where Information is sourced from a third party, include information here
Informationen von Seiten Dritter hier einfügen]

Source of information []
Quelle der Information

[The Issuer confirms that this information has been accurately reproduced].
[Die Emittentin bestätigt, daß diese Informationen korrekt wiedergegeben worden sind].

[The Issuer has not independently verified any such information and accepts no responsibility for the accuracy of such information
Die Emittentin hat die Informationen nicht selbständig überprüft und übernimmt keine Verantwortung für die Richtigkeit der Informationen]

[Listing:²
[Notierung:

The above Final Terms comprise the details required to list this issue of Notes pursuant to the Euro 25,000,000,000 Debt Issuance Programme of Deutsche Telekom AG and Deutsche Telekom International Finance B.V. (as from **[insert Issue Date of the Notes]**).

*Die vorstehenden Endgültigen Bedingungen enthalten die Angaben, die für die Zulassung dieser Emission von Schuldverschreibungen gemäß des Euro 25.000.000.000 Debt Issuance Programme der Deutsche Telekom AG und der Deutsche Telekom International Finance B.V. (ab dem **[Tag der Begebung der Schuldverschreibungen einfügen]**) erforderlich sind].*

Responsibility:
Verantwortlichkeit:

The Issuer accepts responsibility for the information contained in these Final Terms as set out in the section Responsibility Statement on page 4 of the Prospectus.

Die Emittentin übernimmt die Verantwortung für die in diesen Endgültigen Bedingungen enthaltenen Informationen wie im Abschnitt Responsibility Statement auf Seite 4 des Prospekts bestimmt.

[Deutsche Telekom AG

[Name & title of signatories]

¹ Do not complete, if the Notes are not rated on an individual basis. In case of Notes with a Specified Denomination of less than EUR 50,000, need to include a brief explanation of the meaning of the ratings if this has been previously published by the rating provider.

Nicht auszufüllen, wenn kein Einzelrating für die Schuldverschreibungen vorliegt. Bei Schuldverschreibungen mit einer festgelegten Stückelung von weniger als EUR 50.0000, kurze Erläuterung der Bedeutung des Ratings wenn dieses unlängst von der Ratingagentur erstellt wurde.

² Insert only if the Notes are listed.

Nur einfügen, wenn die Schuldverschreibungen gelistet werden.

[[Name und Titel der Unterzeichnenden]]

[Deutsche Telekom International Finance B.V.

[Name & title of signatories]

[[Name und Titel der Unterzeichnenden]]

Taxation

The following is a general discussion of certain German, Dutch and Luxembourg tax consequences of the acquisition and ownership of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. Moreover, this summary does not consider other taxes than taxes on income, in particular not inheritance or gift tax. This summary is based on the laws of the Federal Republic of Germany, The Netherlands and the Grand-Duchy of Luxembourg currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS OF GERMANY, THE NETHERLANDS, THE GRAND DUCHY OF LUXEMBOURG AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

1. Federal Republic of Germany

Tax Residents

Payments of interest on the Notes to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidaritätszuschlag*) thereon). Such interest may also be subject to trade tax if the Notes form part of the property of a German trade or business. If coupons or interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to tax. The same applies to proceeds from the redemption of coupons or interest claims if the Note is disposed of separately.

Upon the disposition of a Note carrying interest a holder of the Note will also have to include in his taxable income any consideration invoiced separately for such portion of the interest of the current interest payment period which is attributable to the period up to the disposition of the Note ("**Accrued Interest**"). Accrued Interest paid upon the acquisition of the Notes may be declared as negative income for personal income tax purposes.

If for the determination of the issue price of the Note the redemption amount is reduced by a discount or if the redemption amount is increased as compared with the issue price of the Note (as, for example, in the case of a discounted Note or a Note with accrued interest added), the difference between the redemption amount and the issue price of the Note ("**Original Issue Discount**") realised when a Note held as a non-business asset is redeemed to its initial subscriber will be taxable investment income, however, only if the Original Issue Discount exceeds certain thresholds: in such case, the Note is classified as a financial innovation under German tax law.

If the Note qualifies as a financial innovation (*Finanzinnovation*) under German tax law (including, among other things, zero coupon Notes or other, discounted Notes or Notes with accrued interest added) and is disposed of while outstanding, or redeemed at maturity, an individual Holder who is holding the Note as a non-business asset will have to include in his taxable income further amounts. In this case, such portion of the proceeds from the disposition of the Note or of the redemption amount of the Note which equals the yield to maturity of the Note attributable to the period over which the holder has held such Note, minus interest, including Accrued Interest, already taken into account will be subject to income tax (plus solidarity surcharge) in the year of the disposition, assignment or redemption of the Note. The yield to maturity is determined by taking into account the Original Issue Discount. If the Notes do not have a predetermined yield to maturity or if neither the tax authority can determine such yield nor the holder gives proof thereof, the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Note will be subject to income tax (plus solidarity surcharge) in the year of the disposition, assignment or redemption of the Note. Where the Note is expressed in a currency other than the Euro, the difference will be computed in the foreign currency. If, however, the Note forms part of the property of a German trade or business, in each fiscal year the yield to maturity of the Note to the extent attributable to such period must be taken into account as interest income and is subject to income tax (plus solidarity surcharge) and trade tax.

Capital gains from the disposition of Notes other than income described in the preceding paragraph are only taxable to a German tax-resident individual if the Notes are disposed of within one year after their acquisition or form part of the property of a German trade or business. In the latter case the capital gains may also be subject to trade tax.

Capital gains derived by German-resident corporate holders of Notes will be subject to corporate income tax (plus solidarity surcharge thereon) and trade tax, even if the Notes do not qualify as financial innovations.

If the Notes are held in a custodial account which the Holder maintains with a German branch of a German or non-German bank or financial services institution (the "**Disbursing Agent**") a 30% withholding tax on interest payments (*Zinsabschlag*), plus 5.5% solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65% of the gross interest payment. Withholding tax is also imposed on Accrued Interest.

In addition, if the Notes qualify as financial innovations, as explained above, and are kept in a custodial account which the Holder maintains with a Disbursing Agent such agent will generally withhold tax at a rate of 30% (plus solidarity surcharge at a rate of 5.5% thereon) from interest payments, Accrued Interest as well as from the positive difference between the redemption amount (or the proceeds from the disposition or assignment) and the issue price (or the purchase price) of the Notes if the Note has been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Notes have been transferred into the custodial account of the Disbursing Agent, only after such point in time, withholding tax at the aforementioned rate will be levied on a lump-sum basis of 30% of the proceeds from the disposition, assignment or redemption of the Notes. Where the Note is expressed in a currency other than the Euro, the aforementioned difference will be computed in the foreign currency.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the holder of a Note to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of a Note is an individual (i) whose Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

If the Notes are not kept in a custodial account with a Disbursing Agent the withholding tax will apply at a rate of 35% (plus solidarity surcharge at a rate of 5.5% thereon), resulting in a total tax charge of 36.925% of the gross amount of interest paid by a Disbursing Agent upon presentation of a Coupon (whether or not presented with the Note to which it appertains) to a holder of such Coupon (other than a non-German bank or financial services institution). If the Notes are not kept in a custodial account with a Disbursing Agent, withholding tax at the aforementioned rate will also be levied upon the proceeds from the disposition or redemption of a Coupon, and if the Notes qualify as financial innovations, upon 30% of the proceeds from the disposition, assignment or redemption of a Note. Where the 35% withholding tax (plus solidarity surcharge) applies Accrued Interest paid cannot be taken into account in determining the withholding tax base.

Withholding tax and solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts overwithheld will entitle the holder of a Note to a refund, based on an assessment to tax.

Non-residents

Interest, including Accrued Interest and (in the case of financial innovations) Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of a Note or (ii) the interest income otherwise constitutes income taxable in Germany (such as income from the letting and leasing of certain German-situs property). If the non-resident of Germany is subject to German taxation with income from the Notes, a tax regime similar to that explained above at "Tax Residents" applies; capital gains from the disposition of Notes other than proceeds from their sale or redemption recharacterised as interest income in the case of

financial innovations (as explained above at "**Tax Residents**") are, however, only taxable in the case of (i).

Non-residents of Germany are, in general, exempt from German withholding tax on interest and solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above at "Tax Residents".

Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition of a Coupon, or, if the Notes qualify as financial innovations as explained above at "Tax Residents", proceeds from the disposition, assignment or redemption of a Note are paid by a Disbursing Agent to a nonresident of Germany, such payments will be subject to withholding tax to the extent and at a rate as explained above at "Tax Residents".

"Corporate Tax Reform Act 2008": Introduction of a Flat Tax on Investment Income

The Corporate Tax Reform Act 2008 dated 14 August 2007 includes, *inter alia*, the introduction of a flat tax on investment income (*Abgeltungssteuer*). Interest income and capital gains from the alienation or redemption of the Notes ("**Private Capital Gains**") will be subject to the flat tax, irrespective of any holding period. The flat tax will only apply where (i) the Notes are held as non-business assets, and (ii) the Holder is a tax resident of Germany or the interest or the Private Capital Gains are taxable to a nonresident Holder (as set out in the preceding subsection entitled "**Non-residents**").

The flat tax will be collected at a rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax) of the relevant gross income. The total gross income subject to the flat tax will only be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly), not by a deduction of expenses actually incurred. Payment of the flat tax will satisfy any income tax liability of the investor in respect of such interest income or Private Capital Gains. However, Holders may instead apply for a tax assessment on the basis of applicable general rules if the resulting income tax burden is lower.

The flat tax will be levied by way of withholding if a Disbursing Agent in Germany is involved in the payment process. Otherwise, the flat tax will be collected by way of assessment.

The flat tax will apply on interest income received after 31 December 2008. As a general rule, Private Capital Gains shall only be subject to the flat tax where the Notes will have been acquired after 31 December 2008, unless they qualify as financial innovations, in which case the new tax regime will be applicable even if the assets were acquired prior to 1 January 2009. However, special rules apply where under the Notes, as it may be the case with certain types of certificates, neither the repayment of the principal, in whole or in part, nor a coupon is guaranteed or effectively granted, i.e. where the Notes qualify as "full risk" securities which do not generate investment income under the current legislation. Under the new legislation, capital gains from the disposal of Notes will generally also be subject to the flat tax if the principal is effectively repaid in whole or in part although the repayment was not guaranteed, but depended on a contingent event, provided the proceeds are received after 31 December 2008. With respect to Notes for which a capital gain is not subject to tax under the current legislation because they qualify as "full risk" securities, the new legislation will apply if the proceeds are received after 30 June 2009, provided that the Notes have been acquired after 14 March 2007.

2. EU Savings Tax Directive

Under the EU Council Directive 2003/48/EC dated 3 June 2003 on the taxation of savings income in the form of interest payments (the "**EU Savings Tax Directive**"), which is applicable as from 1 July 2005, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the EU Savings Tax Directive at a rate of 15% from 1 July 2005, of 20% from 1 July 2008, and of 35% from 1 July 2011.

In conformity with the prerequisites for the application of the EU Savings Tax Directive, a number of non-EU countries and territories, including Switzerland, have agreed to apply measures equivalent to those contained in such directive (a withholding system in the case of Switzerland).

In Germany, provisions for implementing the EU Savings Tax Directive have been enacted by legislative regulations of the Federal Government. These provisions apply as from 1 July 2005.

3. The Netherlands

Withholding Tax

All payments by the Issuer of interest and principal under the Notes can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as debt that effectively functions as equity for tax purposes as meant in article 10, paragraph 1, sub d of the Corporate Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Taxes on Income and capital gains

A holder of a Note who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Dutch taxation on such income or capital gains unless:

- (i) the holder is or is deemed to be resident in The Netherlands, or, where the holder is an individual, such holder has elected to be treated as a resident of The Netherlands; or
- (ii) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (iii) the holder has a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer and, if the holder is not an individual, such interest does not form part of the assets of an enterprise; or
- (iv) the holder is an individual and such income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally speaking, a holder has a substantial interest in the Issuer if he or a qualifying connected person, alone or together with his partner, has directly or indirectly, the ownership of, or certain rights over shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, rights to acquire such interest in the share capital (whether or not already issued) of the Issuer, or the ownership of profit participating certificates (*winstbewijzen*) that relate to 5% or more of the annual profit or liquidation proceeds of the Issuer.

Value Added Tax

There is no Dutch value added tax payable by a holder of a Note in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of the Notes.

Residence

A holder of a Note will not be treated as resident of The Netherlands by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Notes.

4. Luxembourg

Non-Residents

Under the existing laws of Luxembourg and except as provided for by the Luxembourg law of 20 June 2005 implementing the EU Savings Tax Directive (as defined above), there is no withholding tax on the payment of interest on, or reimbursement of principal of, the Notes or on payments made under the Guarantee made to non-residents of Luxembourg.

Under the Luxembourg law of 20 June 2005 implementing the EU Savings Tax Directive and as a result of ratification by Luxembourg of certain related Accords with the relevant dependent and associated territories, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual or certain residual entities as defined by the law, who, as a result of an identification procedure implemented by the paying agent, are identified as residents or are deemed to be residents of an EU Member State other than Luxembourg or certain of those dependent or associated territories referred to under "EU Savings Tax Directive" above, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her country of residence or deemed residence or has provided a tax certificate from his/her fiscal authority in the format required by law to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15% during the first three-year period starting 1 July 2005, at a rate of 20% for the subsequent three-year period and at a rate of 35% thereafter.

When used in the preceding paragraph "interest" and "paying agent" have the meaning given thereto in the Luxembourg law of 20 June 2005 (or the relevant Accords). "Interest" will include accrued or capitalised interest at the sale, repayment or redemption of the Notes. "Paying agent" is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or Guarantor or is instructed by the beneficial owner to collect such payment of interest.

Payments of interest or similar income under the Notes to the Clearing Systems and payments by or on behalf of Clearstream Banking, *soci t  anonyme*, Luxembourg, to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

Residents

According to the law of 23 December 2005, interest or similar income on Notes paid by a Luxembourg paying agent to an individual holder who is a resident of Luxembourg will be subject to a withholding tax of 10 percent which will operate a full discharge of income tax due on such payments. This withholding tax will also apply in the case such payments are made to Residual Entities for the benefit of Luxembourg resident individuals; notwithstanding the above, the withholding tax will not apply in this last case if, for purposes of the application of the Savings Tax directive, the Residual Entity elects for exchange of information or elects to be treated as an Undertaking for Collective Investment.

General Information

General

The relevant Final Terms will specify which clearing system or systems (including CBF, CBL and Euroclear) has/have accepted the relevant Notes for clearance and provide any further appropriate information.

There are no interests of natural and legal persons involved in potential issues under the Programme, including conflicting ones, that are material to the issue of Notes under the Programme.

Selling Restrictions

1. General

Each Dealer has agreed that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Guarantor (if Finance is the Issuer) and any other Dealer shall have any responsibility therefor.

Neither the Issuer nor the Guarantor (if Finance is the Issuer) and any of the Dealers has represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

2. United States of America

- (a) The Notes have not been and will not be registered under the Securities Act, and, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Note as part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to a Note.
- (b) From and after the time that the Issuer notifies the Dealers in writing that it is no longer able to make the representation set forth in Article 4 (1)(g)(i) of the Dealer Agreement, each Dealer (i) acknowledges that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act; (ii) has represented and agreed that it has not offered and sold any Notes, and will not offer and sell any Notes (x) as part of its distribution at any time and (y) otherwise until 40 days after the later of the commencement of the offering and closing date only in accordance with Rule 903 of Regulation S under the Securities Act, and (iii) accordingly has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S; and (iv) has also agreed that at or prior to confirmation of any sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons by any person referred to in Rule 903 (b) (2) (iii) (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

- (c) Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of syndicated issue, the relevant Lead Manager) shall determine and notify to the Fiscal Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Fiscal Agent has agreed to notify such Dealer/Lead Manager of the end of the restricted period with respect to such Tranche.

Terms used in the above paragraph have the meanings given to them by Regulation S.

- (d) Each Dealer has represented and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of Notes, except with its affiliates or with the prior written consent of the Issuer.
- (e) Notes other than Notes with a initial maturity of one year or less will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**D Rules**"), or in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**C Rules**"), as specified in the applicable Final Terms. In addition, in respect of Notes issued in accordance with the D Rules, each Dealer has represented and agreed that:
 - (i) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D), (x) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (y) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
 - (ii) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
 - (iii) if such Dealer is a United States person, it has represented that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if such Dealer retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6); and
 - (iv) with respect to each affiliate that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer either (x) has repeated and confirmed the agreements contained in sub-clauses (i), (ii) and (iii) on such affiliate's behalf or (y) has agreed that it will obtain from such affiliate for the benefit of the Issuer the agreements contained in sub-clauses (i), (ii) and (iii).

Terms used in this paragraph (e) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In addition, where the C Rules are specified in the relevant Final Terms as being applicable to any Tranche of Notes, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with the original issuance.

Further, each Dealer has represented and agreed in connection with the original issuance of Notes in bearer form, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

- (f) Each issue of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the Final Terms. Each Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

3. European Economic Area

In relation to each Member State of the European Economic Area (the EU plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3 (2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than Euro 43,000,000 and (3) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3 (2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

4. United Kingdom

Each Dealer has represented and agreed, that:

in relation to any Notes which have a maturity of less than one year from the date of their issue, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the Issuer;

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

5. The Netherlands/Global

Zero Coupon Notes (as defined below) in definitive form of any Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member firm of Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Use of Proceeds

The net proceeds from each issue will be used for general financing purposes of the Deutsche Telekom group companies.

Listing on the official list and Admission to Trading Information

Luxembourg Stock Exchange

Application has been made to list Notes to be issued under the Programme on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed on the Regulated Market of the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

The above-mentioned documents are available for inspection at the head office of the Paying Agent in Luxembourg, Fortis Banque Luxembourg S.A., at 50, avenue J.F. Kennedy, 2951 Luxembourg, Luxembourg.

Each Paying Agent shall have available at its specified office a copy of the Amended and Restated Dealer Agreement dated 24 April 2008 (the "**Dealer Agreement**") and the Amended and Restated Agency Agreement dated 24 April 2008 and shall make available the inspection of these documents free of charge during normal business hours. Each Final Terms relating to the Notes which shall be

quoted on the regulated market of the Luxembourg Stock Exchange may be obtained from the paying agent in Luxembourg.

Undertaking

Each of the Issuers has undertaken, in connection with the listing of the Notes, that if, while Notes of an Issuer are outstanding and listed on the Regulated Market of the Luxembourg Stock Exchange, there shall occur any adverse change in the business, financial position or otherwise of such Issuer or the Guarantor that is material in the context of issuance under the Programme which is not reflected in the Prospectus (or any of the Reference Documents) such Issuer and/or the Guarantor, as the case may be, will prepare or produce the preparation of a supplement to the Prospectus or, as the case may be, publish a new Prospectus for use in connection with any subsequent offering by such Issuer of Notes to be listed on the regulated market of the Luxembourg Stock Exchange.

If the Terms and Conditions of the Notes (as set out in the Prospectus) are modified or amended in a manner which would make the Prospectus, as supplemented, inaccurate or misleading, a new Prospectus will be prepared to the extent required by law.

Each of the Issuers will, at the specified offices of the Paying Agents, provide, free of charge, upon the oral or written request therefor, a copy of the Prospectus (or any Reference Document). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

Authorisation

The establishment of the Programme was authorised by the board of managing directors of Deutsche Telekom and by the board of managing directors and the supervisory board of Finance on 20 June 1997, 18 August 1997 and 1 September 1997, respectively. The increase of the aggregate principal amount of Notes which may be issued under the Programme was authorised by the board of managing directors of Deutsche Telekom and by the board of managing directors and the supervisory board of Finance on 11 April 2000, as well as on 22 March 2000 and 27 March 2000, respectively. The further increase of the aggregate principal amount of Notes which may be issued under the Programme to EUR 15,000,000,000 was authorised by the board of managing directors of Deutsche Telekom on 14 May 2001 and by the board of managing directors of Finance on 18 May 2001 and the supervisory board of Finance on 21 May 2001. The further increase of the aggregate principal amount of Notes which may be issued under the Programme to EUR 20,000,000,000 was authorised by the board of managing directors of Deutsche Telekom on 1 April 2003 and by the board of managing directors of Finance on 1 April 2003 and by the supervisory board of Finance on 1 April 2003. The further increase of the aggregate principal amount of Notes which may be issued under the Programme to EUR 25,000,000,000 was authorised by the board of managing directors of Deutsche Telekom on 29 March 2007 and by the board of managing directors of Finance on 28 March 2007 and by the supervisory board of Finance on 28 March 2007.

Names and Addresses

Issuers

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Deutsche Telekom International Finance B.V.
World Trade Center
Strawinskylaan 1243
1077 XX Amsterdam
The Netherlands

Guarantor

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Arranger

Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10-14
60272 Frankfurt am Main
Germany

Dealers

Bayerische Hypo- und Vereinsbank AG
Arabellastrasse 12
81925 München
Germany

Commerzbank Aktiengesellschaft
60 Gracechurch Street
London EC3V 0HR
United Kingdom

Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10-14
60272 Frankfurt am Main
Germany

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz 1
60301 Frankfurt am Main
Germany

DZ BANK AG Deutsche
Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60265 Frankfurt am Main
Germany

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE
United Kingdom

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

WestLB AG
Herzogstrasse 15
40217 Düsseldorf
Germany

Agents

Fiscal and Principal Paying Agent
Deutsche Bank Aktiengesellschaft
Trust & Securities Services (TSS)
Grosse Gallusstrasse 10-14
60272 Frankfurt am Main
Germany

Listing Agent
Fortis Banque Luxembourg S.A.
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

Further Paying Agents
Fortis Banque Luxembourg S.A.
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

Legal Advisers

To the Dealers

Clifford Chance LLP
Droogbak 1a
1013 GE Amsterdam
The Netherlands

Hengeler Mueller
Partnerschaft von Rechtsanwälten
Bockenheimer Landstrasse 24
60323 Frankfurt am Main
Germany

Auditors of

Deutsche Telekom AG
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Olof-Palme-Strasse 35
60439 Frankfurt am Main
Germany

Deutsche Telekom International Finance B.V.
Ernst and Young Accountants
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Mittlerer Pfad 15
70499 Stuttgart
Germany

**FIRST SUPPLEMENT TO THE DEBT ISSUANCE PROGRAMME PROSPECTUS DATED
9 JUNE 2008**

This document constitutes a supplement (the "Supplement") for the purposes of Article 16 of Directive 2003/71/EC and should be read in conjunction with the two prospectuses: (i) the prospectus of Deutsche Telekom AG in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 ("Non-Equity Securities") and (ii) the prospectus of Deutsche Telekom International Finance B.V. in respect of Non-Equity Securities (together, the "Prospectus").



Deutsche Telekom AG

Bonn, Federal Republic of Germany

as Issuer and as Guarantor for Notes issued by

Deutsche Telekom International Finance B.V.

(a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands and having its corporate seat in Amsterdam, The Netherlands)

as Issuer

Euro 25,000,000,000 Debt Issuance Programme

Each Issuer has requested the *Luxembourg Commission de Surveillance du Secteur Financier* ("CSSF") to provide the competent authorities in the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland and the Republic of Austria with a certificate of approval attesting that the Supplement has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* (the "**Luxembourg Law**") which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 into Luxembourg law ("**Notification**"). Each Issuer may request the Commission to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

RIGHT TO WITHDRAW

Investors who have already agreed to purchase or subscribe for Notes of any tranche to be issued under the Programme prior to publication of this Supplement are entitled to withdraw their purchase orders pursuant to Art. 13(2) of the Luxembourg Law within two working days after the publication of this Supplement provided that the relevant purchase has not yet been completed. A withdrawal, if any, is to be addressed to the relevant bank or savings bank or any other distributor with whom the relevant agreement to purchase or subscribe has been entered into.

This Supplement has been approved by the CSSF, has been filed with said authority and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Deutsche Telekom AG ("**Deutsche Telekom**", the "**Guarantor**" or the "**Company**") with its registered office in Bonn and Deutsche Telekom International Finance B.V. ("**Finance**") with its registered office in Amsterdam (each an "**Issuer**" and together the "**Issuers**") are solely responsible for the information given in this Supplement.

To the best of the knowledge of the Issuers (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Terms defined or otherwise attributed meanings in the Prospectus have the same meaning when used in this Supplement.

This Supplement shall only be distributed in connection with the Prospectus.

To the extent that there is any inconsistency between any statement in this Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Prospectus.

The Issuers have confirmed to the Dealers that the Prospectus as supplemented by this Supplement contains all information with regard to each Issuer and the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder; that the information contained therein with respect to each Issuer and the Notes is accurate in all material respects and is not misleading; that any opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts, the omission of which would make any statement, whether fact or opinion, in the Prospectus or this Supplement misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained therein.

No person has been authorised to give any information which is not contained in or not consistent with the Prospectus or this Supplement or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by or on behalf of the Issuers or any of the Dealers.

Neither the Arranger nor any Dealer nor any person mentioned in the Prospectus or this Supplement, excluding the Issuers, is responsible for the information contained in the Prospectus or this Supplement or any document incorporated therein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

The first paragraph under the captions "*Summary – Summary in respect of Risk Factors – Risk Factors in respect of Deutsche Telekom*" on page 10 of the Prospectus is replaced by the following:

"The risk related to Deutsche Telekom's ability to fulfill its obligations as Issuer of debt securities is described by reference to the ratings assigned to Deutsche Telekom. Deutsche Telekom is rated by Fitch (as defined herein), Moody's (as defined herein) and S&P (as defined herein).

As of 19 May 2008, the ratings assigned to Deutsche Telekom by the Rating Agencies were as follows:

by Fitch:	long-term rating:	A-
	short-term rating:	F2
by Moody's:	long-term rating:	Baa1
	short-term rating:	P-2
by S&P:	long-term rating:	BBB+
	short-term rating:	A-2

Notes issued under the Programme may have a different rating or no rating at all."

The first two paragraphs under the captions "*Summary – Summary in respect of Finance*" on page 14 of the Prospectus are replaced by the following:

"Finance was incorporated on 30 October 1995 under the laws of the Netherlands as a private company with limited liability for an unlimited duration. Finance is a 100% subsidiary of Deutsche Telekom AG. Finance has its corporate seat in Amsterdam and is registered with the Trade Register in Amsterdam under number 33274743. Its address is Herengracht 124-128, 1015 BT Amsterdam, The Netherlands.

Finance is the finance organisation of the Deutsche Telekom Group. Finance issues various notes at the capital market."

The first paragraph under the captions "*German Translation of the Summary – Zusammenfassung der Risikofaktoren – Zusammenfassung der Risikofaktoren in Bezug auf Deutsche Telekom*" on page 20 of the Prospectus is replaced by the following:

"Die Risiken in Bezug auf Deutsche Telekom's Fähigkeit, ihre Verpflichtungen als Emittentin von Schuldverschreibungen zu erfüllen, sind unter Bezugnahme auf die der Deutschen Telekom erteilten Ratings beschrieben. Deutsche Telekom wurde von Fitch (wie hier definiert), Moody's (wie hier definiert) und S&P (wie hier definiert) gerated.

Zum 19. Mai 2008 waren folgende Ratings von den Ratingagenturen erteilt:

von Fitch:	Langfrist-Rating:	A-
	Kurzfrist-Rating:	F2
von Moody's:	Langfrist-Rating:	Baa1
	Kurzfrist-Rating:	P-2
von S&P:	Langfrist-Rating:	BBB+
	Kurzfrist-Rating:	A-2

Unter dem Programm begebene Schuldverschreibungen können ein anderes oder gar kein Rating haben."

The first two paragraphs under the captions "*German Translation of the Summary – Zusammenfassung in Bezug auf Finance*" on page 24 of the Prospectus are replaced by the following:

"Die Finance wurde am 30. Oktober 1995 nach niederländischem Recht als private Gesellschaft mit beschränkter Haftung für eine unbegrenzte Zeit gegründet. Die Finance ist eine 100%ige Tochter der Deutschen Telekom AG. Sie hat ihren Geschäftssitz in Amsterdam und ist im Handelsregister von Amsterdam unter der Nummer 33274743 registriert. Die Geschäftsadresse ist Herengracht 124-128, 1015 BT Amsterdam, The Netherlands.

Die Finance ist die Finanzierungsgesellschaft des Deutsche Telekom Konzerns. Sie begibt unterschiedliche Schuldverschreibungen am Kapitalmarkt."

The paragraph under the captions "*Risk Factors – Risk Factors regarding the Issuers – Risk Factors in respect of Deutsche Telekom*" on page 25 et seq. of the Prospectus is replaced by the following:

"The risk related to Deutsche Telekom's ability to fulfill its obligations as Issuer of debt securities is described by reference to the ratings assigned to Deutsche Telekom. Deutsche Telekom is rated by Fitch Ratings Limited ("**Fitch**"), Moody's Investors Service, Inc. ("**Moody's**") and by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**", together with Fitch and Moody's, the "**Rating Agencies**").

As of 19 May 2008, the ratings assigned to Deutsche Telekom by the Rating Agencies were as follows:

by Fitch:	long-term rating:	A-
	short-term rating:	F2

Fitch defines¹:

A: "A" ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

F2: Indicates satisfactory capacity for timely payment of financial commitments.

by Moody's:	long-term rating:	Baa1
	short-term rating:	P-2

Moody's defines²:

Baa1 Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

P-2: Issuers have a strong ability to repay short-term obligations.

by S&P:	long-term rating:	BBB+
	short-term rating:	A-2

S&P defines³:

BBB+: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

A-2: A short-term obligation rated "A-2" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory."

¹ Note: "+" or "-" may be appended to a rating to denote the relative status within major rating categories. Such suffixes are not added to the "AAA" category or to categories below "CCC".

² Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa to Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

³ Note: Plus (+) or minus (-): The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

The third paragraph under the captions "*Risk Factors – Risk Factors regarding the Issuers – Risk Factors in respect of Deutsche Telekom – Exchange-rate, interest-rate and rating risks have had, and may continue to have, an adverse effect on Deutsche Telekom's revenue and cost development*" on page 33 et seqq. of the Prospectus is replaced by the following:

In May 2008, two of the three rating agencies decreased Deutsche Telekom's long-term rating from "A3" to "Baa1" in the case of Moody's Investors Service, Inc. and from "A-" to "BBB+" in the case of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. In May 2007, Fitch Ratings changed its outlook from "stable" to "negative". A decrease in Deutsche Telekom's credit ratings below certain thresholds by various rating agencies results in an increase in interest rates due to step-up provisions in certain bonds and medium-term notes.

The paragraph under the captions "*Deutsche Telekom International Finance B.V. as Issuer – General Information about Deutsche Telekom International Finance B.V. – History and development of Finance*" on page 96 of the Prospectus is replaced by the following:

"Finance was incorporated on 30 October 1995 under the laws of the Netherlands as a private company with limited liability for an unlimited duration. Finance is a wholly-owned subsidiary of Deutsche Telekom. Finance has its corporate seat in Amsterdam and is registered with the Trade Register in Amsterdam under number 33274743. Its address is Herengracht 124-128, 1015 BT Amsterdam, The Netherlands (telephone number: +31 20 794 45 00)."

The fifth paragraph under the captions "*Deutsche Telekom International Finance B.V. as Issuer – Administrative, Management and Supervisory Bodies*" on page 98 of the Prospectus is replaced by the following:

"The business address of each member of the Board of Managing Directors of Finance is Herengracht 124-128, 1015 BT Amsterdam, The Netherlands."

The captions and the paragraph under "*Names and Adresses - Issuers*" on page 175 of the Prospectus are replaced by the following:

"Names and Addresses

Issuers

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Deutsche Telekom International Finance B.V.
Herengracht 124-128
1015 BT Amsterdam
The Netherlands"

NAMES AND ADDRESSES**Issuers**

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Deutsche Telekom International Finance B.V.
Herengracht 124-128
1015 BT Amsterdam
The Netherlands

Guarantor

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Agents

Fiscal and Principal Paying Agent
Deutsche Bank Aktiengesellschaft
Trust & Securities Services (TSS)
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany

Listing Agent
Fortis Banque Luxembourg S.A.
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

Further Paying Agents
Fortis Banque Luxembourg S.A.
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

**SECOND SUPPLEMENT TO THE DEBT ISSUANCE PROGRAMME PROSPECTUS DATED
4 MARCH 2009**

This document constitutes a supplement (the "**Supplement**") for the purposes of Article 16 of Directive 2003/71/EC and should be read in conjunction with the two prospectuses: (i) the prospectus of Deutsche Telekom AG in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 ("**Non-Equity Securities**") and (ii) the prospectus of Deutsche Telekom International Finance B.V. in respect of Non-Equity Securities (together, the "**Prospectus**").



Deutsche Telekom AG

Bonn, Federal Republic of Germany

as Issuer and as Guarantor for Notes issued by

Deutsche Telekom International Finance B.V.

(a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands and having its corporate seat in Amsterdam, The Netherlands)

as Issuer

Euro 25,000,000,000 Debt Issuance Programme

Each Issuer has requested the *Luxembourg Commission de Surveillance du Secteur Financier* ("**CSSF**") to provide the competent authorities in the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland and the Republic of Austria with a certificate of approval attesting that the Supplement has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* (the "**Luxembourg Law**") which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 into Luxembourg law ("**Notification**"). Each Issuer may request the Commission to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

RIGHT TO WITHDRAW

Investors who have already agreed to purchase or subscribe for Notes of any tranche to be issued under the Programme prior to publication of this Supplement are entitled to withdraw their purchase orders pursuant to Art. 13(2) of the Luxembourg Law within two working days after the publication of this Supplement provided that the relevant purchase has not yet been completed. A withdrawal, if any, is to be addressed to the relevant bank or savings bank or any other distributor with whom the relevant agreement to purchase or subscribe has been entered into.

This Supplement has been approved by the CSSF, has been filed with said authority and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Deutsche Telekom AG ("**Deutsche Telekom**", the "**Guarantor**" or the "**Company**") with its registered office in Bonn and Deutsche Telekom International Finance B.V. ("**Finance**") with its registered office in Amsterdam (each an "**Issuer**" and together the "**Issuers**") are solely responsible for the information given in this Supplement.

To the best of the knowledge of the Issuers (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Terms defined or otherwise attributed meanings in the Prospectus have the same meaning when used in this Supplement.

This Supplement shall only be distributed in connection with the Prospectus.

To the extent that there is any inconsistency between any statement in this Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Prospectus.

The Issuers have confirmed to the Dealers that the Prospectus as supplemented by the first Supplement dated 9 June 2008 and this Supplement contains all information with regard to each Issuer and the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder; that the information contained therein with respect to each Issuer and the Notes is accurate in all material respects and is not misleading; that any opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts, the omission of which would make any statement, whether fact or opinion, in the Prospectus or this Supplement misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained therein.

No person has been authorised to give any information which is not contained in or not consistent with the Prospectus or this Supplement or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by or on behalf of the Issuers or any of the Dealers.

Neither the Arranger nor any Dealer nor any person mentioned in the Prospectus or this Supplement, excluding the Issuers, is responsible for the information contained in the Prospectus or this Supplement or any document incorporated therein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

The purpose of this Supplement is, in particular, the incorporation by reference of the financial statements of the Issuers for the financial year 2008.

Incorporation by Reference / Documents on Display

The following documents are incorporated by reference into the Prospectus by virtue of this Supplement as of the date of this Supplement and are available in the English language:

The audited consolidated financial statements for Deutsche Telekom AG and the audited unconsolidated financial statements for Deutsche Telekom International Finance B.V. for the fiscal year ending 31 December 2008 are incorporated by reference into this Supplement:

Deutsche Telekom AG

the audited consolidated financial statements of Deutsche Telekom for the fiscal year ended on 31 December 2008 consisting of

- Group management report (pages 52 to 108 in the Annual Report of 2008),
- Income statement (page 110 in the Annual Report of 2008),
- Balance Sheet (page 111 in the Annual Report of 2008),
- Cash flow statement (page 112 in the Annual Report of 2008),
- Notes (pages 114 to 200 in the Annual Report of 2008),
- the Auditors' Report (page 202 in the Annual Report of 2008).

Deutsche Telekom International Finance B.V.

the audited financial statements of Finance for the fiscal year ended on 31 December 2008 consisting of

- Income statement (page 8 in the Annual Report of 2008),
- Balance Sheet (page 9 in the Annual Report of 2008),
- Cash flow statement (page 10 in the Annual Report of 2008),
- Notes (pages 11 to 41 in the Annual Report of 2008),
- the Auditors' Report (pages 43 and 44 in the Annual Report of 2008).

All information not listed above, but included in the documents incorporated by reference is given for information purposes only.

The Prospectus and all Reference Documents are available on the website of the Luxembourg Stock Exchange (www.bourse.lu). During the whole life of the Programme, the Prospectus as well as of all supplements thereto, all Reference Documents, the Guarantee and Negative Pledge of Deutsche Telekom AG and the Articles of Association of each of Deutsche Telekom AG and Deutsche Telekom International Finance B.V., all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuers' request any part of which is included or referred to in the Prospectus, the historical financial information of Deutsche Telekom and its subsidiaries and the historical financial information of Finance for each of the two financial years preceding the publication of the Prospectus are available on the website of Deutsche Telekom (www.telekom.de), may be inspected and are available free of charge at the office of the Luxembourg Paying Agent, BGL Société Anonyme, and are available in the English language each free of charge at the head office of Deutsche Telekom AG (addresses are specified on the back cover of this Prospectus).

All references in the Prospectus to "Fortis Banque Luxembourg S.A." shall be deemed replaced by "BGL Société Anonyme".

The paragraph "*Summary – Summary in respect of Finance – Financial Information*" on page 14 of the Prospectus is replaced by the following:

"Financial Information

The unconsolidated financial statement under Dutch GAAP as of and for the year ended 31 December 2007 as well as the unconsolidated financial statement under IFRS as of and for the year ended 31 December 2008 have been audited by Ernst & Young Accountants. In each case an unqualified auditors' report has been provided."

The paragraph "*German Translation of the Summary – Zusammenfassung in Bezug auf die Schuldverschreibungen – Zahlstellen*" on page 15 of the Prospectus is replaced by the following:

"BGL Société Anonyme und andere Institutionen wie in den anwendbaren Endgültigen Bedingungen angegeben."

The paragraph "*German Translation of the Summary – Zusammenfassung in Bezug auf Finance – Finanzinformationen*" on page 24 of the Prospectus is replaced by the following:

"Sowohl der nicht-konsolidierte Jahresabschluß unter niederländischen Rechnungslegungsgrundsätzen für das am 31. Dezember 2007 beendete Geschäftsjahr als auch der nicht-konsolidierte Jahresabschluß nach IFRS für das am 31. Dezember 2008 beendete Geschäftsjahr wurden von Ernst & Young Accountants geprüft. Es wurde jeweils ein uneingeschränkter Bestätigungsvermerk erteilt."

The paragraph "*Deutsche Telekom AG as Issuer and Guarantor – Administrative, Management and Supervisory Bodies – Management – The Board of Management consists of*" on page 78 of the Prospectus is replaced by the following:

"Starting 1 March 2009, the **Board of Management** consists of

René Obermann	Chairman of the Board of Management
Timotheus Höttges	Board member responsible for Finance
Thomas Sattelberger	Board member responsible for Human Resources
Manfred Balz	Board member for Data Privacy, Legal Affairs and Compliance
Hamid Akhavan	Board member responsible for T-Mobile, Product Development, Technology and IT
Niek Jan van Damme	Board member responsible for T-Home, Sales & Service
Guido Kerkhoff	Board member for Southern Eastern Europe
Reinhard Clemens	Board member responsible for Business Customers"

The paragraph "*Deutsche Telekom International Finance B.V. as Issuer – Statutory Auditors*" on page 96 of the Prospectus is replaced by the following:

"Statutory Auditors

The statutory auditors of Finance are Ernst & Young Accountants, Antonio Vivaldijkstraat 150, 1083 HP Amsterdam, the Netherlands. The auditors of Ernst & Young Accountants are members of the Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*). They have audited the financial statements of Finance as of and for the years ended 31 December 2007 and 31 December 2008 and issued unqualified auditors' reports. The financial statement for the year 2007 was prepared in accordance with Dutch GAAP. The financial statement for the year 2008 was prepared in accordance with IFRS."

The paragraph "*Deutsche Telekom AG as Issuer and Guarantor – Financial Information Concerning Deutsche Telekom's assets and liabilities, financial position and profits and losses – Selected Financial Information – Deutsche Telekom at a Glance*" on page 81 et seq. of the Prospectus is replaced by the following:

Financial data of the Group

billions of €	Change compared to prior year (%) ^a	2008	2007	2006	2005	2004
Revenue and earnings						
Net revenue	(1.4)	61.7	62.5	61.3	59.6	57.3
Of which: domestic (%)	(2.3)	46.8	49.1	52.9	57.4	60.6
Of which: international (%)	2.3	53.2	50.9	47.1	42.6	39.4
Profit from operations (EBIT)	33.2	7.0	5.3	5.3	7.6	6.3
Net profit	n.a.	1.5	0.6	3.2	5.6	1.6
Net profit (adjusted for special factors)	14.0	3.4	3.0	3.9	4.7	3.7
EBITDA ^{a, b, c}	6.6	18.0	16.9	16.3	20.1	19.4
EBITDA (adjusted for special factors) ^{a, b, c}	0.7	19.5	19.3	19.4	20.7	19.6
EBITDA margin (adjusted for special factors) (%) ^a	0.7	31.6	30.9	31.7	34.8	34.2
Balance sheet						
Total assets	2.0	123.1	120.7	130.2	128.5	125.5
Shareholders' equity	(4.7)	43.1	45.2	49.7	48.6	45.5
Equity ratio (%) ^{a, d}	(2.4)	32.3	34.7	35.8	35.5	34.2
Financial liabilities (in accordance with consolidated balance sheet)	8.6	46.6	42.9	46.5	46.7	51.1
Net debt ^{a, c}	2.5	38.2	37.2	39.6	38.6	39.9
Additions to intangible assets (including goodwill) and property, plant and equipment	11.5	10.1	9.1	13.4	11.1	6.6
Cash flows						
Net cash from operating activities ^e	12.1	15.4	13.7	14.2	15.1	16.7
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment (in accordance with	(8.6)	(8.7)	(8.0)	(11.8)	(9.3)	(6.4)

cash flow statement)							
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment (in accordance with cash flow statement)		(51.1)	0.4	0.8	0.6	0.4	0.6
Free cash flow (before dividend payments) ^{a, c, f, g}		6.9	7.0	6.6	3.0	6.2	10.9
Free cash flow as a percentage of revenue ^a		0.9	11.4	10.5	4.9	10.3	18.9
Net cash used in investing activities ^e		(41.3)	(11.4)	(8.1)	(14.3)	(10.1)	(4.5)
Net cash used in financing activities		49.4	(3.1)	(6.1)	(2.1)	(8.0)	(12.9)
Employees							
Average number of employees (full-time equivalents without trainees/student interns) (thousands)		(3.6)	235	244	248	244	248
Revenue per employee (thousands of €) ^a		2.4	262.5	256.5	246.9	244.3	231.7
T-Share – key figures							
Earnings per share/ADS (basic and diluted) in accordance with IFRS (€) ^h		n.a.	0.34	0.13	0.74	1.31	0.39
Weighted average number of ordinary shares outstanding (basic) (millions) ^{h, i}		0.0	4,340	4,339	4,353	4,335	4,323
Weighted average number of ordinary shares outstanding (diluted) (millions) ^{h, i}		0.0	4,340	4,340	4,354	4,338	4,328
Dividend per share/ADS (€)		0.0	0.78 ^j	0.78	0.72	0.72	0.62
Dividend yield (%) ^k		2.1	7.3	5.2	5.2	5.1	3.7
Total dividend (billions of €)		0.0	3.4 ^j	3.4	3.1	3.0	2.6
Number of ordinary shares carrying dividend rights (millions) ^l		0.0	4,341 ^m	4,340	4,339	4,174	4,171
Total number of ordinary shares at the reporting date (millions) ⁿ		0.0	4,361	4,361	4,361	4,198	4,198

^a Calculated on the basis of millions for the purpose of greater precision. Changes to percentages expressed as percentage points.

^b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses.

^c EBITDA, EBITDA adjusted for special factors, net debt, and free cash flow are non-GAAP figures not governed by the International Financial Reporting Standards (IFRS). They should not be viewed in isolation as an alternative to profit or loss from operations, net profit or loss, net cash from operating activities, the debt reported in the consolidated balance sheet, or other Deutsche Telekom key performance indicators presented in accordance with IFRS. For detailed information and calculations, please refer to the section on "Development of business in the Group" of the Group management report in this Annual Report.

^d Based on shareholders' equity excluding amounts earmarked for dividend payments, which are treated as current liabilities.

^e Current finance lease receivables were previously reported in net cash from operating activities. Since 2007 they have been reported under net cash from/used in investing activities. Prior-year figures have been adjusted accordingly.

^f Before cash outflows totaling EUR 0.1 billion in 2007 for investments in parts of Centrica PLC taken over by T-Systems UK as part of an asset deal. Figures for 2006 include payments for the acquisition of licenses totaling EUR 3.3 billion; and figures for 2005 include payments for the acquisition of network infrastructure and licenses in the United States totaling EUR 2.1 billion.

^g Since the beginning of the 2007 financial year, Deutsche Telekom has defined free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Prior-year figures have been adjusted accordingly.

^h Calculation of basic and diluted earnings per share in accordance with IFRS as specified in IAS 33, "Earnings per share." The share to ADS ratio is 1:1.

ⁱ Less treasury shares held by Deutsche Telekom AG.

^j Subject to approval by the shareholders' meeting. For more detailed explanations, please refer to Note 13 in the notes to the consolidated financial statements, "Dividend per share."

^k (Proposed) dividend per share divided by the Xetra closing price of the T-Share at the reporting date or on the last trading day of the respective financial year.

^l Less treasury shares held by Deutsche Telekom AG and those shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA/Powertel, are held in trust for later issue and later trading as registered shares or American depository shares (ADSs).

^m Balance at the reporting date.

ⁿ Including treasury shares held by Deutsche Telekom AG.

The paragraph "*Deutsche Telekom AG as Issuer and Guarantor – Significant Change in Deutsche Telekom's Financial Position*" on page 94 et seqq. of the Prospectus is replaced by the following:

"Significant Change in Deutsche Telekom's Financial Position

Save as disclosed herein, there has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since the publication of its last audited financial statements as of 31 December 2008."

The paragraph "Deutsche Telekom International Finance B.V. as Issuer – Selected Financial Information of Deutsche Telekom International Finance B.V." on pages 97 and 98 of the Prospectus is replaced by the following:

Balance sheet

(Before proposed appropriation of result)

thousands of €	Dec. 31, 2008	Dec. 31, 2007
Assets		
Current assets	5.042.334	4.951.310
Financial assets	5.041.090	4.951.310
Income tax receivable	1.244	-
Non-current assets	28.947.294	27.991.429
Property, plant and equipment	55	7
Financial assets	28.946.854	27.990.482
Other assets	385	940
Total Assets	33.989.628	32.942.739
Liabilities and shareholder's equity		
Current liabilities	5.052.542	4.932.829
Financial liabilities	5.052.476	4.932.586
Income tax liability	-	191
Other liabilities	66	52
Non-current liabilities	28.598.960	27.677.411
Financial liabilities	28.486.562	27.568.024
Other provisions	15	-
Deferred tax liability	112.383	109.387
Liabilities	33.651.502	32.610.240
Shareholder's equity	338.126	332.499
Issued Capital	454	454
Other reserves	321.129	409.237
Net profit (loss)	16.543	(77.192)
Total Liabilities and shareholder's equity	33.989.628	32.942.739

Unconsolidated Profit and loss account for the fiscal years ended 31 December 2008 and 2007

Income statement

thousands of €	2008	2007
Finance income (costs)		
Interest income	2.126.203	2.028.069
Interest expense	(2.140.216)	(2.074.459)
Other financial income (expense)	36.937	(56.635)
Profit (loss) from financial activities	22.924	(103.025)
General and administrative expenses	(732)	(633)
Other operating income	30	42
Other operating expenses	(25)	(1)
Profit (loss) from operations	(727)	(592)
Profit (loss) before income taxes	22.197	(103.617)
Income taxes	(5.654)	26.425
Profit (loss) after income taxes	16.543	(77.192)
Attributable to shareholder:	16.543	(77.192)

The paragraph "*Deutsche Telekom International Finance B.V. as Issuer – Significant Change in Finance's Financial Position*" on page 98 of the Prospectus is replaced by the following:

"Significant Change in Finance's Financial Position

Save as disclosed herein, there has been no significant change in the financial or trading position of Finance and no material adverse change in the prospects of Finance since the publication of its last audited financial statements as of 31 December 2008."

NAMES AND ADDRESSES

Issuers

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Deutsche Telekom International Finance B.V.
Herengracht 124-128
1015 BT Amsterdam
The Netherlands

Guarantor

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Agents

Fiscal and Principal Paying Agent
Deutsche Bank Aktiengesellschaft
Trust & Securities Services (TSS)
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany

Listing Agent
BGL Société Anonyme
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

Further Paying Agents
BGL Société Anonyme
50, avenue J. F. Kennedy
2951 Luxembourg
Luxembourg

ANNUAL REPORT 2008 OF THE ISSUER

Connected life and work.

The future, today.



The 2008 financial year.

Life is for sharing.



Selected financial data of the Deutsche Telekom Group.

billions of €	Change compared to prior year (%) ^a	2008	2007	2006	2005	2004
Revenue and earnings						
Net revenue	(1.4)	61.7	62.5	61.3	59.6	57.3
Of which: domestic (%)	(2.3)	46.8	49.1	52.9	57.4	60.6
Of which: international (%)	2.3	53.2	50.9	47.1	42.6	39.4
Profit from operations (EBIT)	33.2	7.0	5.3	5.3	7.6	6.3
Net profit	n.a.	1.5	0.6	3.2	5.6	1.6
Net profit (adjusted for special factors)	14.0	3.4	3.0	3.9	4.7	3.7
EBITDA ^{a, b, c}	6.6	18.0	16.9	16.3	20.1	19.4
EBITDA (adjusted for special factors) ^{a, b, c}	0.7	19.5	19.3	19.4	20.7	19.6
EBITDA margin (adjusted for special factors) (%) ^a	0.7	31.6	30.9	31.7	34.8	34.2
Balance sheet						
Total assets	2.0	123.1	120.7	130.2	128.5	125.5
Shareholders' equity	(4.7)	43.1	45.2	49.7	48.6	45.5
Equity ratio (%) ^{a, d}	(2.4)	32.3	34.7	35.8	35.5	34.2
Financial liabilities (in accordance with consolidated balance sheet)	8.6	46.6	42.9	46.5	46.7	51.1
Net debt ^{a, c}	2.5	38.2	37.2	39.6	38.6	39.9
Additions to intangible assets (including goodwill) and property, plant and equipment	11.5	10.1	9.1	13.4	11.1	6.6
Cash flows						
Net cash from operating activities ^e	12.1	15.4	13.7	14.2	15.1	16.7
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment (in accordance with cash flow statement)	(8.6)	(8.7)	(8.0)	(11.8)	(9.3)	(6.4)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment (in accordance with cash flow statement)	(51.1)	0.4	0.8	0.6	0.4	0.6
Free cash flow (before dividend payments) ^{a, c, f, g}	6.9	7.0	6.6	3.0	6.2	10.9
Free cash flow as a percentage of revenue ^a	0.9	11.4	10.5	4.9	10.3	18.9
Net cash used in investing activities ^e	(41.3)	(11.4)	(8.1)	(14.3)	(10.1)	(4.5)
Net cash used in financing activities	49.4	(3.1)	(6.1)	(2.1)	(8.0)	(12.9)
Employees						
Average number of employees (full-time equivalents without trainees/student interns) (thousands)	(3.6)	235	244	248	244	248
Revenue per employee (thousands of €) ^a	2.4	262.5	256.5	246.9	244.3	231.7
T-Share – key figures						
Earnings per share/ADS (basic and diluted) in accordance with IFRS (€) ^h	n.a.	0.34	0.13	0.74	1.31	0.39
Weighted average number of ordinary shares outstanding (basic) (millions) ^{h, i}	0.0	4,340	4,339	4,353	4,335	4,323
Weighted average number of ordinary shares outstanding (diluted) (millions) ^{h, i}	0.0	4,340	4,340	4,354	4,338	4,328
Dividend per share/ADS (€)	0.0	0.78 ^j	0.78	0.72	0.72	0.62
Dividend yield (%) ^k	2.1	7.3	5.2	5.2	5.1	3.7
Total dividend (billions of €)	0.0	3.4 ^j	3.4	3.1	3.0	2.6
Number of ordinary shares carrying dividend rights (millions) ^l	0.0	4,341 ^m	4,340	4,339	4,174	4,171
Total number of ordinary shares at the reporting date (millions) ⁿ	0.0	4,361	4,361	4,361	4,198	4,198

^a Calculated on the basis of millions for the purpose of greater precision. Changes to percentages expressed as percentage points.

^b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses.

^c EBITDA, EBITDA adjusted for special factors, net debt, and free cash flow are non-GAAP figures not governed by the International Financial Reporting Standards (IFRS). They should not be viewed in isolation as an alternative to profit or loss from operations, net profit or loss, net cash from operating activities, the debt reported in the consolidated balance sheet, or other Deutsche Telekom key performance indicators presented in accordance with IFRS. For detailed information and calculations, please refer to the section on "Development of business in the Group" of the Group management report in this Annual Report.

^d Based on shareholders' equity excluding amounts earmarked for dividend payments, which are treated as current liabilities.

^e Current finance lease receivables were previously reported in net cash from operating activities. Since 2007 they have been reported under net cash from/used in investing activities. Prior-year figures have been adjusted accordingly.

^f Before cash outflows totaling EUR 0.1 billion in 2007 for investments in parts of Centrica PLC taken over by T-Systems UK as part of an asset deal. Figures for 2006 include payments for the

acquisition of licenses totaling EUR 3.3 billion; and figures for 2005 include payments for the acquisition of network infrastructure and licenses in the United States totaling EUR 2.1 billion.

^g Since the beginning of the 2007 financial year, Deutsche Telekom has defined free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Prior-year figures have been adjusted accordingly.

^h Calculation of basic and diluted earnings per share in accordance with IFRS as specified in IAS 33, "Earnings per share." The share to ADS ratio is 1:1.

ⁱ Less treasury shares held by Deutsche Telekom AG.

^j Subject to approval by the shareholders' meeting. For more detailed explanations, please refer to Note 13 in the notes to the consolidated financial statements, "Dividend per share."

^k (Proposed) dividend per share divided by the Xetra closing price of the T-Share at the reporting date or on the last trading day of the respective financial year.

^l Less treasury shares held by Deutsche Telekom AG and those shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA/Powertel, are held in trust for later issue and later trading as registered shares or American depositary shares (ADSs).

^m Balance at the reporting date.

ⁿ Including treasury shares held by Deutsche Telekom AG.

Operating segments of the Deutsche Telekom Group.

Mobile Communications Europe and Mobile Communications USA.

With more than 128 million customers, T-Mobile International is a global leader of mobile communications. T-Mobile set innovative trends with the Apple iPhone 3G, which we market on an exclusive basis in Germany, and the T-Mobile G1, the first mobile device using the open Android software which we played a major role in developing. Together with attractive rate plans, both devices helped to increase our competitiveness in Germany and abroad. T-Mobile Deutschland defended its leading position in Germany, while T-Mobile USA is creating the conditions for further growth in mobile data business by consistently optimizing its network. The Eastern European mobile communication companies also achieved significant growth in terms of contract customers.

billions of €	Change compared to prior year (%) ^a	2008	2007
Mobile Communications Europe			
Total revenue	(0.2)	20.7	20.7
EBIT (profit from operations)	30.9	3.2	2.4
Depreciation, amortization and impairment losses	8.6	(3.9)	(4.2)
EBITDA ^{b, c}	5.8	7.1	6.7
Special factors affecting EBITDA ^c		(0.1)	(0.1)
EBITDA (adjusted for special factors) ^{b, c}	4.9	7.2	6.8
EBITDA margin (adjusted for special factors) (%) ^{a, b, c}	1.8	34.7	32.9
Cash capex ^d	2.1	(1.9)	(1.9)
Average number of employees (full-time equivalents, without trainees/student interns)	(5.1)	29,237	30,802
Mobile Communications USA			
Total revenue	6.3	15.0	14.1
EBIT (profit from operations)	14.0	2.3	2.0
Depreciation, amortization and impairment losses	0.4	(1.9)	(1.9)
EBITDA ^{b, c}	7.0	4.2	3.9
Special factors affecting EBITDA ^c		(0.1)	(0.0)
EBITDA (adjusted for special factors) ^{b, c}	8.5	4.2	3.9
EBITDA margin (adjusted for special factors) (%) ^{a, b, c}	0.5	28.3	27.8
Cash capex ^d	(29.7)	(2.5)	(2.0)
Average number of employees (full-time equivalents, without trainees/student interns)	14.0	36,076	31,655
Mobile Communications^e			
Total revenue	2.4	35.6	34.7
EBIT (profit from operations)	23.2	5.5	4.5
Depreciation, amortization and impairment losses	6.1	(5.8)	(6.1)
EBITDA ^{b, c}	6.2	11.2	10.6
Special factors affecting EBITDA ^c		(0.2)	(0.1)
EBITDA (adjusted for special factors) ^{b, c}	6.2	11.4	10.7
EBITDA margin (adjusted for special factors) (%) ^{a, b, c}	1.1	32.0	30.9
Cash capex ^d	(13.9)	(4.4)	(3.9)
Average number of employees (full-time equivalents, without trainees/student interns)	4.6	65,313	62,457

Broadband/Fixed Network.

T-Home is taking a leading position in the German DSL market, with a retail customer base of 10.6 million and a total market share of around 46 percent. The number of fixed-network lines continued to decrease, however, due to competition and regulation. For the first time, there were also line losses on technical grounds as a result of the migration of resale customers to the all-IP platform. T-Home's share in the market for net DSL additions increased to 45 percent. Innovative products such as Entertain and the Call&Surf all-in-one packages were key to this success. And Stiftung Warentest rated T-Home as the best Internet provider on the German market. Our Eastern European majority holdings achieved double-digit growth rates in broadband business.

billions of €	Change compared to prior year (%) ^a	2008	2007
Total revenue	(6.0)	21.3	22.7
EBIT (profit from operations)	(10.3)	2.9	3.3
Depreciation, amortization and impairment losses	1.7	(3.6)	(3.7)
EBITDA ^{b, c}	(5.8)	6.5	6.9
Special factors affecting EBITDA ^c		(0.9)	(0.8)
EBITDA (adjusted for special factors) ^{b, c}	(4.4)	7.4	7.8
EBITDA margin (adjusted for special factors) (%) ^{a, b, c}	0.6	34.8	34.2
Cash capex ^d	(11.7)	(3.1)	(2.8)
Average number of employees (full-time equivalents, without trainees/student interns)	(3.5)	94,287	97,690

^a Calculated on the basis of millions for greater precision. Changes to percentages expressed as percentage points.

^b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses.

^c EBITDA, EBITDA adjusted for special factors, net debt, and free cash flow are non-GAAP figures not governed by the International Financial Reporting Standards (IFRS). They should not be viewed

Business Customers.

On the growth market of network-centric ICT, T-Systems offers its customers an integrated range of services from a single source. The market again experienced tough competition and intense price pressure in 2008. Nonetheless, T-Systems obtained further large orders, e.g. from Royal Dutch Shell, Siemens, and the South African insurance company Old Mutual Group. In addition, T-Systems expanded its cross-border business with customers abroad. This included contracts with Airbus to set up and operate a high-performance network in Asia, and with Bosch for a new network infrastructure connecting more than 200 locations in the Asia-Pacific region and data centers in America and Europe.

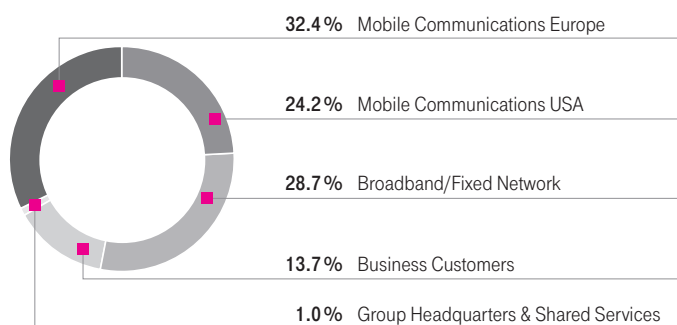
Group Headquarters & Shared Services.

Group Headquarters & Shared Services performs strategic and shared management functions for the Deutsche Telekom Group and is responsible for operating activities that are not directly related to the core business of the Group. The Shared Services unit mainly consists of Real Estate Services, DeTeFleetServices GmbH – a full-service provider of fleet management and mobility services – and Vivento. Vivento is responsible for providing employees with new employment opportunities as part of the workforce restructuring program.

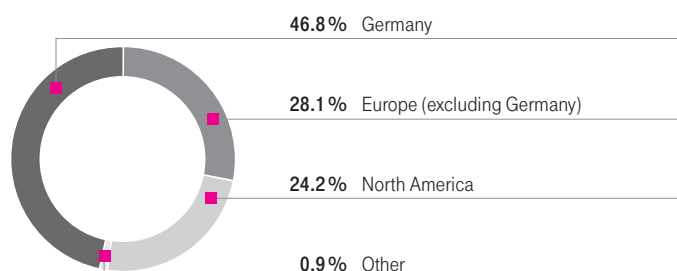
billions of €	Change compared to prior year (%) ^a	2008	2007
Total revenue	(8.2)	11.0	12.0
EBIT (loss from operations)	98.1	(0.0)	(0.3)
Depreciation, amortization and impairment losses	11.2	(0.8)	(0.9)
EBITDA ^{b,c}	36.8	0.8	0.6
Special factors affecting EBITDA ^c		(0.1)	(0.5)
EBITDA (adjusted for special factors) ^{b,c}	(20.0)	0.9	1.1
EBITDA margin (adjusted for special factors) (%) ^{a,b,c}	(1.2)	7.7	8.9
Cash capex ^d	8.9	(0.8)	(0.9)
Average number of employees (full-time equivalents, without trainees/student interns)	(7.2)	52,479	56,566

billions of €	Change compared to prior year (%) ^a	2008	2007
Total revenue	(7.6)	3.6	3.9
EBIT (loss from operations)	39.3	(1.2)	(2.0)
Depreciation, amortization and impairment losses	14.1	(0.8)	(1.0)
EBITDA ^{b,c}	63.5	(0.4)	(1.0)
Special factors affecting EBITDA ^c		(0.3)	(0.9)
EBITDA (adjusted for special factors) ^{b,c}	71.3	(0.0)	(0.1)
EBITDA margin (adjusted for special factors) (%) ^{a,b,c}	1.9	(0.9)	(2.8)
Cash capex ^d	7.6	(0.4)	(0.5)
Average number of employees (full-time equivalents, without trainees/student interns)	(15.6)	22,808	27,023

Net revenue by operating segments.^a



Net revenue by geographic region.^a



in isolation as an alternative to profit or loss from operations, net profit or loss, net cash from operating activities, the debt reported in the consolidated balance sheet, or other Deutsche Telekom key performance indicators presented in accordance with IFRS. For detailed information and calculations, please refer to the section on "Development of business in the Group" of the Group management report in this Annual Report.

^d Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment (in accordance with cash flow statement).

^e Mobile communications figures are additionally provided in the Annual Report for information purposes, i.e. as consolidated figures for the operating segments Mobile Communications Europe and Mobile Communications USA.

The future, today.

Progress in our industry has assumed a breathtaking pace. Things that were inconceivable yesterday are already reality today. And things that were the preserve of a select few only a short while ago are now commonplace. The sheer pace of technological progress is reflected most clearly in the development of broadband Internet, with more and more people now discovering the vast range of possibilities it opens up. Communication between people knows virtually no boundaries any more.

With such market dynamism and technological progress, Deutsche Telekom is developing from a traditional telephone company into a service provider for connected life and work. We are shaping the new Deutsche Telekom. Our market is developing more and more into a digital lifestyle market – including devices such as the Apple iPhone 3G, which we exclusively offer to our customers in Germany, and the T-Mobile G1, which we launched together with Google. “Entertain” also opens up a whole new dimension of television viewing.

And we create the services and the infrastructure our customers need to explore the full range of possibilities open to them. Take for example web’n’walk, our convenient Internet access for people on the move. Deutsche Telekom already stands for much more than mere telephony.

With all the complexity inherent in these technologies, it is vital that we focus on satisfying the people’s needs. Our focus is clear: We attach great importance to easy-to-use products, intuitive and user-friendly operation, integrated communication between devices, and intelligent network access. At the same time, we keep one vital aspect in mind: The more networked people become, at home and on the move, the greater the significance of data security, which is why we attach such key importance to it.

We will continue to invest in high-performance broadband networks and powerful information and communication system solutions to guarantee our customers the best connections everywhere.

We are already positioned today where you need us tomorrow: at the heart of the future.

An experimental future.

We're moving in a whole new direction with innovative shop concepts.





Central Berlin. No other part of Germany's capital is currently quite as vibrant. And Deutsche Telekom has chosen this creative environment to present its new, unusual "4010" shop concept. "4010" is an experience and an event platform in one, designed specifically for young people. More a gallery than a traditional Telekom shop, more entertainment than selling scenario – an innovative concept that has been designed to appeal to the trendy target group.



Modern furniture, an individual color concept, music, and extensive relaxation zones create a completely new setting in around 200 square meters of shop space.

The new name “4010” is derived from the German RAL color code for magenta. The shop invites trendsetters to test our products and services interactively on site and experience them at first hand.

“A totally new experience. You feel as though you’re sitting in a lounge that you never want to leave. Visitors can see and test many of the latest technological innovations. Or surf the Net at the free HotSpot. It’s good fun!” Sebastian Waters, a student of communications design in Berlin.

A sustainable future.

Trend-setting Sinus A 201.

“In our development of the new Sinus A 201, we focused fully on the essentials.”

Dr. Gesche Joost has been responsible for research design at Deutsche Telekom Laboratories since 2005.





Three aspects form the basis of our brand value proposition: expertise, innovation and simplicity. This is the yardstick for our activities.

And this is exactly why the design researchers of Deutsche Telekom Laboratories in Berlin and the product managers of T-Home have developed the cordless Sinus A 201. It marries state-of-the-art technology with sophisticated and ergonomic design.

Even though technologies become more powerful and more complex, we constantly want to make them ever simpler and more convenient

to use. User-friendliness and convenience with a reduced array of functions are popular among all generations of users. And the Sinus A 201 is energy-efficient and sustainable: The climate-neutral device makes saving energy child's play, since, like the other members of the Sinus family, the device is equipped with an energy-efficient switched-mode power supply. That way, the environment also benefits, since lower energy consumption reduces greenhouse gas emissions and thus protects our climate.

consumes far less energy

good legibility

convenient, large keypad

ergonomic design

ecological

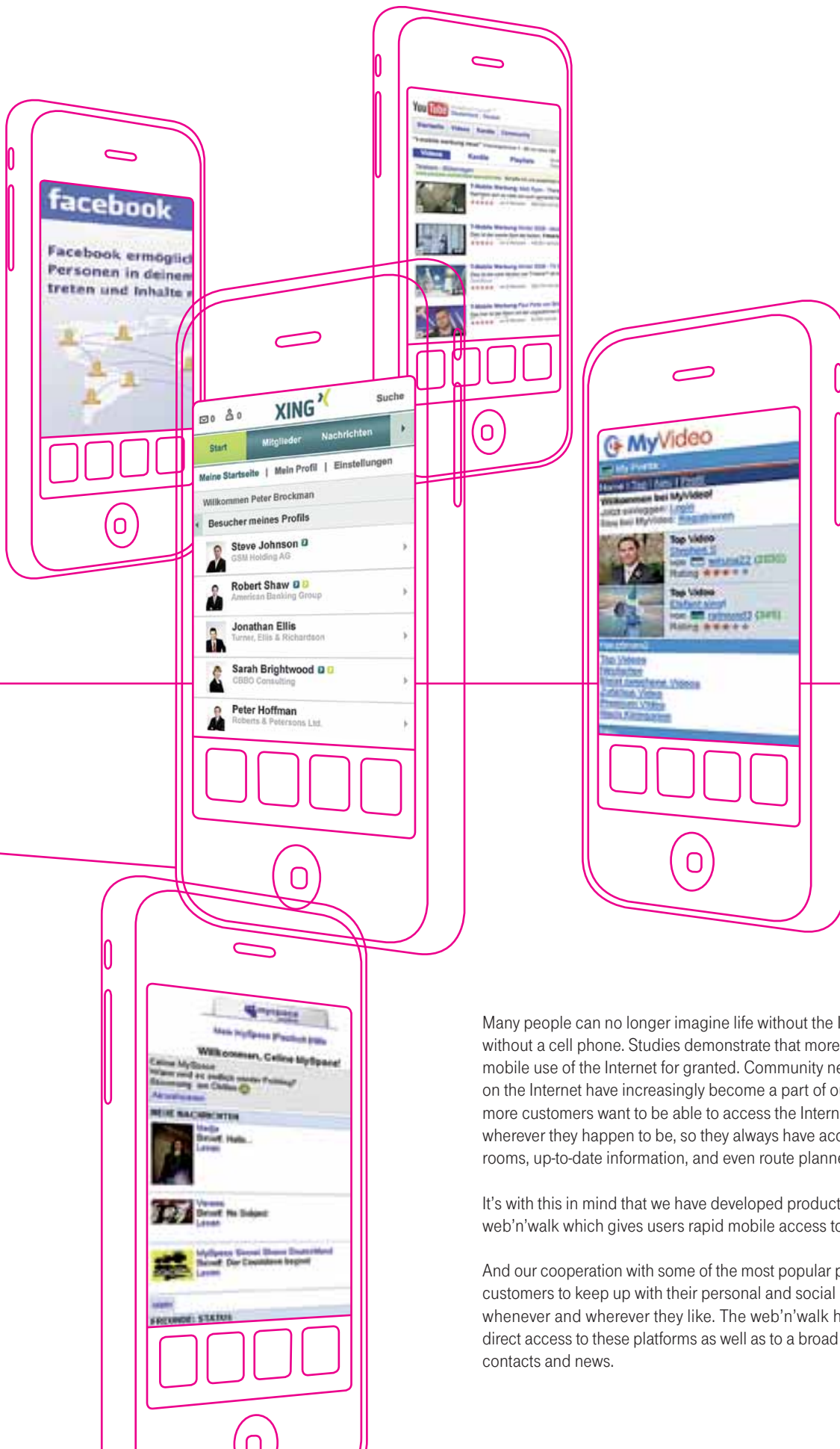
lower emissions

easy to use

A mobile future.

Always having the Internet at hand.





Many people can no longer imagine life without the Internet, no more so than without a cell phone. Studies demonstrate that more and more people take mobile use of the Internet for granted. Community networks, forums and blogs on the Internet have increasingly become a part of our everyday lives. More and more customers want to be able to access the Internet with their cell phones, wherever they happen to be, so they always have access to their e-mail, chat rooms, up-to-date information, and even route planners.

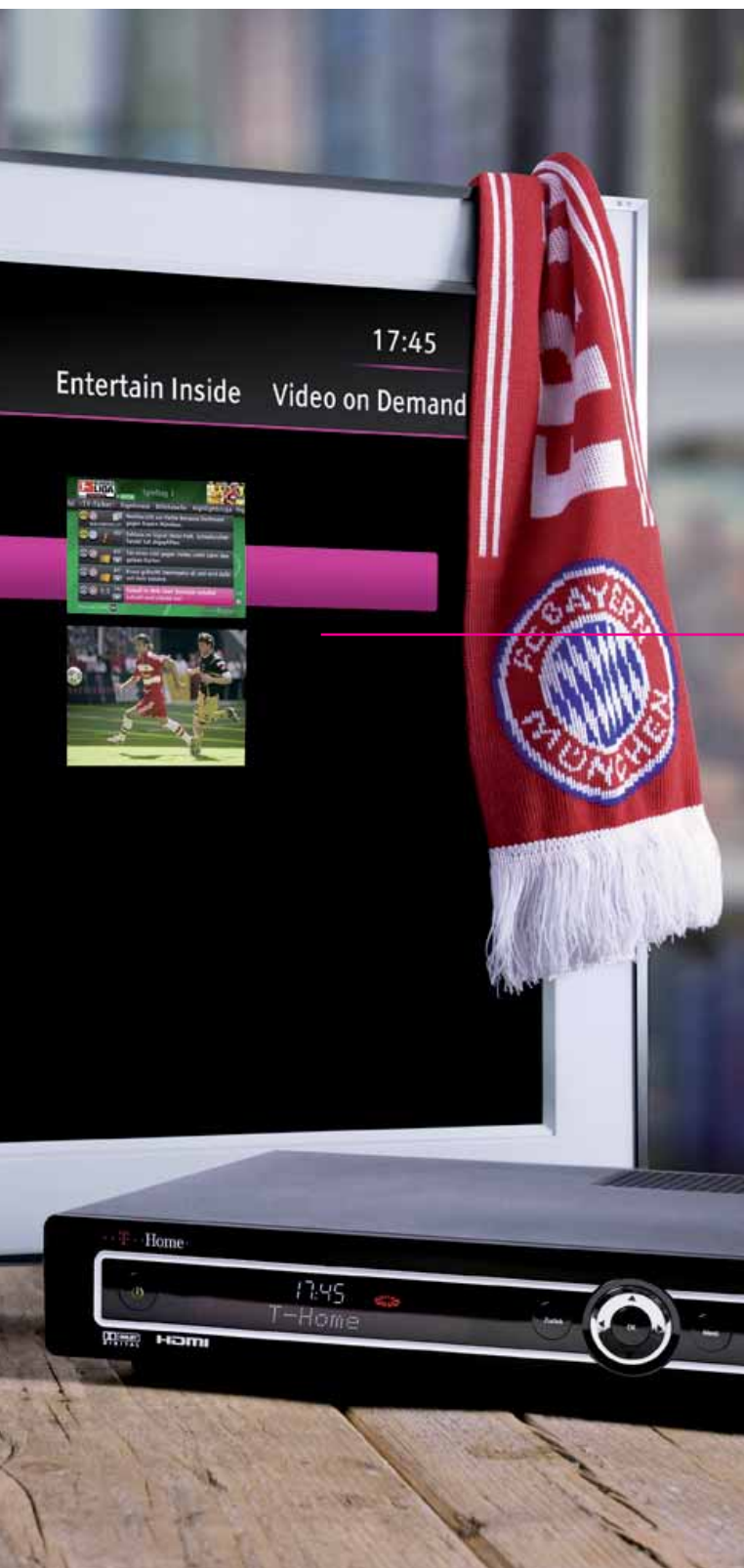
It's with this in mind that we have developed products and services such as web'n'walk which gives users rapid mobile access to the Internet.

And our cooperation with some of the most popular platforms enables T-Mobile customers to keep up with their personal and social networks on the move, whenever and wherever they like. The web'n'walk homepage provides easy, direct access to these platforms as well as to a broad range of search engines, contacts and news.

An entertaining future.

Unlimited variety for better TV viewing.





T-Home's Entertain package is the future of television via high-powered broadband networks. Along with a selection of up to 150 channels, it includes an online video library with around 5,000 titles – some of them in high definition – and a comprehensive TV archive with access to films and programs at the touch of a button. Use of the service is just as user-specific as the content: Programs can be recorded on the hard drive and viewed whenever convenient. What's more, "live" television can be paused and unpaused at will.

Thanks to our cooperation with Warner Studios, T-Home customers can now watch top films at home at the push of a button as soon as they are released on DVD. We summarize all this as: better TV viewing.

A visionary future.

Asking Internet theoretician David Weinberger.

“Mr. Weinberger, if you had to name the three most important developments in the future of telecommunications, what would they be?”

U.S. author and philosopher Dr. David Weinberger focuses his research work on how the Internet is changing human relationships, communication, and society. He is the co-author of *The Cluetrain Manifesto*, and the author of *Small Pieces Loosely Joined* and *Everything Is Miscellaneous*. Weinberger is a Fellow at Harvard's Berkman Center for Internet & Society.



1.

We bravely face the abundance of the good.



Telecommunications had assumed a scarcity of communication: People have one or maybe two telephones, there are a handful of broadcasters, our reading matter is printed on machines too big and expensive for ordinary folks to own. This scarcity has shaped our thinking, our institutions, and the distribution of power.

Now that anyone can publish to the world and can connect with one person or a million, we suddenly have an abundance where once there was scarcity. We have an abundance of positive value as well as an abundance of the negative – intelligent, compassionate discussions as well as moronic, hateful outpourings. We are managing the abundance of negative value quite well: We filter our spam and avoid the swamps on the Net. Living with the abundance of good stuff is the real challenge, both at the personal level, and, more important, in its effect on institutions based on the old idea that good stuff – and good connections – are scarce.

2.

Metadata gets smarter but never perfect.



This abundance is far larger than even the direst predictions of 15–20 years ago, when we were told we are going to drown in an information tsunami. Yet we are doing quite well. It turns out that the solution to the information overload problem is to create more information – information about information, or “metadata.” We use this metadata to find and understand what we need.

But we've had to re-invent metadata. The old metadata was created by experts who anticipated our needs by choosing the right keywords or columns: a book's title and author, but probably not its weight. But that doesn't work in an age of abundance. Our new world treats just about everything as metadata, including content: You can find an online work by searching for a quote from its content. And we can no longer leave it to experts. We are all creating metadata for one another. The fruitful mess we're creating will always outstrip our explicit, masterful systems – which is a sign of life itself.

3.

There will be no Web 3.0.

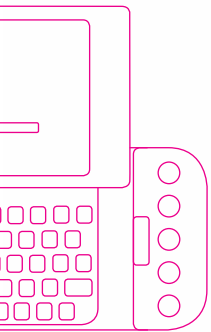


There will be no Web 3.0 because what we build will be too diverse to be captured in a single integer. Web 2.0 – a useful but imperfect concept – provides users with increasingly powerful tools for connecting with one another and implementing new ideas. This is a formula, unique in our history, for radical innovation. New social forms and new connective technology chase each other upwards in a double helix. Will it be location information woven into the virtual? Yes. New ways of projecting ourselves into digital space? Yes. What we have not yet dreamed of? Yes. Web 2.0 gives us a platform to build beyond prediction.

Now we can see that realism itself is a term of scarcity. We have been deeply wrong, not only about the technological possibilities, but about our own natures. We will join with one another to accomplish tasks previously unthinkable, from writing the world's greatest encyclopaedia in our spare time, to supporting a fellow sufferer whom we only know as a pseudonym. We won't stop until we have connected everyone and everything.

An interactive future.

The new T-Mobile G1.



“Our T-Mobile G1 makes for an outstanding mobile Internet experience. We are proud to be able to offer our customers this unique and exciting handset. It marks another step forwards in our innovation strategy. With the T-Mobile G1, we now offer a whole new level of open mobile Internet experience.” Hamid Akhavan, Chairman of the Board of Management of T-Mobile International AG and Member of the Group Board of Management responsible for T-Mobile, Product Development, and Technology and IT Strategy.

The completely new handset has an **intuitive user interface** and gives users direct access to Google services on the move – just as fast and easily as from a desktop PC at home. They also benefit from the totally new applications provided by the Android operating system – a system we played a major role in developing. What’s more, the homepage on the cell phone can be customized throughout: Games, news or route planners – all links of interest to the user are in view and can be downloaded simply with just a few clicks.

A flexible future.

Dynamic Services: low-cost, dynamic and transparent.



One example: Since many companies' demand for IT resources varies greatly depending on their business performance and since peak loads are the exception, it often makes more economic sense for them to procure IT services and resources in a way tailored to their business models. Whether this involves computing capacity or applications, we supply them, together with all our strengths, through T-Systems' Dynamic Services. Our customers call up

applications and resources from one of the T-Systems data centers as and when they need them. The chief advantage over a conventional solution is that the infrastructure is no longer geared to maximum requirements but can be adjusted within a matter of hours to suit needs at any given time. That way, the customer only pays for what is actually used. This eliminates bottlenecks and allows customers to remain flexible and reduce costs.



100% customized

Deutsche Telekom has developed innovative solutions in response to the specific needs of its business customers.

A secure future.

Focus on data security.

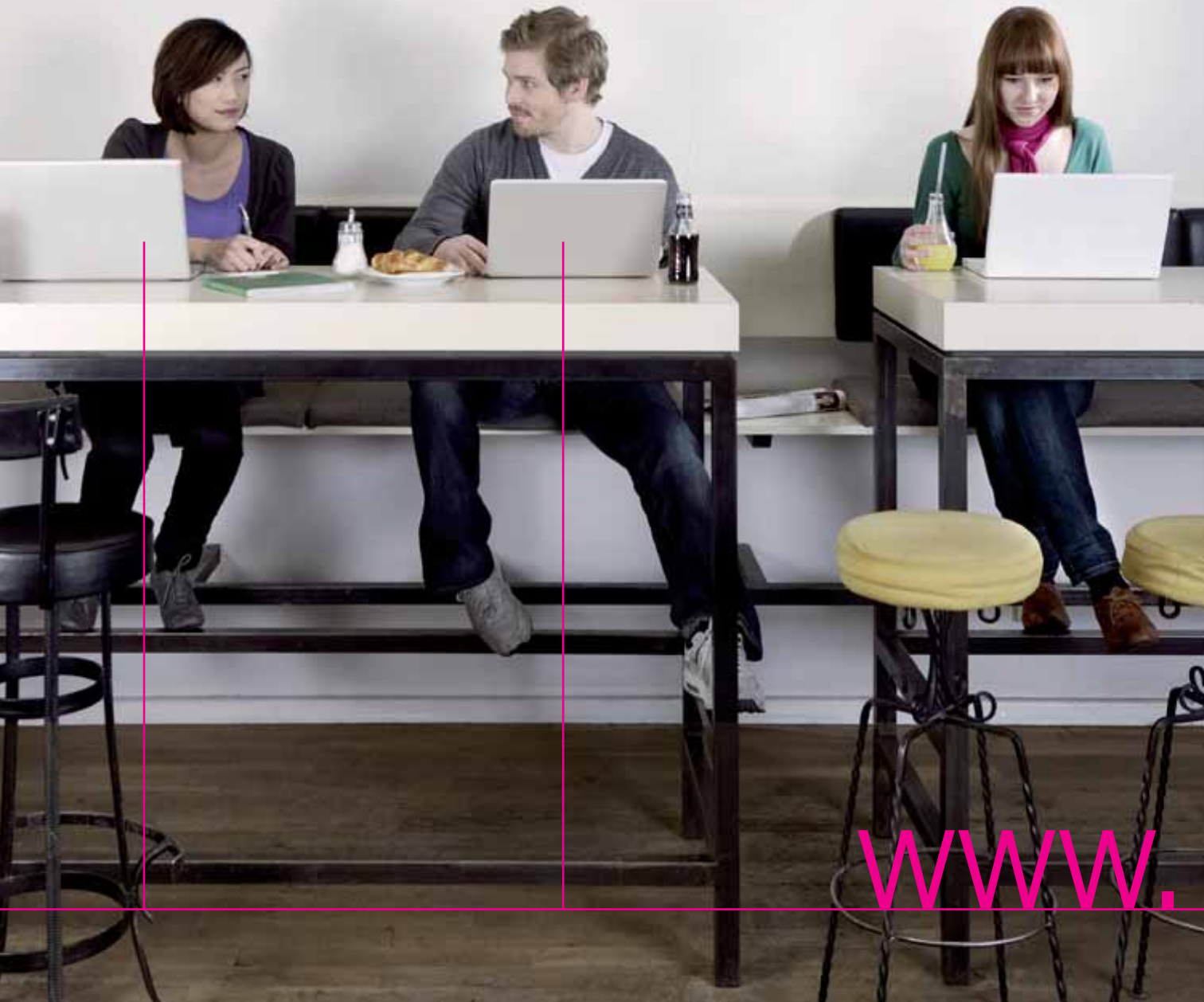
“Surfing the Internet
anytime and any-
where. But what
about the security
of my data?”

	SAFT FRISCH GEPRESST	0.40	LITER
1.70	ORANGE, KAROTTE, APFEL,		
1.90	INGWER, ROTE BETE, SELLERIE	3.50	
1.90			
2.10	BIONADE	0.33	LITER
2.70	HOLUNDER	2.20	
2.30	LITSCHI	2.20	
2.10	KRAEUTER	2.20	
2.70	INGWER ORANGE	2.20	
	FRITZ LIMONADE	0.20	LITER
2.30	KOLA	2.00	
2.30	ZITRONE	2.00	
2.00	APFEL KIRSCH	2.00	
2.00	MELONE	2.00	
2.00	APFELSCHORLE	2.00	
	HAUSEIGENE LIMONADE	0.30	LITER
2.50	HOLUNDERBLUETE	2.80	
2.50	RHABARBER	2.80	

www.telekom.com/datensicherheit (German only)

The more mobile, more global and more networked communication becomes, the greater the danger that data will be misused, unfortunately. Deutsche Telekom, too, found that out the hard way. We reacted immediately to this previously unthinkable situation, drew the consequences and implemented an appropriate package of measures: We examined our

security-relevant processes, closed the gaps in our security and upgraded our data privacy activities to a considerable extent. Deutsche Telekom is doing its utmost to eliminate the opportunities for misuse. Our security concepts are regularly reviewed, extended and coordinated with the necessary supervisory authorities.



www.



telekom.com

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Dear shareholders,

2008 was a successful financial year for Deutsche Telekom. Despite the current economic and financial crisis, our operating results are gratifying and our finances sound. Therefore, we can continue to pursue our strategy in 2009.

Not only did we achieve our financial targets for 2008, we even exceeded them. At around EUR 19.5 billion, adjusted EBITDA was slightly higher than our initial forecast of EUR 19.3 billion. Free cash flow of EUR 7.0 billion also exceeded our own expectations by EUR 0.4 billion. We invested EUR 8.7 billion in future technologies and service improvements – EUR 0.7 billion more than in the previous year. Net profit excluding special factors increased by 14 percent to EUR 3.4 billion. Our net debt remained virtually constant at EUR 38.2 billion and we began setting up liquidity reserves early on.

This success is due, among other factors, to the fact that we have improved our customer service, customer acquisition and customer retention levels over the last two years. We have consistently implemented our “Focus, fix and grow” strategy throughout the Group, focusing on four cornerstones:

- // Improve competitiveness in Germany and in Central and Eastern Europe
- // Grow abroad with mobile communications
- // Mobilize the Internet
- // Roll out network-centric ICT

Improve competitiveness in Germany and in Central and Eastern Europe.

We have extended our market share of new DSL customers and in the fourth quarter we even recorded a market share of around 50 percent. You may recall that we had a market share of just 18 percent in this segment in the 2006 reporting year. We are increasingly winning customers back from our competitors in the broadband market. That is because of the fact that we have improved both in terms of customer service and value for money. New products such as Entertain, our Internet-based television service, have also played their part. Almost half a million customers had signed up for this product by the end of 2008.

We also defended our market leadership in the German mobile communications market. We have been voted the best network provider in customer surveys, as we have in the fixed-network segment.

We have also made good progress in terms of restructuring the Group and increasing our efficiency: By the end of 2008, our Save for Service program had already generated annual savings of EUR 4.1 billion – compared with our starting position in terms of expenses in 2006. And we will further increase our efficiency in the years to come.

Grow abroad with mobile communications.

Overall, mobile communications remain the growth driver within the Group – particularly when it comes to our subsidiaries outside Germany. We increased the number of our mobile customers outside Germany to over 89 million. The number of contract customers alone rose by 5.2 million. The main growth drivers remained our mobile communications subsidiaries in the United States and Eastern Europe. In 2008, these subsidiaries once again delivered double-digit growth in revenue and profit from operations.

We took advantage of good opportunities to grow internationally, also through acquisitions. Our strategic investment in the Greek telecommunications group OTE is an important milestone. OTE is not only the market leader in Greece but serves, through its subsidiaries in five Southeastern and Eastern European countries, more than 18 million mobile and 8.5 million fixed-line customers, 1.5 million of which have broadband access.

Mobilize the Internet.

Deutsche Telekom is a pioneer of the mobile Internet. More and more people want access to their e-mails, information, entertainment or to their social networks also when they are on the move. Innovative mobile devices such as the Apple iPhone or, most recently, the new Google G1 phone are driving this trend. Therefore, the mobile Internet is increasingly becoming an important source of revenue: In 2008 we increased our Group-wide revenues from mobile data services, excluding text messages, by almost 29 percent to EUR 2.5 billion. Growth in Europe even reached 45 percent.

Roll out network-centric ICT.

In 2008, we set the course for the future of T-Systems. In doing business with corporate customers, we are now focusing on network-based information and communication technology (ICT) solutions, such as integrated workstation solutions or the dynamic provision of bandwidth, computing and storage capacities. A key strategic step was the partnership with U.S./Indian enterprise Cognizant, sealed in March. This cooperation enables us to offer our systems integration services on improved terms and conditions. The overall realignment of T-Systems is bearing fruit. We have won some major new outsourcing contracts.

We have completed the organizational separation of solutions-oriented corporate customer business from our business with standard products. T Systems is now responsible for supporting around 400 multinational corporate customers as well as key accounts from the public and health sectors, while the largely telecommunications-oriented standard products and services for business customers are marketed by T-Home.

In a nutshell, our successes demonstrate that we are setting the right priorities with our “Focus, fix and grow” strategy. We have succeeded in stabilizing our Company’s financial development despite significant decreases in business in the former monopoly area, the fixed network.

On our way toward a new Deutsche Telekom.

This gives us the strength to continue working toward a new Deutsche Telekom this year: We are transforming the Company from a traditional telephony provider into a modern, innovative service company for the connected life and work of our customers. Our products and services ensure that people can stay in touch with their friends and family via multimedia – anytime, anywhere. We enable our customers to access and share important information, music, videos or photos, whether on the move or at home. With the fastest network connections, top service, and useful communication and value-added services, we want to be the partner of our customers in this increasingly digital world.

People will only accept this offer if they trust us. Data privacy and data security are critical success factors in our industry. We want to improve in these areas, too. To make the information entrusted to us even more secure in the future, we have, among other things, set up a new Board department for Data Privacy, Legal Affairs and Compliance, as well as a high-caliber Data Privacy Advisory Council.

It is a great matter of importance to me to point out that the vast majority of our approximately 230,000 staff are performing with great integrity and doing an outstanding job. I would like to thank them for their commitment to our success in competition and the positive development of our Company over the past two years. This includes in particular the progress in customer service – which was honored this year by Germany’s leading consumer testing organization, Stiftung Warentest.

Despite all our restructuring and cost-cutting measures, we also want to create attractive jobs, which we started in 2008. We intend to take on 3,500 new employees in 2009 and to offer trainee positions to a further 3,600 young persons.

With all our successes, we have not lost sight of one objective: to pay you, our shareholders, an attractive return on your capital in the form of an appropriate dividend. Together with the Supervisory Board, we will therefore propose to the shareholders’ meeting on April 30 to pay a dividend of EUR 0.78 per share for the 2008 financial year.

We know that you cannot be satisfied with our current share price. Neither are we, and we will not use the economic crisis as an excuse. However, an important initial step toward improvement would be for investors to acknowledge our strategic alignment and our financial and economic strength. The T-Share slightly outperformed European telecommunications stocks and the capital market as a whole over the past year.

I would like to thank you – also on behalf of the entire Board of Management – for the trust you have bestowed upon us. We will do our utmost to justify this trust and to further convince you through our work. We are in the process of shaping a new Deutsche Telekom. And we are confident that in doing so we are pointing the way into a successful future for our customers, for the Company with its staff and for you, our shareholders.

Bonn, February 2009

Sincerely,

René Obermann
Chairman of the Board of Management
Deutsche Telekom AG

The Board of Management of Deutsche Telekom AG in 2008/2009.

René Obermann.

Chairman of the Board of Management.

Born in 1963. After training to become an industrial business administrator at BMW AG in Munich, in 1986 René Obermann set up the ABC Telekom trading company in Münster. In 1991 he became Managing Partner of Hutchison Mobilfunk GmbH, the successor company of ABC Telekom, and was Chairman of the company's Managing Board from 1993 to 1998. Between April 1998 and March 2000, René Obermann was Managing Director, Sales at T-Mobile Deutschland, and then served as Chairman of the Managing Board until March 2002. From June 2001 to December 2002, he was Member of the Board of Management of T-Mobile International AG, responsible for European Operations and Group Synergies. In November 2002, René Obermann moved to the Board of Management of Deutsche Telekom AG, where he headed the department responsible for T-Mobile and, in December 2002, was also appointed Chairman of the Board of Management of T-Mobile International AG. On November 13, 2006 René Obermann took over as Chairman of the Board of Management of Deutsche Telekom AG.

Dr. Karl-Gerhard Eick.

Board member responsible for Finance and Deputy Chairman of the Board of Management (until Feb. 28, 2009).

Born in 1954. Karl-Gerhard Eick studied business administration in Augsburg, where he earned his doctorate in 1982. Until 1988 he was employed in various positions at BMW AG in Munich – most recently as Head of Controlling in the Chairman's department. From 1989 to 1991, Dr. Eick worked for WMF AG in Geislingen as Head of Controlling. Between 1991 and 1993, he headed the central unit for Controlling, Planning and IT at Carl Zeiss Gruppe, Oberkochen. From 1993 through 1998, Dr. Eick was in charge of the Finance division on the Board of Management of Gehe AG, Stuttgart, a company of the Haniel group. In 1999 he moved to the group's strategic management holding – Franz Haniel & Cie. GmbH, Duisburg – where he headed the board department for Controlling, Business Administration and IT. Karl-Gerhard Eick has been responsible for the Finance department on Deutsche Telekom AG's Board of Management since January 2000 and has been Deputy Chairman of the Board since 2004. In addition, he assumed temporary responsibility for Deutsche Telekom AG's Human Resources department between January 1 and May 1, 2007. From June 1 through November 30, 2007 Dr. Eick was also interim Member of the Board of Management responsible for Business Customers.



Dr. Manfred Balz.

Board member responsible for Data Privacy, Legal Affairs and Compliance.

Born in 1944. After studying law at the universities of Tübingen, Munich, St. Petersburg, and Harvard University in Boston, Dr. Balz worked at the Max Planck Institute for Private Law in Hamburg from 1969 to 1970. Following research periods in Leningrad and Moscow and at Harvard Law School, he began his career at the German Federal Ministry of Justice in 1974. He also worked as General Counsel of Treuhandanstalt Berlin from 1990 to 1993 and as a partner at the international law firm Wilmer, Cutler & Pickering from 1993 to 1997. Manfred Balz was appointed Member of the Deutsche Telekom AG Board of Management responsible for Data Privacy, Legal Affairs and Compliance on October 22, 2008. The new Board department was established on the recommendation of the Board of Management in order to firmly embed in particular the topics of data privacy and data security at the top management level. Prior to his appointment to the Board of Management, Manfred Balz, who holds a doctorate in law, had been General Counsel at Deutsche Telekom since 1997.

Thomas Sattelberger.

Board member responsible for Human Resources.

Born in 1949. After completing his business administration studies at the Baden-Württemberg University of Cooperative Education, Thomas Sattelberger started his professional career in the Central Directorate for Education and Development at the Daimler-Benz group in Stuttgart. From 1982 through 1988, he was responsible for training and executive development at the Daimler group company MTU Motoren- und Turbinen-Union GmbH in Munich/Friedrichshafen. In 1989, Thomas Sattelberger became Head of Management Development, Training & Customer Care at Mercedes-Benz AG, International Sales Organization in Stuttgart, which he left in 1990 to become Head of Management Development & Education at Daimler Benz Aerospace AG in Munich. From 1994 to 2003 Thomas Sattelberger worked for Deutsche Lufthansa AG, where he began as Head of Group Executives and HR Development, and in 1999 went on to become Executive Vice President, Product & Service as a member of the Executive Board of Lufthansa Passage Airline, responsible for service operation and product development. Between 2003 and 2007 he served as Chief Human Resources Director of Continental AG in Hanover. Since May 3, 2007 Thomas Sattelberger has been Member of the Deutsche Telekom AG Board of Management responsible for Human Resources and Arbeitsdirektor (Labor Director).

From left to right:

Reinhard Clemens, Timotheus Höttges,
Hamid Akhavan, Dr. Manfred Balz,
Dr. Karl-Gerhard Eick, Thomas Sattelberger
and René Obermann.

Timotheus Höttges.

Board member responsible for T-Home and Sales & Service.

Born in 1962. After studying business administration in Cologne, Timotheus Höttges spent three years at the Mummert + Partner business consulting firm in Hamburg. In late 1992 he moved to the VIAG group in Munich, where he held various commercial positions, most recently as a member of the extended management board responsible for Controlling, Mergers & Acquisitions, and was project manager in the merger of VIAG AG with VEBA AG to create E.ON AG. In September 2000 Timotheus Höttges moved to Deutsche Telekom, initially as Managing Director of Finance and Controlling at T-Mobile Deutschland and, from April 2002 to December 2004, as Chairman of the Managing Board of T-Mobile Deutschland. He then became Chief Sales and Service Officer at T-Mobile International. As such, he was responsible for Sales and Service in Europe. Since December 5, 2006, Timotheus Höttges has been Member of the Deutsche Telekom AG Board of Management, responsible for T-Home and for all domestic sales and service activities of T-Mobile and T-Home.

Hamid Akhavan.

Board member responsible for T-Mobile, Product Development, and Technology and IT Strategy.

Born in 1961. After graduating in electrical engineering and computer science and receiving a Master's degree from the Massachusetts Institute of Technology (MIT), Hamid Akhavan held several executive positions at Teligent Inc., an international company providing fixed wireless access over broadband lines, and at a number of other technology companies. In September 2001 Hamid Akhavan moved to T-Mobile International AG and in December 2002, was appointed to the T-Mobile Board of Management as Chief Technology and Information Officer (CTO). In addition, in September 2006 he assumed the position of Deutsche Telekom Group CTO. Hamid Akhavan has been responsible for mobile communications on the Board of Management of Deutsche Telekom since December 5, 2006, and is also Chairman of the Board of Management of T-Mobile International AG & Co. KG. He is in charge of the mobile communications subsidiaries in Western and Eastern Europe and of Deutsche Telekom AG's national companies in Europe that are active in both the fixed-network and the mobile-communications markets. Hamid Akhavan's Group-wide responsibilities also include innovation and product-development in the consumer segment as well as the areas of technology, IT and procurement.

Reinhard Clemens.

Board member responsible for T-Systems.

Born in 1960. Reinhard Clemens graduated with a degree in electrical engineering from the university in Aachen, where he also worked as a research assistant for the machine tool engineering chair. Reinhard Clemens launched his career as General Manager of the Association for Industry Automation in 1990. From 1994 Reinhard Clemens held various positions in sales, service and outsourcing at the IBM group until he left the company in 2001 to join Systematics AG. There he served as member of the board of management responsible for sales. In 2001 Reinhard Clemens began working for EDS in Germany. As chairman of the executive board, he was responsible for sales, business operations and strategy in Central Europe. Since December 1, 2007 Reinhard Clemens has been Member of the Board of Management of Deutsche Telekom AG, responsible for Business Customers, and Chairman of the T-Systems Board of Management.





Supervisory Board's report to the 2009 shareholders' meeting.

2008 was a successful year for Deutsche Telekom and a year in which it continued to operate in an extremely intensive competitive and tough regulatory environment. The Group stabilized its business in Germany again in 2008, achieved considerable success above all in its broadband segment, and recorded further international growth. The data misuse affair and general concern for the security of customer data presented the Supervisory Board and the Company's executive bodies with major challenges that they have addressed and will continue to address in the interest of the Company as a whole. The Supervisory Board intensively pursued its responsibility to oversee and advise the Board of Management on managing its business activities in compliance with statutory requirements.

Supervisory Board activities in the 2008 financial year.

The Supervisory Board continuously monitored the management of business and the management of the Group by the Board of Management. The benchmark for this monitoring role was in particular to ensure that the management of business and the management of the Group were lawful, compliant, appropriate, and efficient. The written and oral reports of the Board of Management formed the primary basis for complying with the statutory task of monitoring. The Board of Management regularly reported to the Supervisory Board on the corporate planning, business developments, and significant business transactions of the Company and of principal subsidiaries and associates. At the meetings of the Supervisory Board and its committees, the Supervisory Board regularly reviewed the current situation of the Company on the basis of the Board of Management's written

and oral reports. In particular, the development of the business was discussed in all of the Supervisory Board meetings. The Board of Management completely fulfilled its duties to inform the Supervisory Board. The reports of the Board of Management met the requirements imposed on them by law, good corporate governance, and by the Supervisory Board with regard to both content and scope. In addition to the reports, the Supervisory Board asked for supplementary information and details to be submitted. The Supervisory Board critically analyzed the plausibility of, and scrutinized and reviewed the reports and other information submitted by the Board of Management.

A catalogue produced by the Supervisory Board, which is an integral part of the Rules of Procedure of the Supervisory Board and the Board of Management and is regularly reviewed by the Supervisory Board, lists the types of transactions and measures of fundamental importance for which the Board of Management has to obtain approval from the Supervisory Board. The Supervisory Board discussed with the Board of Management and thoroughly reviewed the transactions and measures that had to be submitted to the Supervisory Board for approval. The discussions and reviews regularly focused on the benefits and effects of the transaction concerned. The Supervisory Board approved all the transactions and measures submitted to it for approval.

Between meeting dates, the Chairman of the Supervisory Board at regular intervals discussed the strategy, business development and risk management of the Company with the Board of Management, and especially its Chairman, and was informed about business activities and significant events.

In addition to the issues covered by legally required regular reports, the following issues were discussed and reviewed in detail by the Supervisory Board:

- Development of the Group's strategy. This was specifically discussed at an in-depth conference attended by the Board of Management and the Supervisory Board.
- Data privacy and data security in conjunction with the establishment of and appointment to the new Board of Management Department for Data Privacy, Legal Affairs and Compliance.
- Review of the data misuse affair and protection of the people involved.
- Development of the regulatory and competitive environment, and the resulting actions associated with Group strategy and planning.
- Budget and medium-term planning and dividend policy of the Group.
- Corporate governance, particularly with a view to the recommendations and suggestions as outlined in the German Corporate Governance Code, the requirements of U.S. law resulting from the Sarbanes-Oxley Act, and the imminent changes resulting from the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).
- Development of the service companies.
- Review of the compensation system for the members of the Board of Management.
- Development of the Group's portfolio of shareholdings, in particular the acquisition of shares in Greece's OTE SA and the sale of Deutsche Telekom Immobilien und Service GmbH.

- Results of the impairment tests that must be carried out at regular intervals under International Financial Reporting Standards (IFRS), and review of accounting methods used for intangible assets in accordance with German GAAP.
- New business customer approach of the Deutsche Telekom Group and the resulting change in business responsibilities at Board of Management level.
- Development of staff requirements and workforce levels in the Deutsche Telekom Group.
- Risk exposure of the Group.
- Supervisory Board's motions for resolution to the shareholders' meeting.

The Supervisory Board and its Audit Committee monitored the Board of Management to verify that it acted lawfully and ensured compliance with legal provisions and internal policies, for example through a compliance unit established throughout the Group. The Supervisory Board and the Audit Committee support the further expansion of this organizational unit by the Board of Management. The Supervisory Board requested regular reports from the Board of Management on the Group-wide risk management and risk controlling systems set up by the Board of Management. On the basis of its reviews, which included discussions with the external auditors, the Supervisory Board came to the conclusion that the Group-wide risk management and risk controlling systems are effective and adequate.

Organization of the Supervisory Board's activities.

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 all matters relating to the individual members of the Board of Management. Members: Prof. Dr. Ulrich Lehner (chairman since April 25, 2008), Jörg Asmussen (since July 14, 2008), Waltraud Litzenberger (since October 14, 2008), Dr. Thomas Mirow (until June 30, 2008), Dr. Klaus G. Schlede (chairman from February 27 to April 25, 2008), Lothar Schröder, Wilhelm Wegner (until September 30, 2008), Dr. Klaus Zumwinkel (chairman until February 27, 2008).

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: Bernhard Walter (chairman since May 15, 2008), Hermann Josef Becker (since January 15, 2008), Hans Martin Bury (since May 15, 2008), Lawrence H. Guffey, Lothar Holzwarth (since December 17, 2008), Waltraud Litzenberger (since October 14, 2008), Dr. Klaus G. Schlede (chairman until May 15, 2008), Lothar Schröder (until December 4, 2008), Wilhelm Wegner (until September 30, 2008).

The topics dealt with by the **Audit Committee** include those allocated to it in accordance with German legislation and the German Corporate Governance Code. 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 corporations with their registered office outside the United States. In consideration of the changes ensuing from the German Accounting Law Modernization Act, 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.

The **Staff Committee** deals with personnel matters at Deutsche Telekom AG, in particular the Company's staff structure and human resources development and planning. Members: Lothar Schröder (chairman), Dr. Hubertus von Grünberg, Prof. Dr. Ulrich Lehner (since April 25, 2008), Waltraud Litzenberger (since October 14, 2008), Dr. Klaus G. Schlede (from February 27 to April 25, 2008), Wilhelm Wegner (until September 30, 2008), Dr. Klaus Zumwinkel (until February 27, 2008).

The **Nomination Committee**, which was newly established in 2007, is responsible for proposing to the Supervisory Board suitable candidates for recommendation to the shareholders' meeting for election. In accordance with the recommendation outlined in the German Corporate Governance Code, this committee consists exclusively of shareholder representatives. Members: Prof. Dr. Ulrich Lehner (chairman since April 25, 2008), Jörg Asmussen (since July 14, 2008), Dr. Thomas Mirow (until June 30, 2008), Dr. Klaus G. Schlede (chairman from February 27 to April 25, 2008), Dr. Klaus Zumwinkel (chairman until February 27, 2008).

The **Mediation Committee** required pursuant to § 27 (3) of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG) performs the duties incumbent on it under the law. Members: Prof. Dr. Ulrich Lehner (chairman since April 25, 2008), Dr. Hubertus von Grünberg, Waltraud Litzenberger (since October 14, 2008), Dr. Klaus G. Schlede (chairman from February 27 to April 25, 2008), Lothar Schröder, Wilhelm Wegner (until September 30, 2008), Dr. Klaus Zumwinkel (chairman until February 27, 2008).

The chairpersons of each committee regularly informed the Supervisory Board of the content and results of committee meetings.

Meetings of the Supervisory Board.

In the 2008 financial year, the Supervisory Board held four regular meetings and six extraordinary meetings. The Supervisory Board also met for an in-depth conference with the Board of Management to discuss the Group's strategic alignment. The General Committee of the Supervisory Board met eight times during the reporting year. The Audit Committee held five, and the Finance Committee two meetings in the 2008 financial year. The Supervisory Board's Staff Committee met once. In addition, there was one joint meeting of the General and Finance Committees. There were no events subject to reporting in accordance with the recommendations of the German Corporate Governance Code with regard to the frequency of the Board members' participation in Supervisory Board meetings in the 2008 financial year.

Conflicts of interest.

Ulrich Hocker is a member of the Supervisory Board of Deutsche Telekom AG and is also Manager in Chief of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW). DSW represents and supports the interests of investors in various judicial and extra-judicial proceedings against Deutsche Telekom AG, particularly in appraisal rights proceedings associated with the merger of T-Online International AG into Deutsche Telekom AG and in proceedings connected with prospectus liability claims. To ensure from the outset that no conflict of interest could arise in connection with proceedings conducted or supported by DSW against Deutsche Telekom AG, Mr. Hocker declared to the Supervisory Board that, as a member of the Supervisory Board, he would decline to receive reports or information, participate in decisions or attend Supervisory Board or committee meetings where matters in which DSW was representing or supporting interests against Deutsche Telekom AG were discussed. Mr. Hocker also stated that, where necessary, he would consult the Chairman of the Supervisory Board to determine how to address any conflict of interest.

Prof. Dr. von Schimmelmann pointed out that he is also a member of the Board of Directors at accenture. In the Supervisory Board's view, this does not automatically represent a conflict of interests that would prejudice Prof. Dr. von Schimmelmann's independent status. Prof. Dr. von Schimmelmann declined to receive reports or information, participate in decisions or attend Supervisory Board or committee meetings which could involve a concrete conflict of interests. Should the need arise in individual cases, Prof. Dr. von Schimmelmann will consult the Chairman of the Supervisory Board to determine how to address any conflict of interest that occurs.

Corporate governance.

The Supervisory Board and Board of Management are aware that good corporate governance in the interests of the Company's shareholders and capital markets is an essential precondition for corporate success. The German Corporate Governance Code and a number of relevant provisions under U.S. law have therefore been integrated in the Company's statutes. In December 2008, the Board of Management and Supervisory Board issued their annual declaration of conformity with the Corporate Governance Code. The Company's corporate governance policy is also presented in greater detail in a separate chapter of this Annual Report (pages 42–46). In the 2009 financial year, the Supervisory Board again plans to hold its regular efficiency review in compliance with item 5.6 of the German Corporate Governance Code.

Changes in the composition of the Board of Management.

By its resolution dated October 14, 2008, the Supervisory Board established the new Board of Management Department for Data Privacy, Legal Affairs and Compliance. Dr. Manfred Balz, who was formerly General Counsel at Deutsche Telekom, was appointed as the Board member responsible for the new department effective October 22, 2008.

Dr. Karl-Gerhard Eick reached agreement with the Supervisory Board that he would resign his seat on the Board of Management with effect from midnight on February 28, 2009 in order to assume the post of Chairman at Arcandor AG.

At its meeting on February 26, 2009, the Supervisory Board appointed Mr. Timotheus Höttges as the new Member of the Board of Management for Finance effective March 1, 2009 and Mr. Niek Jan van Damme as the new Member of the Board of Management for T-Home, Sales & Service, also effective March 1, 2009. The establishment of a new Board of Management department for Southeastern Europe was also approved at the meeting on February 26, 2009 to account for the growing significance of the Southeastern European region and to bundle responsibility for the existing, integrated operations in the region following the take-over of management control of the Greek company OTE. Mr. Guido Kerkhoff was appointed as a member of the Group Board of Management effective March 1, 2009 with the task of setting up this unit.

At the same meeting, the Supervisory Board also indicated its fundamental support for a new target structure. In future, marketing in the standard business is to be handled on a regional basis. As such, the various remaining fixed-network and mobile communications units are to be brought under uniform management. In addition, the procurement, technology and IT, as well as product and innovation development functions are to be integrated more closely and to be managed within a single department under the leadership of Mr. Akhavan. As part of this measure, Mr. van Damme is to have integrated responsibility for sales, marketing and customer service in Germany. The realignment is to be introduced rapidly in an overarching project and completed by the middle of the year.

Changes in the composition of the Supervisory Board.

Shareholder representatives: In the 2008 financial year, Dr. Klaus Zumwinkel resigned as Chairman of the Supervisory Board and as a member of the Supervisory Board at its meeting on February 27, 2008. Dr. Arndt Overlack was appointed to the Supervisory Board by court order effective March 6, 2008 and resigned from office with effect from midnight on April 16, 2008. Dr. Klaus G. Schlede chaired the Supervisory Board from February 27 to April 25, 2008 and resigned as a member of the Supervisory Board effective the end of the 2008 shareholders' meeting on May 15, 2008. Prof. Dr. Ulrich Lehner was appointed to the Supervisory Board by court order effective April 17, 2008 and elected Chairman of the Supervisory Board effective April 25, 2008. At the shareholders' meeting on May 15, 2008 he and Hans Martin Bury were elected shareholder representatives on the Supervisory Board until the end of the shareholders' meeting that approves the actions of the Supervisory Board for the 2012 financial year. Dr. Thomas Mirow resigned his seat with effect from midnight on June 30, 2008. He was replaced by Jörg Asmussen, who was appointed to the Supervisory Board by court order effective July 1, 2008 until the 2009 shareholders' meeting. Ingrid Matthäus-Maier resigned her seat on the Supervisory Board with effect from midnight on September 30, 2008. She was replaced by Dr. Ulrich Schröder, who was appointed to the Supervisory Board by court order effective October 1, 2008 until the 2009 shareholders' meeting.

Employee representatives: Wilhelm Wegner resigned his seat as an employee representative on the Supervisory Board with effect from midnight on September 30, 2008 because of his retirement from the Company. He was replaced by Hans-Jürgen Kallmeier, who was appointed to the Supervisory Board by court order with effect from October 15, 2008. All employee representatives were confirmed in office by the assembly of company delegates on December 4, 2008.

The Supervisory Board would like to thank the former members of both Boards for the effort they committed to the good of the Company.

Review of annual financial statements of the parent company and consolidated financial statements for the 2008 financial year.

The Board of Management prepared the annual financial statements and the management report as well as the consolidated financial statements and the Group management report of Deutsche Telekom AG on February 9, 2009 and submitted them, together with the proposal for the appropriation of net income, on time to the Supervisory Board.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, which were jointly appointed as auditors of the single-entity financial statements and auditors of the consolidated financial statements (external auditors) for the 2008 financial year by the shareholders' meeting, audited the annual financial statements as of December 31, 2008 and the management report prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) as well as the consolidated financial statements as of December 31, 2008 and the Group management report prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB. They issued an unqualified audit opinion in each case. The audit of the consolidated financial statements also included the additional request to express an opinion as to whether they comply with IFRS as issued by the IASB.

The auditors submitted their reports on the nature and extent as well as the result of their audits (audit reports) to the Supervisory Board. The documentation on the aforementioned financial statements, the auditors' audit reports, and the Board of Management's proposal for the appropriation of net income were made available to the members of the Supervisory Board in good time.

The Supervisory Board also reviewed the documents submitted by the Board of Management and the audit reports of the external auditors.

In preparation for the Supervisory Board's review and resolution, the Audit Committee first concerned itself thoroughly with the aforementioned documents. At its meeting held on February 25, 2009, the Audit Committee asked the members of the Board of Management to explain thoroughly the annual financial statements, the management report, the consolidated financial statements, and the Group management report, as well as the Board of Management's proposal for the appropriation of net income. In addition, questions posed by committee members were answered. Moreover, the external auditors, who also attended the meeting, explained their audits, in particular their key audit areas and the significant results of their audits, as well as their audit reports. The members of the Audit Committee took cognizance of and critically reviewed the audit reports and audit opinions, and discussed them, as well as the audits themselves, with the auditors. The review included questions about the nature and extent of the audits and about the audit results. The Audit Committee satisfied itself that the audits and audit reports were compliant. In particular, it satisfied itself that the audit reports – as well as the audits conducted by the external auditors – met the legal requirements. The Audit Committee recommended to the Supervisory Board that it should approve the results of the audits by the auditors and, since in its opinion there were no objections to the documents submitted by the Board of Management, approve the annual financial statements and the consolidated financial statements and concur with the proposal of the Board of Management for the appropriation of net income.

The Supervisory Board performed the final review of the annual financial statements, management report, consolidated financial statements, and Group management report as well as the Board of Management's proposal for the appropriation of net income on February 26, 2009, taking into account the report and recommendations of the Audit Committee and the audit reports of the external auditors. The members of the Board of Management also attended this meeting, explained the documents they had submitted, and answered the questions of the members of the Supervisory Board. The external auditors also attended this meeting, reported on their audits and their main audit results, explained their audit reports, and answered questions of the members of the Supervisory Board on the nature and extent of the audits and the audit results. This and the report presented by the Audit Committee allowed the Supervisory Board to satisfy itself that the audits and audit reports were compliant. Following the recommendation of the Audit Committee, the Supervisory Board concurred with the result of the audits conducted by the external auditors.

Based on the final result of the Supervisory Board's own review of the annual financial statements, management report, consolidated financial statements, and Group management report as well as the Board of Management's proposal for the appropriation of net income, there were no objections to be raised. Following the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements and the consolidated financial statements. In particular, the Supervisory Board approved the transfer of EUR 0.0 in profit after income taxes from the single-entity financial statements of Deutsche Telekom AG (income after taxes) to other retained earnings in accordance with § 58 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) in conjunction with § 19 (3) of the Articles of Incorporation. The approval of the Supervisory Board means that the annual financial statements are approved. The Supervisory Board's assessment of the position of the Company and the Group is the same as that of the Board of Management presented in its management report and Group management report.

In accordance with the recommendations of the Audit Committee, the Supervisory Board approved the Board of Management's proposal for the appropriation of net income and concurred with its proposal. At the time of the approval of the Company's medium-term financial planning for the next three years by the Board of Management and the Supervisory Board on December 2, 2008, the Supervisory Board concerned itself intensively with the medium-term financial and investment plans, in particular with the development of earnings, free cash flow, and balance sheet ratios. The Board of Management's proposal regarding the appropriation of net income, submitted on February 9, 2009, was discussed at the Audit Committee meeting on February 25, 2009 and the Supervisory Board meeting on February 26, 2009, with external auditors present at both meetings. The proposal foresaw a total dividend payment of around EUR 3.4 billion and a carryforward of the remaining balance to unappropriated net income of around EUR 2.0 billion. In consideration of the medium-term finance and investment plans and in particular the development of the Company's earnings, free cash flow, and balance sheet ratios, and in the interest of an attractive dividend policy, the proposal was adopted.

Review of the dependent company report.

The Board of Management's dependent company report for the 2008 financial year was approved by the Board of Management on February 9, 2009 and presented to the Supervisory Board in good time.

The external auditors audited the dependent company report and issued the following audit opinion:

"Based on the results of our statutory audit and our judgment we confirm that

1. the actual information in the report is correct;
2. the Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

The external auditors submitted the audit report to the Supervisory Board. The dependent company report and the respective audit report were made available to all members of the Supervisory Board in good time.

The Supervisory Board for its part reviewed the dependent company report of the Board of Management and the audit report of the external auditors.

In preparation for the Supervisory Board's review and resolution, the Audit Committee first concerned itself thoroughly with the aforementioned documents. At its meeting held on February 25, 2009, the Audit Committee asked the members of the Board of Management to explain the details of the dependent company report. In addition, questions posed by committee members were answered. Moreover, the external auditors, who also attended the meeting, reported on their audit, in particular their key audit areas and the significant results of their audit, and explained their audit report. The members of the Audit Committee took cognizance of and critically reviewed the audit report and audit opinion, and discussed them, as well as the audits themselves, with the auditors. The review included questions about the nature and extent of the audit and about the audit results. The Audit Committee satisfied itself that the audit and audit report were compliant. In particular, it satisfied itself that the audit report – as well as the audit conducted by the external auditors – met the legal requirements. The Audit Committee recommended to the Supervisory Board to approve the results presented by the external auditors, as the committee sees no grounds for objections to the Board of Management's declaration on the dependent company report.

The Supervisory Board performed the final review at its meeting on February 26, 2009, taking into account the audit report of the external auditors. The members of the Board of Management also attended this meeting, explained the dependent company report, and answered the questions of the members of the Supervisory Board. The external auditors also attended this meeting, reported on their audit of the dependent company report and their main audit results, explained their audit report, and answered questions of the members of the Supervisory Board on the nature and extent of the audit of the dependent company report and the audit results. This and the report presented by the Audit Committee allowed the Supervisory Board to satisfy itself that the audit of the dependent company report and audit report were compliant. In particular, it satisfied itself that the audit report – as well as the audit conducted by the external auditors – met the legal requirements. The Supervisory Board examined the dependent company report above all for completeness and accuracy. In doing so, it also satisfied itself that the group of dependent companies had been defined with due care and that the necessary systems for recording legal transactions and measures subject to disclosure had been put in place. The review did not reveal any indications of objections to the dependent company report. Following the recommendation of the Audit Committee, the Supervisory Board concurred with the result of the audit of the dependent company report conducted by the external auditors. Based on the final result of the Supervisory Board's own review of the dependent company report, there are no objections to the Board of Management's declaration on the dependent company report.

The Supervisory Board would like to thank the members of the Board of Management and all of Deutsche Telekom's employees for their commitment and dedication in the 2008 financial year.

Bonn, February 26, 2009
The Supervisory Board

Prof. Dr. Ulrich Lehner
Chairman

Members of the Supervisory Board of Deutsche Telekom AG in 2008

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

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
Member of the Management Board of Lehman Brothers Bankhaus AG, Frankfurt/Main (until November 15, 2008)
Managing Director, Nomura Bank Deutschland GmbH, Frankfurt/Main (from November 16, 2008 to March 31, 2009)
Managing Partner, Hering Schuppener Strategieberatung für Kommunikation GmbH, Düsseldorf (from April 1, 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)

Dr. Hubertus von Grünberg.

Member of the Supervisory Board since May 25, 2000
Serves on the Supervisory Board of Continental Aktiengesellschaft, Hanover, and on other supervisory boards
– Allianz Versicherungs-AG, Munich (since 5/1998)
– Continental AG, Hanover (since 6/1999), Chairman of the Supervisory Board (until 2/2009)

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 (since 10/2004)
– TDC AS Corp., Copenhagen, Denmark (since 2/2006)
– Paris Review, New York, United States (since 7/2006)

Ulrich Hocker.

Member of the Supervisory Board since October 14, 2006
Manager in Chief, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Düsseldorf
– Arcandor AG, Essen (since 7/1998)
– 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 (since 11/2005)

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

– Gartmore SICAV, 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 Group Works Council at T-Systems, Bonn
– PSD Bank RheinNeckarSaar eG (since 1/1996),
Deputy Chairman of the Supervisory Board (since 6/2008),
Chairman of the Supervisory Board (from 7/2006 to 5/2008)
– T-Systems Business Services GmbH, Bonn (since 9/2006)

Hans-Jürgen Kallmeier.

Member of the Supervisory Board since October 15, 2008
Chairman of the Central Works Council at
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 Litzengerger.

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 (since 9/1998)

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. Dr.-Ing. Wolfgang Reitzle.

Member of the Supervisory Board since February 10, 2005
Chairman of the Executive Board, Linde AG, Munich
– KION Group GmbH, Wiesbaden (since 6/2007)
– The BOC Group plc.*, Guildford, United Kingdom (since 9/2007)

Prof. Dr. Wulf von Schimmelmann.

Member of the Supervisory Board since May 3, 2006
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);
(formerly: Tchibo Holding AG)

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

– accenture Corp., Irving, Texas, United States (since 10/2001)
– Altadis S.A., Madrid, Spain (until 3/2008)
– BAWAG P.S.K. AG, Vienna, Austria,
Chairman of the Supervisory Board (since 7/2007)

Dr. Ulrich Schröder.

Member of the Supervisory Board since October 1, 2008
Chairman of the Board of Managing Directors of KfW Bankengruppe
– ProHealth AG, Munich (since 5/2003)
– Deutsche Post AG, Bonn (since 9/2008)

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)
– Salzgitter AG, Salzgitter (since 9/2005)

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

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

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 (since 11/2008)
– Staatliche Porzellan-Manufaktur Meißen GmbH, Meißen,
Deputy Chairman of the Supervisory Board (until 4/2008)
– Wintershall AG, Kassel,
Deputy Chairman of the Supervisory Board (until 12/2008)
– Wintershall Holding AG, Kassel,
Deputy Chairman of the Supervisory Board (until 12/2008)

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

The following individuals resigned from the Supervisory Board in 2008:

Ingrid Matthäus-Maier.

Member of the Supervisory Board
from May 3, 2006 to September 30, 2008
Former Member of the Board of Managing Directors,
KfW Bankengruppe, Frankfurt/Main
– Deutsche Post AG, Bonn (until 8/2008)
– Deutsche Steinkohle AG, Herne/RAG Aktiengesellschaft,
Essen (until 2/2008)
– IPEX GmbH (from 1/2008 to 9/2008)
– Salzgitter Mannesmann Handel GmbH, Düsseldorf
(since 3/2000)

Dr. Thomas Mirow.

Member of the Supervisory Board
from January 17, 2006 to June 30, 2008
Former State Secretary, Federal Ministry of Finance, Berlin
until June 30, 2008
– no other seats –

Dr. Arndt Overlack.

Member of the Supervisory Board
from March 6, 2008 to April 16, 2008
Lawyer
– Bestmalz AG, Heidelberg,
Chairman of the Supervisory Board (since 9/2001)
– SÜBA Beteiligungs AG, Vienna, Austria,
Chairman of the Supervisory Board (since 5/2005)
– SÜBA Bau und Baubetreuung AG, Vienna, Austria,
Chairman of the Supervisory Board (since 5/2005)

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

– SUEBA USA Corporation, Houston, United States,
Board of Directors (since 7/2007)

Dr. Klaus G. Schlede.

Member of the Supervisory Board
from May 20, 2003 to May 15, 2008
Chairman of the Supervisory Board
from February 27, 2008 to April 25, 2008
Member of the Supervisory Board of
Deutsche Lufthansa AG, Cologne
– Deutsche Postbank AG, Bonn (until 5/2008)
– Deutsche Lufthansa AG, Cologne (since 6/1998)

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

– Swiss International Air Lines AG, Basle, Switzerland (since 9/2005)

Wilhelm Wegner.

Member of the Supervisory Board
from July 1, 1996 to September 30, 2008
Former Chairman of the Group Works Council and
the European Works Council at Deutsche Telekom AG, Bonn
(until September 30, 2008)
– VPV Allgemeine Versicherungs-AG, Cologne (since 8/1995)
– VPV Holding AG, Stuttgart (since 1/2002)
– Vereinigte Postversicherung VVaG, Stuttgart (since 7/1998)

Dr. Klaus Zumwinkel.

Member of the Supervisory Board
from March 7, 2003 to February 27, 2008
Chairman of the Supervisory Board
from March 14, 2003 to February 27, 2008
Former Chairman of the Board of Management,
Deutsche Post AG, Bonn
– Arcandor AG, Essen (until 12/2008)
– Deutsche Lufthansa AG, Cologne (until 4/2008)
– Deutsche Postbank AG, Bonn*,
Chairman of the Supervisory Board (until 2/2008)

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

– Morgan Stanley, New York, United States, Board of Directors
(until 4/2008)

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

Members of the Board of Management of Deutsche Telekom AG in 2008

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, associates and joint ventures:

- T-Mobile International AG, Bonn (since 11/2006),
Chairman of the Supervisory Board (since 12/2006)
- 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 (since 12/2006)
- T-Systems Enterprise Services GmbH, Frankfurt/Main,
Chairman of the Supervisory Board (since 12/2006)

Hamid Akhavan.

Board member responsible for T-Mobile, Product Development, and Technology and IT Strategy since December 5, 2006

Member of the supervisory boards of the following subsidiaries, associates and joint ventures:

- HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE S.A.),
Maroussi, Athens, Greece (since 6/2008)
- T-Mobile Deutschland GmbH, Bonn,
Chairman of the Supervisory Board (since 1/2007)
- T-Mobile Czech Republic a.s., Prague, Czech Republic (since 2/2003)
- T-Mobile Netherlands Holding B.V., The Hague,
Netherlands (since 1/2004)
- T-Mobile UK Ltd., Hertfordshire, United Kingdom (since 3/2004)
- T-Venture Holding GmbH, Bonn,
Chairman of the Supervisory Board (since 8/2004)

Dr. Manfred Balz.

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

- no other seats -

Reinhard Clemens.

Board member responsible for T-Systems since December, 1 2007

- no other seats -

Timotheus Höttges.

Board member responsible for T-Home and Sales & Service since December 5, 2006

Member of the supervisory boards of the following subsidiaries, associates and joint ventures:

- Deutsche Telekom Technischer Service GmbH, Bonn,
Chairman of the Supervisory Board (since 10/2007)
- Deutsche Telekom Kundenservice GmbH, Bonn,
Chairman of the Supervisory Board (since 11/2007)
- Deutsche Telekom Netzproduktion GmbH, Bonn,
Chairman of the Supervisory Board (since 10/2007)
- T-Mobile Deutschland GmbH, Bonn (since 4/2005)
- Telekom Shop Vertriebsgesellschaft mbH, Bonn
(formerly: T-Punkt Vertriebsgesellschaft mbH) (since 6/2004),
Chairman of the Supervisory Board (since 12/2006)

Thomas Sattelberger.

Board member responsible for Human Resources since May 3, 2007

Member of the supervisory boards of the following subsidiaries, associates and joint ventures:

- T-Mobile International AG, Bonn (since 6/2007)
- T-Systems Business Services GmbH, Bonn (since 6/2007)
- T-Systems Enterprise Services GmbH, Frankfurt/Main (since 6/2007)

Board members leaving 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, associates and joint ventures:

- DeTe Immobilien, Deutsche Telekom Immobilien und Service GmbH,
Münster (until 9/2008)
- HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE S.A.),
Maroussi, Athens, Greece (since 6/2008)
- T-Mobile International AG, Bonn (since 3/2000)
- T-Systems Business Services GmbH, Bonn (since 12/2005)
- T-Systems Enterprise Services GmbH, Frankfurt/Main (since 6/2002)

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
(since 10/2008)
- Thomas Cook Group plc, Peterborough, United Kingdom,
Board of Directors (since 12/2008)

Corporate governance.

Sound, systematic corporate governance is particularly important for Deutsche Telekom, an international group with numerous subsidiaries and associated companies. Our 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 2008 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 an unqualified Declaration of Conformity with the German Corporate Governance Code on December 4, 2008:

Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

- 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 6, 2007, 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 July 20, 2007 in the official section of the electronic Federal Gazette (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 (Bundesanzeiger) on August 8, 2008, without exception.

This Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) via the following path: Investor Relations/Corporate Governance/Declaration of Conformity. This website also provides access to the superseded Declarations of Conformity from previous years.

Deutsche Telekom AG and its shareholders.

Deutsche Telekom AG has around 2.6 million shareholders worldwide. Due to the wide distribution of shares, the Company makes every effort to keep its shareholders up to date on company developments. To enable a continuous flow of information, the Company operates the T-Share Forum (Forum T-Aktie) which offers shareholders news on current developments and events on a regular basis. The Deutsche Telekom AG website (www.telekom.com) also contains extensive information for retail and institutional investors. A company newsletter, which appears at regular intervals, is another source of useful information for shareholders. The German-language newsletter can be ordered online at the Deutsche Telekom website (German section only).

Non-classified company information is published on the Deutsche Telekom website in German and English.

Shareholders are eligible to participate in the shareholders' meeting and to exercise their voting rights at the shareholders' meeting if they are entered in the shareholders' register and have registered with the Company on time. Voting rights may also be exercised by a proxy. Deutsche Telekom AG was one of the first companies in Germany to broadcast its shareholders' meetings to the public over the Internet and to enable proxies to be appointed and voting instructions conveyed over the web. Voting instructions to Deutsche Telekom AG's proxy voters can be changed via the online dialog even during the shareholders' meeting, until shortly before votes are cast.

Cooperation between the Supervisory Board and the Board of Management.

The Supervisory Board and the Board of Management 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 2008 there were also six extraordinary meetings and an in-depth conference on the strategic alignment of the Company. One central subject of the extraordinary meetings was the tips received in the second quarter concerning far-reaching incidents of data misuse within Deutsche Telekom AG in particular, together with the issues of data privacy and data security. 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 chair of the Board of Management regularly exchanges information with the chair of the Supervisory Board.

Composition of the Board of Management.

Board of Management responsibilities are distributed across seven Board departments. In addition to the central management areas assigned to the chairperson of the Board of Management, the Board member responsible for Finance, the Board member responsible for Human Resources, and the new Board of Management department for Data Privacy, Legal Affairs and Compliance, there are three Board departments that combine business area-specific and Group-wide tasks: The Board member responsible for T-Systems; the Board member responsible for T-Home and Sales & Service, and the Board member responsible for T-Mobile, Product Development and Technology and IT Strategy. As a rule, members of the Board of Management should not be older than 62 years of age.

Composition of the Supervisory Board.

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 May 15, 2008. 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 elected by the employees at the delegates' assembly on December 4, 2008 according to the provisions of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG). For details about replacements of Supervisory Board members during the reporting period, please refer to the Supervisory Board's report to the shareholders' meeting on pages 30–37 of this Annual Report. After careful study of the issue, the Supervisory Board is convinced that it has a sufficient number of independent members to provide impartial advice to and monitor the Board of Management.

Tasks assigned to 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 catalogue of transactions subject to approval. This catalogue forms an integral part of the Rules of Procedure for the Supervisory Board and the Board of Management, respectively.

In order to perform its tasks more effectively, the Supervisory Board has currently established six committees: the Mediation Committee as required under § 27(3) MitbestG; the General Committee to deal with personnel matters of the Board of Management and prepare such issues and the meetings in general for the Supervisory Board; the Staff Committee to advise the Board of Management on personnel questions not connected with the Board of Management; the Finance Committee to deal with complex financial issues and with budgets; and an Audit Committee that performs the tasks of an audit committee in accordance with the German Corporate Governance Code as well as, within the scope of mandatory German law, the tasks of an audit committee under U.S. law, and deals with the annual financial statements before they are discussed by the entire Supervisory Board. Furthermore, the Supervisory Board has formed a Nomination Committee, which consists exclusively of shareholder representatives. The Nomination Committee is responsible for proposing to the Supervisory Board suitable candidates for recommendation to the shareholders' meeting for election.

The committee chairs report to the Supervisory Board on a regular basis on the work of the committees. The chairman of the Audit Committee, Mr. 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. Mr. Bernhard Walter is not a former member of the Board of Management of the Company.

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

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

The chair of the Supervisory Board coordinates the work of the Supervisory Board and presides over its meetings. Over and above his or her organizational duties in the Supervisory Board, the chair of the Supervisory Board maintains regular contact with the chair 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 chair of the Board of Management advises the chair of the Supervisory Board of all events that are significant to the situation, development, and governance of the Company.

For further details on the work of the Supervisory Board and its committees, please refer to the Supervisory Board's report to the shareholders' meeting on pages 30–37 of this Annual Report.

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.

In addition to the provisions of § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the Company has issued Guidelines on Insider Trading which regulate trading of Deutsche Telekom Group securities by Board members, executive officers and employees, and assure the necessary degree of transparency.

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.

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 is constantly being expanded and improved. The Audit Committee deals with risk management, including monitoring the effectiveness of the internal risk management system, and thus implements any changes required by the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG). 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" of this Annual Report (pages 96–104).

Compliance.

Compliance with legal requirements and Group-internal rules is a significant element of corporate governance for the management of Deutsche Telekom. The Code of Conduct and the Code of Ethics of Deutsche Telekom have been introduced as part of a values and compliance program. 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 obliges the members of the Group Board of Management and persons who carry special responsibility for financial reporting to act honestly and in compliance with legal provisions.

Another element of the Company's values and compliance program is a whistleblower portal that allows users to anonymously report information on potential or actual misconduct by telephone, letter, or electronically. Compliance is monitored by the Audit Committee of the Supervisory Board.

To reduce risks relating to criminal behavior (fraud) within the Group, Deutsche Telekom's Group 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 has a Group-wide compliance organization, which is continuously being expanded. 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 values and compliance management system. The members of the Compliance Committee are experienced managers in the areas of compliance, legal affairs, corporate auditing, corporate security, and human resources. The significance of compliance was underlined once again in the past year by the pooling of compliance activities in the newly created Data Privacy, Legal Affairs and Compliance Board of Management department.

The focus in 2009 is on the risk-oriented further development of the existing values and compliance program as part of which the compliance awareness training sessions successfully launched in 2008 will be continued in the form of classroom training and eLearning campaigns.

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 2008 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 Auditing and external auditors.

The Audit Committee also monitors the effectiveness of the internal control system, which goes beyond financial reporting and is therefore already prepared for the outstanding changes required by the German Accounting Law Modernization Act in 2009.

Accounting and audit of financial statements.

An agreement has been reached with the external auditors that the chair 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.

Securities-based incentive systems.

Specific details of the securities-based incentive systems of the Company are contained in the notes to the consolidated financial statements on pages 184–187 under "Stock-based compensation plans" and on pages 193–199 under "Compensation of the Board of Management and Supervisory Board in accordance with § 314 HGB" of this Annual Report. These details in the notes to the consolidated financial statements are also an integral part of this Corporate Governance report.

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 consolidated financial statements, broken down in accordance with statutory requirements into fixed and performance-related components and long-term incentives. For details, please refer to pages 193–199 of this Annual Report under "Compensation of the Board of Management and Supervisory Board in accordance with § 314 HGB." These details in the notes to the consolidated financial statements are also an integral part of this Corporate Governance report. A summary of the structure and main features of Board of Management compensation is given below.

The compensation system for the Board of Management, including the main elements of their service contracts, is defined and regularly reviewed by the Supervisory Board. The General Committee of the Supervisory Board approves the individual provisions of the Board of Management members' service contracts within the scope of this compensation system. The compensation of the Board of Management members is comprised of various 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 them by the General Committee of 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 total 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 is launched annually on a rolling basis for five years. It consists of two share-based, additive and equally weighted success parameters. For the 2008 financial year – as for 2006 and 2007 – 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 2006 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 2006 tranche. For details, please refer to the notes to the consolidated financial statements on pages 195–196 of this Annual Report.

The **2001 Stock Option Plan** was closed for the Board of Management already 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 that the necessary conditions are met. For details, please refer to the notes to the consolidated financial statements on pages 195–196 of this Annual Report. These details in the notes to the consolidated financial statements are also an integral part of this Corporate Governance report.

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 agreement, the agreements 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.

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 on 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. 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. All other required

details can be found in the notes to the consolidated financial statements on pages 193–199 of this Annual Report under "Compensation of the Board of Management and Supervisory Board in accordance with § 314 HGB." These details in the notes to the consolidated financial statements are also an integral part of this Corporate Governance report.

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 the notes to the consolidated financial statements, on pages 193–199 of this Annual Report under "Compensation of the Board of Management and Supervisory Board in accordance with § 314 HGB," or to the company website (www.telekom.com) under Investor Relations/Corporate Governance/Incentive plans. These details in the notes to the consolidated financial statements are an integral part of this Corporate Governance report.

Report on the compensation of the Supervisory Board.

The compensation of the members of the Supervisory Board is specified in § 13 of the Articles of Incorporation. It takes 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 chair or deputy chair 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 the notes to the consolidated financial statements, broken down in accordance with statutory requirements into its individual components. For details please refer to pages 193–199 of this Annual Report under "Compensation of the Board of Management and Supervisory Board in accordance with § 314 HGB." These details in the notes to the consolidated financial statements are also an integral part of this Corporate Governance report.

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.

Financial crisis impacting capital markets worldwide // Telecommunications values relatively strong

T-Share information.

	2008	2007
Xetra closing prices (€)		
Share price on the last trading day	10.75	15.02
Year high	15.55	15.28
Year low	9.00	12.18
Trading volume		
German exchanges (billions of shares)	8.4	7.9
New York Stock Exchange (ADRs) (millions of shares)	380	245
Tokyo Stock Exchange (millions of shares)	0.2	0.6
Market capitalization on the last trading day (billions of €)		
	46.9	65.5
Weighting of the T-Share in major stock indexes on the last trading day		
DAX 30 (%)	7.2	5.3
Dow Jones Euro STOXX® 50 (%)	1.6	1.4
T-Share – key figures		
Earnings per share (basic and diluted) (€)	0.34	0.13
Proposed dividend (€)	0.78	0.78
Number of shares issued (millions, at year-end)	4,361.32	4,361.30

Capital markets environment.

2008 was one of the hardest years to date for the world's leading benchmark indexes. The crisis in the real estate and finance sectors that started in 2007 escalated into a real liquidity and financial market crisis in 2008 when large numbers of financial enterprises were forced to file for bankruptcy, have their losses absorbed by the state, or ensure their survival by merging with other companies. The liquidity crisis also spilled over from the finance sector to encompass other sectors of industry so that, by year-end 2008, the world's three largest economies, the U.S., Germany and Japan, found themselves facing recession.

Development of international indexes.

Stock markets weakened drastically in 2008, indexes such as the Dow Jones fell by 33.8 percent, DAX by 40.4 percent, Nikkei 225 by 42.0 percent and Euro STOXX® 50 by 44.3 percent, the broader STOXX® 600 by 46 percent. 2002 was the only year in which the DAX had reported a greater decline.

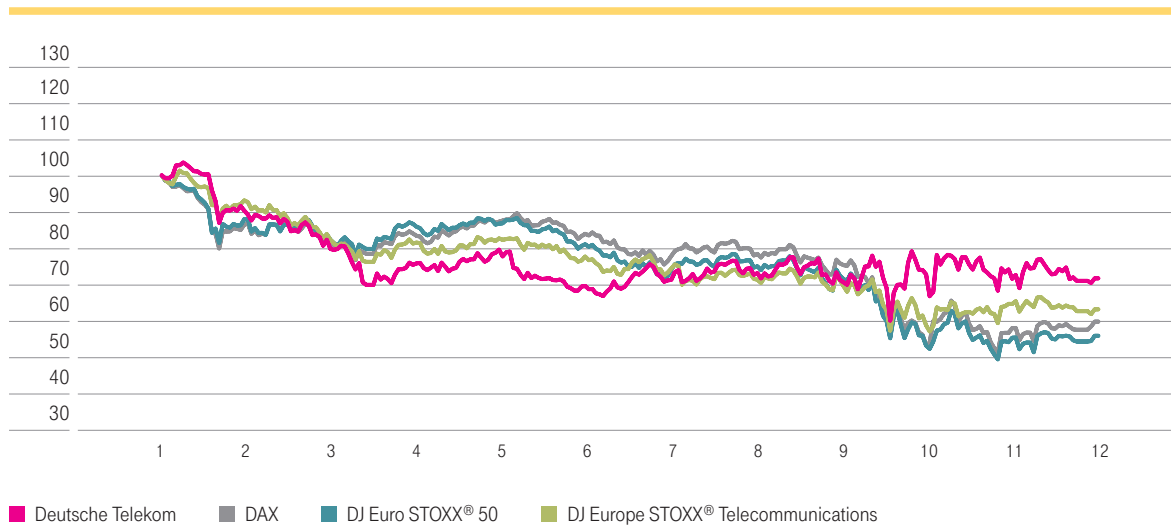
The Dow Jones and S & P 500 indexes witnessed the steepest fall in prices since the economic crisis of 1931. The Nikkei 225 index suffered its worst full-year performance in history. The last two months of 2008 saw capital markets calm down somewhat as governments and national central banks launched numerous emergency and stimulus packages.

T-Share performance.

The T-Share asserted its position in this difficult environment. In the telecommunications sector, KPN, France Télécom, Vodafone, and Deutsche Telekom, and Telefónica all demonstrated relative strength and far better developments than their respective national indexes. This trend reflects the fact that, in the turbulent capital markets, defensive stocks such as shares in telecommunications companies offer a particularly attractive investment. The T-Share closed 2008 down 28.4 percent on the year at EUR 10.75. This put the T-Share in 7th place and therefore in the top third of the DAX stock listing for the year. The T-Share reached its annual high of EUR 15.55 on January 9, 2008 and its annual low of EUR 9.00 on October 10, 2008.

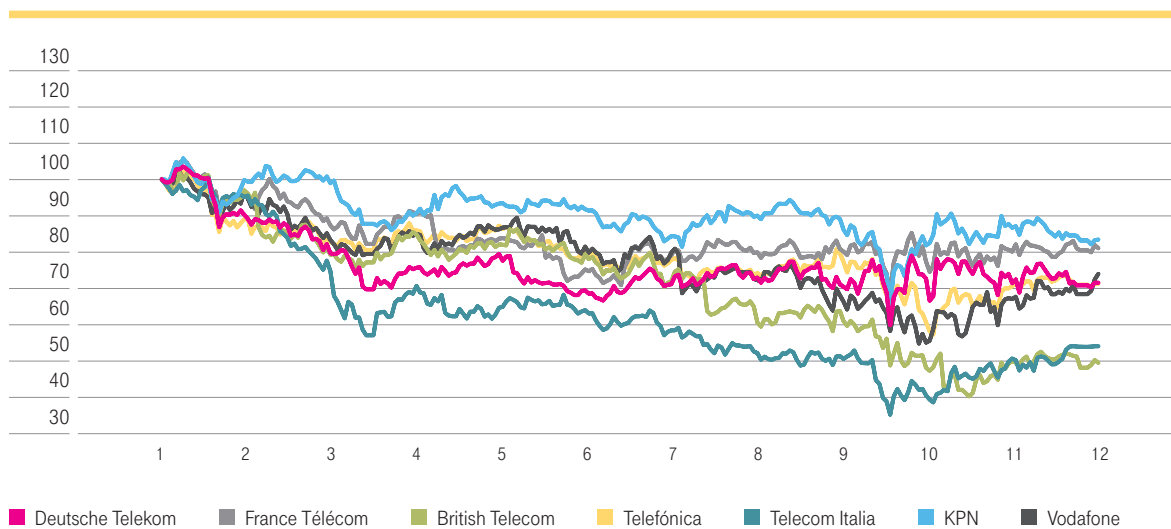
T-Share as compared to DAX, DJ Euro STOXX® 50 and DJ Europe STOXX® Telecommunications.

January 1 through December 31, 2008



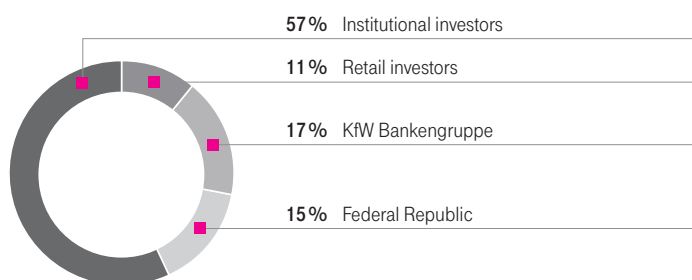
T-Share as compared to other telecommunications companies.

January 1 through December 31, 2008



Shareholder structure. *

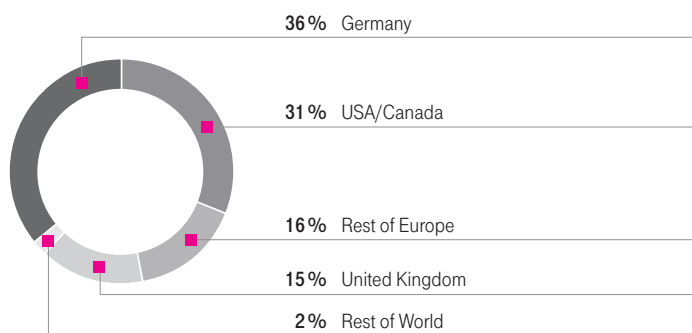
At December 31, 2008



* Total free float based on rounded figures (December 2008).

Geographical distribution of free float. *

At December 31, 2008



* Total free float based on rounded figures (December 2008).

Dividend.

The Board of Management and Supervisory Board of Deutsche Telekom AG propose to this year's shareholders' meeting, to be held on April 30, 2009, the distribution of a dividend of EUR 0.78 per share.

Shareholder structure.

Looking at the free float, the shareholder structure of Deutsche Telekom AG changed during the 2008 financial year. The proportion of institutional investors rose from approximately 51 percent in the prior year to approximately 57 percent of the total share capital as of December 31, 2008, while the share of retail investors fell from around 17 percent in 2007 to around 11 percent. Free float continued to account for 68.3 percent of the total share capital. The Federal Republic's shareholding including that of KfW Bankengruppe (formerly Kreditanstalt für Wiederaufbau) is therefore still approximately 32 percent.

Investor relations.

Deutsche Telekom maintained its close contact with the capital market in the 2008 financial year. As in previous years, the Company held numerous individual and group discussions during its roadshows. Top management and Investor Relations executives personally presented the Group strategy and the Company's financial position along with annual and quarterly results to institutional equity and bond investors, retail investors, and financial analysts in Europe, Asia and North America.

Direct contact with the capital markets was also maintained on the occasion of the 2008 GSMA Mobile World Congress in Barcelona, IFA in Berlin, the analysts' conferences held in Bonn, and international investors' conferences.

Comprehensive online services were again available to Deutsche Telekom AG's shareholders in the 2008 financial year and, on request, shareholders will have the option of receiving notifications regarding the shareholders' meeting by e-mail in the future as well. In addition, the Internet dialog also facilitates the ongoing expansion of electronic communication with shareholders. Through the personal profiles they have set up, shareholders can order tickets for the shareholders' meeting, and shareholders not attending in person can change voting instructions while the shareholders' meeting is in progress, until shortly before votes are cast.

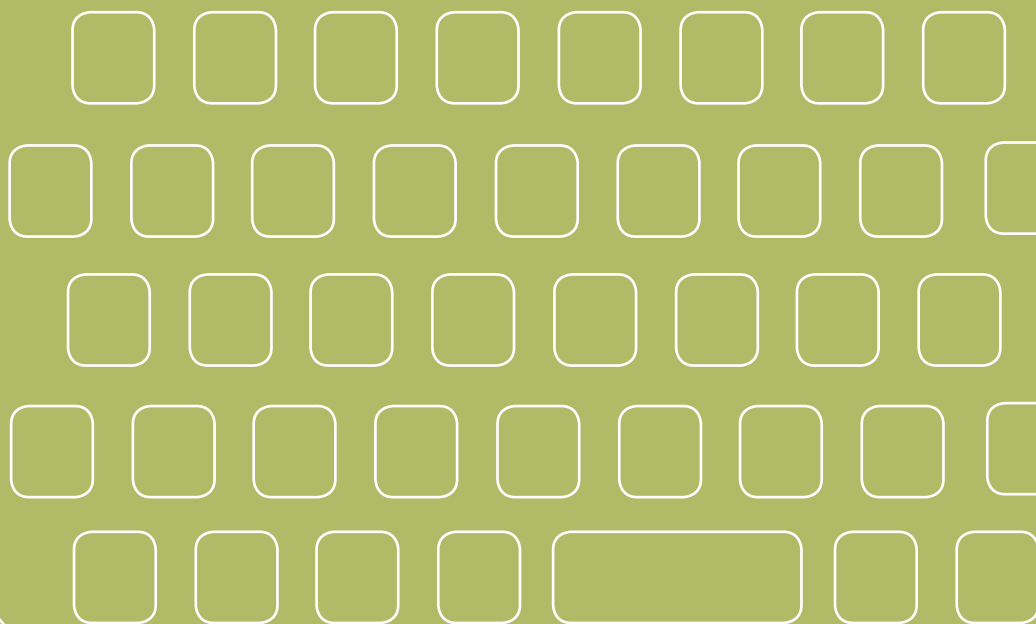
In addition, the newsletter of the T-Share Forum (Forum T-Aktie – FTA) reports on the most recent quarterly results and the annual financial statements of the Group. It also covers significant developments and events as well as the Group strategy, and contains special offers for subscribers to the T-Share Forum. The newsletter is available for download from the Investor Relations website. The free newsletter can also be sent out in a printed version or by e-mail. Last year, shareholders and other persons interested in the T-Share made intensive use of the services of Deutsche Telekom AG's T-Share Forum. The FTA processed around 17,000 inquiries, whereby the number of telephone inquiries fell significantly compared with the 2007 financial year. The FTA team is available on weekdays from 8 a.m. to 6 p.m. at +49 (0) 228 181 88333 (fax +49 (0) 228 181 88339) or by e-mail on forum-taktie@telekom.de to answer any questions from retail investors relating to Deutsche Telekom.

Our results for the 2008 financial year show that the Group's "Focus, fix and grow" strategy is right. Not only did we achieve our financial targets, we even exceeded them – despite the tough market environment and continued intense competitive and price pressure. At around EUR 19.5 billion, adjusted EBITDA was slightly higher than our initial forecast. Free cash flow of EUR 7 billion also exceeded our own expectations by EUR 0.4 billion. We increased net profit excluding special factors by 14 percent to EUR 3.4 billion while keeping our net debt almost stable at EUR 38.2 billion.

We invested EUR 8.7 billion, EUR 0.7 billion more than in the previous year, in future technologies and service improvements.

Group management report

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Deutsche Telekom Group management report.

Net revenue amounted to EUR 61.7 billion compared with EUR 62.5 billion in 2007; exchange rate effects totaling EUR 1.3 billion impact on net revenue; share of international revenue amounts to 53.2 percent // Group EBITDA up 6.6 percent to EUR 18.0 billion; EBITDA adjusted for special factors at EUR 19.5 billion compared with EUR 19.3 billion in the prior year // Net profit increased year-on-year from EUR 0.6 billion to EUR 1.5 billion; net profit adjusted for special factors up EUR 0.4 billion to EUR 3.4 billion // Free cash flow before dividend payments up from EUR 6.6 billion to EUR 7.0 billion

Mobile customer base increased to 128.3 million in the reporting year // Number of broadband lines up 7.9 percent year-on-year to 15.0 million; 33.8 million fixed-network lines at the end of 2008 compared with 36.6 million in the prior year // Adjusted for deconsolidations, volume of new orders in the Business Customers operating segment increased by 5.2 percent

Further successes with the “Focus, fix and grow” strategy.

Despite continued intense competitive and price pressure in the German as well as Central and Eastern European markets, net revenue remained constant year-on-year when changes in exchange rates and the composition of the Group are excluded. Group EBITDA and net profit increased significantly. These results confirm that Deutsche Telekom successfully continued its “Focus, fix and grow” strategy in the 2008 reporting year.

Net revenue decreased 1.4 percent year-on-year to EUR 61.7 billion. Particularly exchange rate effects totaling EUR 1.3 billion, mainly from the translation of U.S. dollars and pound sterling, had a negative effect on net revenue. While the proportion of net revenue generated outside Germany increased to EUR 32.8 billion or 53.2 percent, the Broadband/Fixed Network operating segment in particular recorded a decrease in domestic revenue. Especially healthy customer growth in the Mobile Communications USA operating segment had an offsetting effect.

Group EBITDA increased in the reporting year by around EUR 1.1 billion or 6.6 percent to EUR 18.0 billion. Special factors amounting to EUR 1.4 billion had a negative effect on Group EBITDA, mainly on account of expenses incurred in connection with staff-related and restructuring measures. These special factors amounted to EUR 2.4 billion in 2007. The Group's adjusted EBITDA increased to EUR 19.5 billion as a result of cost savings and enhanced efficiency.

Net profit rose year-on-year, mainly due to lower expenses for staff-related measures. The increase in EBITDA adjusted for special factors and predominantly lower depreciation, amortization and impairment losses led to an increase in adjusted net profit from EUR 3.0 billion in the previous year to EUR 3.4 billion in the reporting year.

Free cash flow (before dividend payments) rose by around EUR 0.5 billion to EUR 7.0 billion. The increase was primarily attributable to favorable changes in working capital and lower interest payments. Income tax payments had an offsetting effect, however. Payments of EUR 0.5 billion were recorded in 2008, compared with receipts of EUR 0.2 billion in the prior year. In addition, cash outflows for intangible assets and property, plant and equipment increased, primarily as a result of the 2G and 3G network roll-out in the United States.

Mobile Communications segments expand customer base to 128.3 million.

Once again, the Mobile Communications segments were the Group's growth drivers in 2008. T-Mobile Deutschland added 3.1 million new customers in the **Mobile Communications Europe** operating segment in the 2008 reporting year, bringing the number of customers* in Germany to 39.1 million at the end of 2008. The number of contract customers developed particularly positively. A change in the legal situation as regards the procedure for deactivating prepay customers in Germany has already led to an increase in the prepay customer base since the beginning of 2007. Total customer figures also continued to rise at all national companies in the Mobile Communications Europe operating segment with the exception of T-Mobile UK and T-Mobile Slovensko. Overall, the customer base in Europe increased to 95.6 million. In addition to successes in Western Europe (including Poland), the mobile communications subsidiaries in Southeastern Europe added a total of 1.0 million new customers, bringing the mobile customer base to 12.3 million. The number of contract customers grew by 3.3 million in Europe in 2008. In Germany and the other markets in which T-Mobile offers the Apple iPhone 3G, this device made a significant contribution to this customer growth.

The **Mobile Communications USA** operating segment increased its customer base during the year. The number of customers at the end of 2008 increased to 32.8 million with a total of 4.1 million net new customers in the year, including 1.1 million customers acquired as a result of the acquisition of SunCom Wireless Holdings, Inc. (SunCom). The acquisition of regional mobile communications provider SunCom in February 2008 enabled T-Mobile USA to expand its presence to the Southeastern United States, as well as to Puerto Rico and the Virgin Islands.

Strong DSL growth.

Demand among German customers for fast DSL connections continues to rise. According to information from (N)ONLINER Atlas 2008, 65 percent of Germans are now online. Internal estimates put Deutsche Telekom's German market share of existing DSL customers in the **Broadband/Fixed Network** operating segment at around 46 percent in 2008, helped to a considerable extent by the take-up of the complete packages with higher bandwidth, additional features, and enhanced customer service. Voice and Internet communications products proved particularly popular. Just under 67 percent of customers signing up for one of the complete packages in 2008 opted for a Call & Surf package. In addition, Stiftung Warentest consumer testing organization awarded Deutsche Telekom the title of Best Internet Provider in the 11/2008 issue of its magazine.

Key financial figures for the Deutsche Telekom Group.

millions of €	2008	2007 ^a	2006 ^a
Net revenue	61,666	62,516	61,347
Of which: international revenue	32,781	31,822	28,887
EBITDA ^b	18,015	16,897	16,321
EBITDA (adjusted for special factors) ^b	19,459	19,326	19,434
Profit after income taxes	2,024	1,080	3,582
Profit after income taxes (adjusted for special factors) ^b	3,995	3,526	4,283
Net profit	1,483	571	3,173
Net profit (adjusted for special factors) ^b	3,426	3,005	3,858
Shareholders' equity	43,112	45,245	49,678
Net debt ^c	38,158	37,236	39,555
Free cash flow (before dividend payments) ^d	7,033	6,581	2,983
Employees (average)	234,887	243,736	248,480

^a Accounting change in line with IFRIC 12. Comparative periods adjusted. For a detailed description see the notes to the consolidated financial statements.

^b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA and adjusted EBITDA, as well as special factors affecting profit/loss and the adjusted profit/loss after income taxes and net profit, please refer to the section on "Development of business in the Group."

^c Deutsche Telekom considers "net debt" to be an important measure for investors, analysts, and rating agencies. This measure is common practice within Deutsche Telekom's competitive environment, but other companies may define it differently. For detailed information, please refer to the section on "Development of business in the Group."

^d Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Deutsche Telekom is of the opinion that the "free cash flow (before dividend payments)" indicator is used by investors as a measure to assess the Group's net cash from operating activities after deduction of cash outflows for intangible assets (excluding goodwill) and property, plant and equipment, in particular with regard to subsidiaries, associates and joint ventures, and the repayment of liabilities. Free cash flow (before dividend payments) should not be used to determine the financial position of the Group. There is only limited comparability between Deutsche Telekom's definition of free cash flow and methods of calculating this measure and similarly designated measures and disclosures of other companies.

The new fixed-price Entertain packages allow customers to watch television in excellent quality, surf the Internet at high speeds, and make telephone calls. A total of around 150 TV channels and an online video shop with more than 3,000 movies on demand are available to viewers. In addition, around 2,000 titles are available free of charge. Since mid-December 2008, around 2,500 German and international Web radio stations – a service provided by Phonostar – have also been accessible via Entertain.

* For the definition of customer numbers, please refer to the section on "Development of business" in the Mobile Communications Europe operating segment.

To cope with the demand for fast Internet connections, Deutsche Telekom provided a growing number of towns and cities with ADSL2+ and the even faster VDSL in the 2008 reporting year. Along with VDSL roll-out in 50 towns and cities, Deutsche Telekom is working with local authorities to enable improved DSL coverage in rural areas, provided a partnership can be established that makes sound business sense. Cooperation projects were arranged with around 300 municipalities for DSL expansion in 2008 alone. This was in addition to 100 municipalities where broadband supply could be realized without the support of the local authorities. Overall, Deutsche Telekom can supply around 96 percent of households with DSL lines. Compared with the previous year, this is an increase of two percentage points. Since July 2007, Congstar has been offering one-stop individualized packages throughout Germany comprising broadband Internet access (DSL) and mobile communications without a minimum contract period. The company has also had complete connections comprising a telephone line and Internet access in its portfolio since August 2008. Prepaid mobile communications products were particularly successful and received several awards. Congstar itself was voted "Mobile discount provider of 2008" by the readers of "connect" magazine.

Growth in the broadband market has also remained steady outside Germany. The Broadband/Fixed Network operating segment is active on the Central and Eastern European market via Deutsche Telekom's international subsidiaries. Despite the competitive pressure in the fixed-network market, the Central and Eastern European majority holdings posted double-digit growth rates courtesy of their broadband packages. Triple play is also becoming increasingly popular in Central and Eastern Europe. Deutsche Telekom's subsidiaries in Croatia, Slovakia, Hungary, Macedonia and Montenegro had added a total of more than 220,000 customers by the end of the reporting year.

In Hungary, Magyar Telekom is planning to expand the next-generation access network to connect 1.2 million households. Magyar Telekom aims to provide fiber-to-the-home (FTTH) network access to around 780,000 households and to upgrade another 380,000 households. The new network supports higher bandwidth of up to 100 megabits per second and improves cost efficiency. In Slovakia, Slovak Telekom maintained its pole position on the broadband Internet market in spite of difficult competitive conditions. As the largest provider of IPTV services in Slovakia, Slovak Telekom is able to provide reliable high-speed connections based on the optical access network for over 133,000 households. In line with the strategy of further expanding broadband Internet access in Slovakia, Slovak Telekom is planning to make access to all services via the optical infrastructure available to around 250,000 households. As part of its network strategy, the Croatian subsidiary T-Hrvatski Telekom intends to migrate its network to a single IP-based platform in order to increase efficiency and extend its service offering. The time frame for this migration will primarily depend on the development of broadband penetration in the coming years.

New forward-looking projects for business and corporate customers.

Demand among corporate customers for efficient systems solutions based on IP infrastructure is rising sharply. The **Business Customers** operating segment is taking advantage of this development through T-Systems by providing its customers with an integrated service offering comprising network-centric information and communications technology (ICT). The key element in this strategy is providing the customer with combined IT and telecommunications services with an end-to-end service guarantee. The aim is to become one of the most significant global ICT service providers. T-Systems already leads the field in core markets such as Germany, Austria and Switzerland. The outsourcing contract with Royal Dutch Shell is just one example of the success of this strategy. T-Systems will operate Shell's global computing and data storage centers in Europe, North America and Asia for a period of five years.

The ICT service provider also boosted its international business with customers outside Germany. This included contracts with Airbus to set up and operate a high-performance network in Asia, and with Bosch for a new network infrastructure connecting more than 200 locations in the Asia-Pacific region and data centers in America and Europe. Overall, these success stories confirm the international strategy T-Systems launched in the previous year, of focusing on network-centric ICT services for corporate customers in Western European core markets and to meet their global requirement for integrated IT and telecommunications solutions.

A number of future-oriented contracts were also signed in Germany. T-Systems is installing the new dealer management system (incadea.engine®) for BMW dealers and automotive dealership groups, for example. The system supports dealerships' business processes in the areas of sales, service, parts sales, inventory management, financial accounting, and time management. T-Systems also further expanded its position in the public sector. The Federal Ministry of the Interior has awarded T-Systems a contract for the "universal public authorities' phone number 115" put in place to provide the public with a single phone number to reach public authorities throughout Germany. In addition, the Federal Ministry of the Interior and T-Systems, together with other companies and users, will launch the De-Mail test in mid 2009. This promising means of communication will make Germany a pioneer in the area of trustworthy and legally binding Internet communication.

New Board of Management department for Data Privacy, Legal Affairs and Compliance //
Strategic realignment of the Business Customers segment

Organizational structure and business activities.

Deutsche Telekom is an integrated telecommunications provider. The Group offers its customers around the world a comprehensive portfolio of state-of-the-art services in the areas of telecommunications and IT.

The Deutsche Telekom Group's organizational and management structure comprises five operating segments: Mobile Communications Europe, Mobile Communications USA, Broadband/Fixed Network, Business Customers, and Group Headquarters & Shared Services.

The **Mobile Communications Europe** operating segment bundles all activities of T-Mobile International AG in Germany, the United Kingdom, Poland, the Czech Republic, the Netherlands, and Austria, as well as Deutsche Telekom's other mobile communications activities in Hungary, Croatia, Slovakia, Macedonia, and Montenegro.

The **Mobile Communications USA** operating segment combines all activities of T-Mobile International AG in the U.S. market.

All entities in the two Mobile Communications segments Europe and USA offer mobile voice and data services to consumers and business customers. The T-Mobile subsidiaries also market mobile devices and other hardware 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 (mobile virtual network operators, or MVNOs).

The **Broadband/Fixed Network** operating segment offers consumers and business customers traditional fixed-network services, broadband Internet access, and multimedia services on the basis of a state-of-the-art telecommunications infrastructure. This segment also conducts business with national and international network operators and with resellers (wholesale including resale). In addition, it provides wholesale telecommunications services for Deutsche Telekom's other operating segments. Outside Germany, the Broadband/Fixed Network operating segment has a presence in Central and Eastern Europe, namely in Hungary, Croatia, Slovakia, Macedonia, Bulgaria, Romania, and Montenegro.

At the start of 2008, Deutsche Telekom realigned the business model for its **Business Customers** operating segment to create a clear, functional structure. A key element of the current business model is the separation of the sales and production functions, each assuming global responsibility. One area provides ICT products and solutions for large multinational enterprises (corporate customers), the other resells telecommunications and IT products to around 160,000 medium-sized enterprises (business customers). The production function is subdivided into the two core areas of ICT Operations (ICTO) and Systems Integration (SI).

Deutsche Telekom has considerably expanded its offshore resources through the partnership concluded with Cognizant in March 2008. T-Systems is represented by subsidiaries in more than 20 countries, with a particular focus on the European countries of Austria, Belgium, France, Germany, Hungary, Italy, the Netherlands, Spain, Switzerland, and the United Kingdom. Outside Europe, T-Systems grew above all in the United States, Brazil and South Africa in 2008. The service provider offers its customers a full range of information and communication technology from a single source. T-Systems realizes integrated ICT solutions on the basis of its extensive expertise in these two technological areas. It develops and operates infrastructure and industry solutions for its corporate customers. Products and services offered to medium-sized enterprises range from low-cost standard products and high-performance networks based on the Internet Protocol (IP) to complete ICT solutions.

Deutsche Telekom is consistently continuing to restructure the Group and is simplifying its sales organization in the various business customer segments from the beginning of 2009. Deutsche Telekom's small and medium-sized business customers will in future be served by the Broadband/Fixed Network operating segment. This will allow T-Systems to focus on ICT solutions business with Deutsche Telekom's national and international corporate customers. The realignment of the business customer segments reinforces both business customer and corporate customer business in equal measure, and is an important milestone in building on the Company's leading market position in Germany. On November 4, 2008, the Supervisory Board of Deutsche Telekom decided to consolidate its business customer approach in the Broadband/Fixed Network segment. The aim of this decision is to continue to expand business customer business by offering a competitive, customer-oriented range of services from a single source. T-Systems will focus its ICT portfolio on its 400 corporate customers and will also be the first point of contact for public-sector customers and the healthcare sector.

The **Group Headquarters & Shared Services** operating segment comprises all Group units and subsidiaries that cannot be allocated directly to one of the aforementioned operating segments. Group Headquarters is responsible for strategic and cross-segment management functions. The Shared Services unit is responsible for all other operating functions not directly related to the aforementioned segments' core business. These include Vivento, which is responsible for providing employees with new employment opportunities as part of the workforce restructuring program, as well as Real Estate Services, whose activities include the management of Deutsche Telekom AG's real estate portfolio, and DeTeFleetServices GmbH, a full-service provider of fleet management and mobility services. Shared Services primarily has activities in Germany. Real Estate Services also had operations offering facility management services in Hungary and in Slovakia. These stakes were sold to Strabag SE on September 30, 2008. The main Shared Services subsidiaries include DeTe Immobilien, Deutsche Telekom Immobilien und Service GmbH (sold to Strabag SE as of September 30, 2008), GMG Generalmietgesellschaft mbH, DFMG Deutsche Funkturm GmbH, PASM Power and Air Condition Solution Management GmbH & Co. KG, DeTeFleetServices GmbH, and Vivento Customer Services GmbH. In addition, Group Headquarters & Shared Services includes the shared services and headquarters functions of Magyar Telekom.

Legal structure of the Deutsche Telekom Group.

Deutsche Telekom AG, Bonn, is the parent of the Deutsche Telekom Group. Its **shares** are traded on several stock exchanges, including Frankfurt, New York, and Tokyo. As of December 31, 2008, 68.3 percent of the shares were in free float (December 31, 2007: 68.3 percent), 14.8 percent were held by the Federal Republic of Germany (December 31, 2007: 14.8 percent), and 16.9 percent were held by KfW Bankengruppe (December 31, 2007: 16.9 percent). Accordingly, the shareholding attributable to the Federal Republic amounted to 31.7 percent (December 31, 2007: 31.7 percent). The share held by the Blackstone Group remained unchanged at 4.4 percent at December 31, 2008.

As of December 31, 2008, the **share capital** of Deutsche Telekom AG totaled EUR 11,164,979,182.08 and was composed of 4,361,319,993 no par value registered ordinary shares. Each share entitles the holder to one vote. The voting rights are nevertheless restricted in relation to the treasury shares (around 2 million as of December 31, 2008) and the trust shares (around 19 million as of December 31, 2008). The trust shares are connected with the acquisitions of VoiceStream and Powertel in 2001. As part of these acquisitions, Deutsche Telekom 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 Articles of Incorporation authorize the Board of Management to increase the share capital with the approval of the Supervisory Board by up to EUR 2,399,410,734.08 by issuing up to 937,269,818 registered no par value shares for non-cash contributions in the period ending on May 17, 2009 (2004 authorized capital). The Articles of Incorporation also authorize the Board of Management, with the consent of the Supervisory Board, to increase the share capital by up to EUR 38,400,000 by issuing up to 15,000,000 registered no par value shares for cash and/or non-cash contributions in the period up to May 2, 2011. The new shares may only be issued to grant shares to employees of Deutsche Telekom AG and lower-tier companies (2006 authorized capital) (www.telekom.com/articles-of-incorporation).

The share capital has been contingently increased by up to EUR 31,813,089.28 as of December 31, 2008, composed of up to 12,426,988 new no par value registered shares. 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 (contingent capital II). The share capital has been contingently increased by EUR 600,000,000 as of December 31, 2008, composed of up to 234,375,000 no par value shares. 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 (contingent capital IV).

The shareholders' meeting on May 15, 2008 authorized the Board of Management to purchase up to 436,131,999 no par value shares in the Company by November 14, 2009, with the amount of share capital 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 of the German Stock Corporation Act (Aktien-gesetz – AktG) do not at any time account for more than 10 percent of the Company's share capital.

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 pursuant to § 17 AktG are also entitled to purchase the shares. The purchase may take 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 May 15, 2008, 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 takeover of Deutsche Telekom AG (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 SA) 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 Securities Trading Act (Wertpapierhandels-gesetz – 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 SA (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.

The principal subsidiaries of Deutsche Telekom AG are listed in the notes to the consolidated financial statements in the section "Summary of accounting policies" under "**Consolidated group.**" In addition to Deutsche Telekom AG, 65 German and 164 foreign subsidiaries are fully consolidated in Deutsche Telekom's consolidated financial statements (December 31, 2007: 70 and 176). 14 associates (December 31, 2007: 16) and 5 joint ventures (December 31, 2007: 3) are also included using the equity method.

The changes in the consolidated group relate to both acquisitions and divestments.

The Mobile Communications USA operating segment acquired the regional mobile operator SunCom in February 2008.

The Business Customers operating segment sold T-Systems Media & Broadcast GmbH to Télédiffusion de France. The sale was approved by the EU Commission in January 2008.

In the third quarter of 2008, the Group Headquarters & Shared Services operating segment sold DeTe Immobilien.

In 2008, 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. It cannot be ruled out that this resolution by the shareholders may be declared invalid by a court, in the event that other shareholders successfully file rescission suit against this resolution.

Under the share purchase agreement, Deutsche Telekom has additionally granted the Hellenic Republic two put options for an additional 5 percent (first put option) and 10 percent (second put option) of the shares.

In 2008, OTE was reported using the equity method on the balance sheet under the Group Headquarters & Shared Services operating segment. For further details, please refer to Note 23 "Investments accounted for using the equity method" in the notes to the consolidated financial statements.

Management and supervision.

The management and supervisory structures, as well as the compensation system for the Board of Management and the Supervisory Board, are aligned toward the long-term performance of the Group and follow the recommendations of the German Corporate Governance Code.

In the 2008 reporting year, Deutsche Telekom strengthened data privacy by setting up a new Board department. The Supervisory Board of Deutsche Telekom AG approved the Board of Management's proposal of setting up a seventh Board department and appointed Dr. Manfred Balz to chair the new Data Privacy, Legal Affairs and Compliance department effective October 22, 2008.

Dr. Karl-Gerhard Eick will resign as Member of the Deutsche Telekom Board of Management responsible for Finance with effect from midnight on February 28, 2009. The Supervisory Board agreed to Dr. Eick's request to resign on that date at its meeting on December 2, 2008.

Board of Management responsibilities are distributed across seven Board departments. In addition to the four Board departments with central functions – the department assigned to the chairman of the Board of Management, the Finance department, the Human Resources department, and the Data Privacy, Legal Affairs and Compliance department – there are three other Board departments assigned to the Board members responsible for the operating segments, some of which combine segment-specific and Group-wide tasks: T-Mobile, Product Development, Technology and IT Strategy; T-Home, Sales & Service; and Business Customers. The Supervisory Board of Deutsche Telekom oversees the management of business by the Board of Management and advises the Board. The Supervisory Board is composed of 20 members, of whom 10 represent the shareholders and the other 10 the employees.

The appointment and discharge of members of the Board of Management is in accordance with § 84 and § 85 AktG, and § 31 of the German Code-termination Act (Mitbestimmungsgesetz – MitbestG). Amendments to the Articles of Incorporation are made pursuant to § 179 and § 133 AktG, and § 18 of the Articles of Incorporation. According to § 21 of the Articles of Incorporation, the Supervisory Board is authorized, without a resolution by the shareholders' meeting, to adjust the Articles of Incorporation to comply with new legal provisions that become binding for the Company and to amend the wording of the Articles of Incorporation.

The seven members of the Board of Management are entitled to fixed and annual variable remuneration as well as long-term variable components (Mid-Term Incentive Plan). Total compensation is generally about 2/3 variable and 1/3 fixed. The annual variable component is based on the extent to which each member of the Board of Management achieves the targets prescribed by the General Committee of the Supervisory Board before the beginning of each financial year.

The total compensation of Supervisory Board members is governed by § 13 of the Articles of Incorporation and includes a fixed annual component plus variable, performance-related remuneration with short-term and long-term components, depending on the development of net income per share. The compensation of the members of the Board of Management and the Supervisory Board is reported individually in the notes to the consolidated financial statements under Note 45, broken down by the various components.

Successful implementation of the Group's "Focus, fix and grow" strategy continues

Group strategy.

Deutsche Telekom's long-term aim is to become a leader for connected life and work. Using this slogan, the Group is positioning itself in the growth areas of our age and focusing on the main trends: the digitization of many areas of life, the fragmentation of the living and working environment, the personalization of products and services, growing mobility, as well as increasing globalization and cross-border value creation. Deutsche Telekom is acting on these trends by focusing its investments on the infrastructure of the next generation, developing and marketing innovative products and services, systematically positioning itself as a service company, and using opportunities for growth abroad. With its "Focus, fix and grow" strategy, Deutsche Telekom remains stable even in times of economic turmoil and will continue pursuing the four successful, strategic areas of action in 2009:

- Improve competitiveness in Germany and in Central and Eastern Europe.
- Grow abroad with mobile communications.
- Mobilize the Internet.
- Roll out network-centric ICT.

Improve competitiveness. Deutsche Telekom is successfully meeting the continuing stiff competitive pressure in Germany and in the Central and Eastern European markets. In 2008, for example, the Group substantially reinforced its strong position in the German DSL market, with the total number of DSL lines rising to 13.3 million, an increase of 6.4 percent year-on-year. This positive development is the result of the targeted expansion of the broadband infrastructure, the introduction of innovative products, and improved customer service. This strategy will continue in 2009. In the fixed network, the Group is providing a growing number of towns and cities with ADSL2+ and the even faster VDSL. Cooperation projects were arranged with around 300 municipalities for DSL expansion in 2008 alone. This was in addition to 100 municipalities where broadband supply could be realized without the support of the local authorities.

The high-performance broadband infrastructure is the basis for products such as Entertain, which is marketed by T-Home. T-Home already dominates the German Internet-based television market with this service. The richness and exclusivity of the content, coupled with interactive television-related services, easily sets the product apart from the competition. Additional HD content and high-end formats such as live Bundesliga soccer games are further incentives to buy. Improving customer service at all points of customer contact is a core component of Deutsche Telekom's strategy. In this area, there are important achievements to report: The Telekom Shops received top marks from the German Technical Control Board (TÜV) for overall customer satisfaction with the service provided, while the Stiftung Warentest consumer testing organization rated T-Home the best provider of DSL lines and related customer service in the 11/2008 issue of its magazine. To meet rising service requirements efficiently and in line with customers' needs, Deutsche Telekom is also modernizing and consolidating its call center structure to 33 locations.

Deutsche Telekom is also relying on the continuous acceleration of its mobile communications networks (GPRS/EDGE, as well as UMTS/HSDPA and HSUPA) and has concluded the world's first successful tests of the Long Term Evolution (LTE) technology as part of the Next Generation Mobile Network (NGMN) alliance.

On the cost side, Deutsche Telekom is continuing to work systematically on aligning its structures. The Save for Service cost-cutting program launched in 2006 is running very successfully. Deutsche Telekom maintains its target of achieving long-term savings of no less than EUR 4.7 billion a year through 2010. At the end of 2008, annual savings totaled approximately EUR 4 billion.

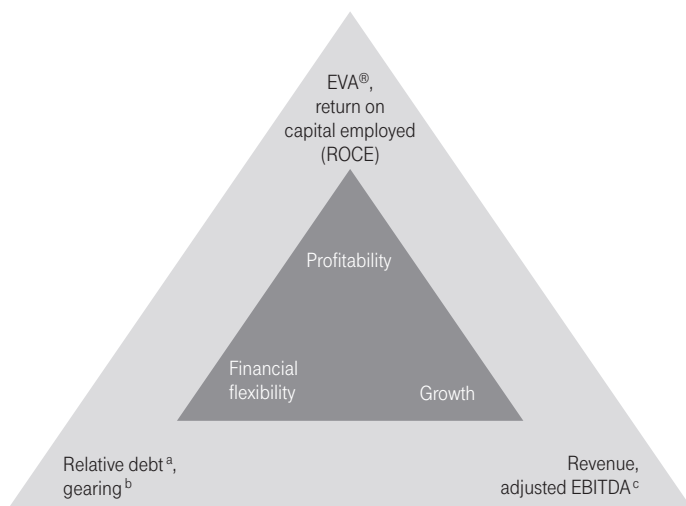
Grow abroad with mobile communications. Mobile communications business outside Germany is a major growth driver for Deutsche Telekom. Last year, the Group continuously expanded its share of international revenue through organic and inorganic growth, especially in the United States and Central and Eastern Europe, and generated the largest part of its revenue in mobile communications outside of Germany at the end of 2008. T-Mobile USA served a total of 32.8 million customers at year-end, a net increase of 4.1 million new customers (including SunCom) as compared to the previous year. This development was facilitated by the roll-out of new products and services. For instance, on October 22, 2008 T-Mobile USA launched the T-Mobile G1, the world's first mobile device based on the Android operating system. The acquisition of SunCom Wireless in early 2008 also enabled T-Mobile to broaden its customer base and extend its mobile coverage. T-Mobile USA will continue investments in the mobile broadband network and plans to almost double its 3G network coverage. In Southeastern Europe, Deutsche Telekom has become stronger especially through its investment in OTE, which will give the Group a strong position in the Greek market as well as in other fast-growing Southeastern European markets.

Mobilize the Internet. Mobile data use became increasingly popular in 2008, with more and more people accessing the Internet on mobile devices regularly and with growing intensity. Deutsche Telekom is shaping this trend, helped by a mix of high-performance infrastructure, attractive prices, and innovative handsets such as the iPhone 3G or the Android-based T-Mobile G1. T-Mobile successfully rolled out the iPhone 3G in Germany, Austria, the Netherlands, and other markets in Eastern and Southern Europe from July 2008, a move which delighted its existing customers and has enabled it to attract new high-caliber customers. The first Android-based mobile device of the world, the T-Mobile G1, was launched exclusively by T-Mobile in the United States and the United Kingdom at the end of October 2008 and was rolled out in Germany and other core European markets starting in February 2009. Furthermore, rising sales of reduced-price laptops backed up with a mobile broadband Internet contract have helped boost revenue from mobile data communications. In addition to the iPhone and the T-Mobile G1, Deutsche Telekom provides a simple, attractive opportunity to access the Internet from mobile devices with web'n'walk. Customers can quickly and conveniently access their most important and personal Internet services directly on the handset display using widgets. Partnerships with premier community, e-mail and instant messaging providers additionally address customers' specific mobile communications requirements through a variety of different channels. The number of web'n'walk customers in our five Western European companies rose by 65 percent in 2008 to 5.3 million.

Roll out network-centric ICT. In Deutsche Telekom's Business Customers segment, the trend toward convergence of IT, telecommunications services, and applications to create a standard ICT environment continues apace. T-Systems identified this trend early on by focusing strategically on network-centric ICT services. Large international outsourcing contracts with Siemens, the South African insurer Old Mutual Group, Alcatel Lucent, or the Finnish paper corporation Stora Enso, as well as the major deal with Royal Dutch Shell are proof of this strategy's success. As part of the realignment of Deutsche Telekom's Business Customers segment, T-Systems will focus in future on the ICT solutions business with its 400 national and international systems solutions customers, while the 160,000 business customers will be looked after by the Broadband/Fixed Network operating segment. This will enable T-Systems to benefit from its internationally acquired ICT expertise, which is based on capabilities for integrated production of IT and telecommunications in ICT operations, but also on diverse industry expertise in the field of systems integration. In March 2008, T-Systems entered into a global service alliance for systems integration with U.S.-based Cognizant, for which the two companies are consolidating their consulting business with offshore capacity in Asia. T-Systems is very well positioned to benefit internationally from the growth of network-centric ICT thanks to its restructuring, selected partnerships, and investments in computing power capacity and infrastructure.

Group management.

The financial management of the Group uses an integrated system of key ratios based on a small number of key performance indicators (KPIs). These performance indicators define the delicate balance of growth, profitability and financial flexibility the Group has to maintain as it pursues its primary “Focus, fix and grow” goal:



- ^a The “relative debt” indicator is the ratio of net debt to EBITDA adjusted for special factors; for more information, please refer to the section on “Development of business in the Group.”
- ^b The “gearing” indicator is the ratio of net debt to equity; for more information, please refer to the section on “Development of business in the Group.”
- ^c Corresponds to EBITDA adjusted for special factors; for more information, please refer to the section on “Development of business in the Group.”

The revenue trend forms the basis of almost every company’s income statement. It reflects the concept of substantive growth. A further KPI is EBITDA, which corresponds to profit/loss from operations before depreciation, amortization, and impairment losses. The Group uses the development of EBITDA to measure its short-term operational performance and the success of its individual operations. The Group also uses the EBITDA margin – the ratio of EBITDA to revenue – as a performance indicator. This relative indicator enables a comparison of the earnings performance of profit-oriented units of different sizes.

The Group’s focus on financial flexibility ensures that it will continue to be able to repay its debt and remain financially sound. Financial flexibility is primarily measured using the “gearing” and “relative debt” KPIs. One component of the indicators is net debt, which Deutsche Telekom uses as an important indicator in its communication with investors, analysts, and rating agencies.

To measure the profitability of business development, the Group uses return on capital employed (ROCE) as a relative indicator and economic value added (EVA®) as an indicator of value creation.

ROCE shows the result a company obtained 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 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 exceed the return targets imposed on it by lenders and equity suppliers on the basis of capital market requirements (superior shareholder return). The Deutsche Telekom Group measures return targets using the weighted average cost of capital (WACC). The cost of equity is the return an investor expects on an investment in the capital market with equivalent risk. Deutsche Telekom calculates the cost of debt on the basis of the Group’s financing terms on the debt market, taking into account that interest on borrowed capital is tax-deductible.

Deutsche Telekom uses EVA® as its key indicator of value creation to measure the absolute contributions made by the operational units to the value of the Group. In general, this KPI is also the main benchmark for focusing all operational measures on superior value. Value-oriented management thus implements the Group’s commitment to growth in value-creating business areas down to the level of the operational units.

The economic environment.

Global economy in substantial slowdown // Mobile communications continuing to drive growth despite falling prices // German broadband market growing more slowly // Strong competition in the business customer market

Global economic development.

The global economy has been undergoing a substantial slowdown since early 2008. The downturn gained momentum globally in the second half of 2008. While during the first half of the year, the inflationary push fuelled by commodity prices put a large damper on the global economy, the deceleration in the second half was mainly attributable to the crisis in the housing and financial markets. In response to the development in the second half of the year, leading German economic research institutes cut their expected 2008 growth figure for gross domestic product in Germany to 1.8 percent in the "Joint Economic Forecast Fall 2008" published in October 2008. The International Monetary Fund (IMF) has also cut its forecast for global economic growth in the reporting year to 3.9 percent. In an initial estimate in early January 2009, the Federal Statistical Office disclosed that GDP in Germany had risen by just 1.3 percent in 2008.

Inflationary pressures eased off over the past few months thanks to a sharp decline in commodity prices. The main risks facing the global economy are the extent and duration of the financial market crisis and the scale of the impact on the real economy, along with the willingness of consumers to buy and businesses to invest.

Telecommunications market.

According to the Federal Statistical Office, average prices for telecommunications services (fixed-network/Internet and mobile communications) from the perspective of residential households fell by 3.3 percent year-on-year in 2008 in Germany. These prices had slipped just 0.3 percent year-on-year in 2007, though this was partly attributable to the VAT increase that took effect on January 1, 2007.

In 2008, the price index for fixed-network and Internet telephone services in Germany decreased by 3.4 percent compared with 2007, primarily due to competition in the field of complete packages (telephone and DSL lines, telephone flat rate, Internet flat rate). On average, the cost of mobile telephony fell by 2.3 percent in 2008 compared with 2007.

A recent industry association study on the development of the German telecommunications market points to a sustained downturn in the market as a whole for 2008. According to the study, revenue from telecommunications services in Germany will amount to around EUR 60.6 billion in 2008, a decrease of 4.1 percent compared with 2007, which is essentially due to competition-induced price cuts in both the fixed and the mobile network.

The German Association of Telecommunications and Value-Added Service Providers (VATM) currently believes the financial market crisis will only slightly affect the telecommunications sector. Based on a survey from October 2008, the German Association for Information Technology, Telecommunications and New Media (Bitkom) also expects the financial market crisis to have little impact on the German IT and telecommunications market.

Mobile communications market. The mobile communications business continued its global growth trend in 2008. Growth in the largely saturated markets of Western Europe continued to decline, however (based on the last competition figures published at the end of the third quarter of 2008). The ongoing price war and regulatory price cuts impacted on revenues in many of the markets in which T-Mobile is represented. In terms of revenue, the markets in Germany and Austria contracted compared with the previous year. While Southeastern Europe continued to witness overall growth in customer figures and revenue, due to intense competition only T-Mobile Hungary was able to further expand its revenue market share. T-Mobile Netherlands substantially improved its market position and increased its market share through the acquisition of Orange Nederland. The key competitive factors in the mobile communications markets are prices, contractual options, applications, network coverage and quality of service. In addition, competition in mobile communications is increasing at European level, partly due to the introduction of Europe-wide services. As market penetration continues to rise, providers are increasingly concentrating on boosting customer retention.

In the United States, T-Mobile now competes with three major national providers: Verizon Wireless, AT&T, and Sprint Nextel, all of whom have a much larger national customer base than T-Mobile. Despite the more difficult market environment, the Mobile Communications USA operating segment again recorded strong growth in 2008. T-Mobile USA continued to expand its market share.

Three main groups of providers compete for customers in the mobile communications markets: network operators, resellers, and companies that buy network services and market them independently to third parties (MVNOs). A precondition for operating mobile communications networks, and hence for offering mobile communication services, is a frequency spectrum license issued by public authorities. Whereas these are normally awarded by the national authorities in Europe, the United States has a large number of license areas, including areas smaller than the individual states. The number of licenses awarded limits the number of network operators in each market.

Broadband/fixed-network market. Demand for broadband connections remains high in Germany, although growth in the telecommunications market is slowing. Competition in the fixed-network market is intense in large cities because here all providers have expanded their own networks into the large main distribution frames. Competitors are increasingly renting the so-called “last mile,” or unbundled local loop lines (ULLs), from Deutsche Telekom. In rural regions, however, it rarely makes sound business sense for competitors to invest in their own infrastructure.

The new bitstream process introduced by the German Regulatory Authority in the middle of the reporting year enables competitors of Deutsche Telekom to offer customers complete DSL lines and telephone lines while making substantially lower investments in their own infrastructure. Consequently, when a customer moves to the competition they no longer need a PSTN (Public Switch Telephone Network) line from Deutsche Telekom. Competitors can thus attract customers throughout Germany with Deutsche Telekom’s new bitstream offering. In metropolitan areas, competitors use their own or third-party infrastructure combined with Deutsche Telekom’s ULL instead of the regulated, higher-priced bitstream offering.

Cable network operators are increasingly competing in the fixed-network market, further upgrading their networks to offer customers low-cost telephone and Internet connections as well. In the television business, the prevalence of cable TV connections in Germany and the broader range of free-to-air television channels compared with other countries are a decisive factor in the slow growth of triple-play packages in the market.

Eleven years after market liberalization, Deutsche Telekom’s market share in fixed-network lines remains high. According to the Federal Network Agency (Bundesnetzagentur – BNetzA), alternative fixed-network operators enjoyed a market share of around 26 percent in 2008 compared with 19 percent in the previous year. In addition to losses caused by competitive and regulatory factors, the continuing loss of market share in the fixed-line business in the Broadband/Fixed Network segment is partly due to line losses on technical grounds as a result of the migration of resale customers to the all-IP platform. Due to continually falling fixed-network prices and the increasing use of flat rates, the decline in revenue can no longer be compensated by the number of call minutes billed.

IP carriers like Telefónica Deutschland that focus exclusively on wholesale products are increasingly marketing their own, fully IT-based network infrastructure built up in recent years. This especially benefits Internet service providers and carriers that do not have their own network in Germany, wish to add to their own network, or would like to improve their upstream services. For Deutsche Telekom this means lower sales of resale lines to competitors on account of the migration to IP-based business models.

The transition from traditional telecommunications to IP-based networks is a decisive trend in the telecommunications market. Already more than one in three telephone calls worldwide are made using voice over IP (VoIP). The main reason IP technology has developed so fast is that it is much cheaper than conventional telecommunications networks – for both operators and customers. An all-IP network makes the whole range of services such as VoIP, IPTV, or data transfer available to all users anywhere at all times. This technology transmits data in switched packets using Internet Protocol (IP).

According to a study conducted by Dialog Consult GmbH, the number of voice minutes billed for full-package lines rose substantially in 2008, though it declined for call-by-call and preselection.

Business customer market. The business customer market for information and communication technologies (ICT) continued to grow in 2008. This general trend impacted the various segments of the market in different ways, however.

In Germany, telecommunications (TC) again experienced fierce competition and intense price pressure, while information technology (IT) enjoyed sustained growth. Outside Germany, the Company’s increasing globalization is translating into growing demand in the international ICT market.

Demand on the whole has changed, however. Whereas customers in the past demanded telecommunications products and IT services as separate items, these days they are increasingly looking for complete solutions to improve processes within companies and help enhance value. While small and medium-sized enterprises typically look for standardized products to increase efficiency, corporate customers require customized solutions.

Regulatory influence on Deutsche Telekom’s business.

Deutsche Telekom’s 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 such companies to offer certain upstream products at prices that are also 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.

2008 saw the emergence of the first cautious deregulation trends that may take effect in 2009. For example, the fixed-network end customer markets for national calls to mobile and fixed networks are likely to be deregulated completely. In addition, fixed-network deregulation is planned in the area of interconnection for transit services and a number of origination services. If this proves to be permanent, Deutsche Telekom can look forward to reduced state intervention.

The Federal Network Agency is currently looking at easing existing nationwide regulation of IP bitstream in line with the approach adopted by other European regulatory authorities. In regions with intense competition from local-loop operators and cable TV providers, regulation of IP bitstream could then be pared back. The relevant regulatory process is underway. A decision from the Federal Network Agency is expected in spring 2009.

On the other hand, there is a risk that regulation will be extended to new markets. In applying the TKG, the Federal Network Agency has so far shown very little inclination to significantly reduce the intensity of state control. With a few exceptions, the Agency applies the restrictive regulations unchanged and even extends them to cover new services and markets. Only a ruling by the Federal Administrative Court subsequently revoked the regulation of new voice over IP services. The Federal Network Agency also intends to regulate pure IP lines. Regulation on the fiercely competitive mobile communications market remains in place for mobile termination, with Brussels having drafted a recommendation to step up existing regulation. The expansion of the fiber-optic network also subject Deutsche Telekom to new obligations. Currently, Deutsche Telekom is not required to provide its competitors immediate access to its new high-speed network based on optical-fiber and VDSL technology. However, access is mandatory for portions of the new network, such as multi-function street cabinets, underground cable conduits and, alternatively, "dark fiber."

The Federal Network Agency has made a series of decisions about charges, including in particular the approval of new interconnection charges in November 2008. The charges last fixed by the Federal Network Agency two-and-a-half years ago will be raised by an average of 4.4 percent in three categories. The new charges will apply up to June 30, 2011.

Regulation by the European Union. The European Union (EU) defines the fundamental principles of European telecommunications market regulation. The European Commission is currently reviewing the directives and recommendations adopted in 2002. In November 2007 it presented a comprehensive reform package (EU review).

The reform package includes proposed amendments to the valid legal framework. An extension of veto rights in respect of national regulatory measures and the establishment of a European regulatory authority is being discussed. Moreover, the possible functional separation of network operation and services has been considered and is currently being reviewed by the European bodies.

The European Parliament discussed the reform proposals at a first reading at the end of September 2008. The Parliament opposes a substantial expansion of the powers of the European Commission and is also moving to promote investment in new next-generation fiber-optic access networks (NGA).

However, the European Parliament's proposals do not include any clear statements on the distribution of the "digital dividend" freed up by the changeover from analog to digital terrestrial broadcasting. In this respect, the European Commission had called for greater flexibility in the awarding and use of frequency bands, pointing out that using at least part of the newly available spectrum for mobile (broadband) applications would improve general welfare. This issue is largely regarded as the remit of national governments.

The Commission's proposals were reviewed by the Council at the end of November 2008. The Council largely disregarded the proposals made by the European Parliament on the promotion of investments in new access networks. The review package is expected to be adopted by mid-2009 at the latest, after the second reading. As a review is currently underway, it is not possible to comment on the anticipated final result.

In other areas, the European Commission intervened directly in pricing policy, pressing for a further reduction of international roaming rates (billing intervals for voice as well as additional caps for text messaging and data). This kind of regulation is expected to result in considerable revenue losses.

In October 2008, the European Commission launched a preliminary investigation into possible anti-competitive behavior by European mobile communications operators with regard to mobile VoIP services. The investigation focuses on whether the operators are setting negative incentives for the use of VoIP services, thus creating competition barriers for VoIP providers.

International regulation. Deutsche Telekom is also subject to regulation outside Germany and the EU. Its subsidiaries abroad are regulated by national authorities. For the fixed network, this applies in particular to subsidiaries in Hungary, Slovakia, and Croatia. In mobile communications, all subsidiaries are subject to regulation, in particular regarding termination charges and use of frequency spectrum.

Development of business in the Group.

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Proportion of revenue generated outside Germany continues to rise // EBITDA and adjusted EBITDA increased // Net profit more than doubled // Free cash flow strength further developed

Earnings situation of the Group.

Net revenue in the 2008 financial year amounted to EUR 61.7 billion, a decrease of EUR 0.9 billion or 1.4 percent year-on-year. Overall, exchange rate effects amounting to EUR 1.3 billion, especially in relation to the U.S. dollar and pound sterling, had a negative impact on net revenue. Factors that had a positive effect on revenue mainly included the development of revenue in the Mobile Communications USA operating segment and changes in the composition of the Group totaling EUR 0.9 billion arising from the inclusion of SunCom and Orange Nederland. Revenue in 2008 decreased by EUR 0.5 billion year-on-year on account of deconsolidations.

While the Group's revenue in the Mobile Communications USA operating segment increased, revenue in the Mobile Communications Europe, Broadband/Fixed Network and Business Customers segments declined.

The proportion of international revenue continued to increase, rising by 2.3 percentage points year-on-year to 53.2 percent of net revenue.

Contribution of the operating segments to net revenue.

	2008	Proportion of net revenue of the Group	2007	Proportion of net revenue of the Group	Change	Change	2006
	millions of €	%	millions of €	%	millions of €	%	millions of €
Net revenue	61,666	100.0	62,516	100.0	(850)	(1.4)	61,347
Mobile Communications Europe	19,978	32.4	20,000	32.0	(22)	(0.1)	17,700
Mobile Communications USA	14,942	24.2	14,050	22.5	892	6.3	13,608
Broadband/Fixed Network	17,691	28.7	19,072	30.5	(1,381)	(7.2)	20,366
Business Customers	8,456	13.7	8,971	14.3	(515)	(5.7)	9,301
Group Headquarters & Shared Services	599	1.0	423	0.7	176	41.6	372

Development of revenue by geographic area.

	2008	2007	Change	Change	2006
	millions of €	millions of €	millions of €	%	millions of €
Net revenue	61,666	62,516	(850)	(1.4)	61,347
Domestic	28,885	30,694	(1,809)	(5.9)	32,460
International	32,781	31,822	959	3.0	28,887
Proportion generated internationally (%)	53.2	50.9			47.1
Europe (excluding Germany)	17,324	17,264	60	0.3	14,823
North America	14,931	14,159	772	5.5	13,700
Other	526	399	127	31.8	364

Consolidated income statement and effects of special factors. ^a

millions of €	2008	Special factors	2008 excluding special factors	2007	Special factors	2007 excluding special factors
Net revenue	61,666		61,666	62,516		62,516
Cost of sales	(34,592)	(937) ^b	(33,655)	(35,337)	(1,252) ^j	(34,085)
Gross profit (loss)	27,074	(937)	28,011	27,179	(1,252)	28,431
Selling expenses	(15,952)	(485) ^c	(15,467)	(16,644)	(498) ^k	(16,146)
General and administrative expenses	(4,821)	(224) ^d	(4,597)	(5,133)	(701) ^l	(4,432)
Other operating income	1,971	510 ^e	1,461	1,645	419 ^m	1,226
Other operating expenses	(1,232)	(644) ^f	(588)	(1,761)	(769) ⁿ	(992)
Profit (loss) from operations (EBIT)	7,040	(1,780)	8,820	5,286	(2,801)	8,087
Profit (loss) from financial activities	(3,588)	(652) ^g	(2,936)	(2,833)	(9) ^o	(2,824)
Profit (loss) before income taxes	3,452	(2,432)	5,884	2,453	(2,810)	5,263
Income taxes	(1,428)	461 ^h	(1,889)	(1,373)	364 ^p	(1,737)
Profit (loss) after income taxes	2,024	(1,971)	3,995	1,080	(2,446)	3,526
Profit (loss) attributable to minority interests	541	(28)	569	509	(12)	521
Net profit (loss)	1,483	(1,943)	3,426	571	(2,434)	3,005
Profit (loss) from operations (EBIT)	7,040	(1,780)	8,820	5,286	(2,801)	8,087
Depreciation, amortization and impairment losses	(10,975)	(336) ⁱ	(10,639)	(11,611)	(372) ^q	(11,239)
EBITDA	18,015	(1,444)	19,459	16,897	(2,429)	19,326
EBITDA margin (%)	29.2		31.6	27.0		30.9

^a EBITDA for the operating segments and the Group as a whole is derived from profit/loss from operations (EBIT). This measure of earnings before profit/loss attributable to minority interests, income taxes and profit/loss from financial activities is additionally adjusted for depreciation, amortization and impairment losses to calculate EBITDA. It should be noted that Deutsche Telekom's definition of EBITDA may differ from that used by other companies. In this definition, profit/loss from financial activities includes finance costs, the share of profit/loss of associates and joint ventures accounted for using the equity method, and other financial income/expense. As it is based on profit/loss from operations, this method of computation allows EBITDA to be derived in a uniform manner on the basis of a measure of earnings in accordance with IFRS published for the operating segments and the Group as a whole. In the reporting period as well as the comparable prior-year period, Deutsche Telekom's net profit/loss as well as the EBITDA of the Group and of the segments were affected by a number of special factors. Deutsche Telekom defines EBITDA adjusted for special factors as profit/loss from operations (EBIT) before depreciation, amortization and impairment losses and before the effects of any special factors. The underlying concept involves the elimination of special factors that affect operational business activities and thus impair the comparability of EBITDA and net profit/loss with the corresponding figures for prior periods. In addition, a statement about the future development of EBITDA and net profit is only possible to a limited extent due to such special factors. Adjustments are made irrespective of whether the relevant income and expenses are reported in profit/loss from operations, profit/loss from financial activities, or in tax expense. Income and expenses directly relating to the adjusted items are also adjusted. To compare the earnings performance of profit-oriented units of different sizes, EBITDA margin and the adjusted EBITDA margin are presented in addition to EBITDA and adjusted EBITDA. The EBITDA margin is calculated as the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

Accounting change in line with IFRIC 12. 2007 and 2006 comparative periods adjusted. For a detailed description see the notes to the consolidated financial statements.

Special factors in 2008:

- ^b Mainly expenses for staff-related measures in the Broadband/Fixed Network (EUR – 0.4 billion) and Business Customers (EUR – 0.2 billion) operating segments, and non-staff-related restructuring expenses in the Business Customers operating segment (EUR – 0.2 billion).
- ^c Mainly expenses for staff-related measures in the Broadband/Fixed Network (EUR – 0.2 billion) and Business Customers (EUR – 0.1 billion) operating segments.
- ^d Mainly expenses for staff-related and restructuring measures in the Broadband/Fixed Network (EUR – 0.1 billion), Business Customers (EUR – 0.1 billion) and Group Headquarters & Shared Services (EUR 0.1 billion) operating segments.
- ^e Primarily income from the disposal of Media&Broadcast in the Business Customers operating segment (EUR 0.5 billion).
- ^f Mainly expenses relating to the disposal of DeTe Immobilien (EUR – 0.3 billion) in the Headquarters & Shared Services operating segment, and impairment of goodwill at T-Mobile Austria, T-Mobile Macedonia, and T-Mobile Hungary in the Mobile Communications Europe operating segment (EUR – 0.2 billion).
- ^g Primarily impairment losses on the carrying amount of OTE under share of profit/loss of associates and joint ventures accounted for using the equity method (EUR – 0.5 billion), and expenses for interest added back to provisions for staff-related measures (EUR – 0.1 billion).
- ^h Mainly tax benefits from expenses for non-staff-related restructuring (EUR 0.2 billion) and staff-related measures (EUR 0.2 billion).
- ⁱ Mainly expenses from impairment of goodwill in the Mobile Communications Europe operating segment (EUR – 0.2 billion).

Special factors in 2007:

- ^j Expenses for staff-related and restructuring measures, mainly in the Broadband/Fixed Network (EUR – 0.8 billion), Business Customers (EUR – 0.3 billion), and Mobile Communications Europe (EUR – 0.1 billion) operating segments.
- ^k Expenses for staff-related and restructuring measures, mainly in the Broadband/Fixed Network (EUR – 0.4 billion) and Business Customers (EUR – 0.1 billion) segments.
- ^l Expenses for staff-related and restructuring measures, mainly in the Broadband/Fixed Network (EUR – 0.1 billion), Business Customers (EUR – 0.1 billion) and Group Headquarters & Shared Services (EUR – 0.5 billion) operating segments.
- ^m Gain on the disposal of T-Online France and T-Online Spain in the Broadband/Fixed Network (EUR 0.4 billion) operating segment.
- ⁿ Expenses from reduction of goodwill at T-Mobile Netherlands in connection with the subsequent recognition of tax loss carryforwards in the Mobile Communications Europe segment (EUR – 0.3 billion), and costs from the sale of Vivento business units in the Group Headquarters & Shared Services segment (EUR – 0.4 billion).
- ^o Mainly expenses from interest added back to provisions for staff-related measures (early retirement arrangements and partial retirement arrangements) (EUR – 50 million). These were partially offset by income from the disposal of the remaining shares in Sireo at Group Headquarters & Shared Services (EUR 18 million) as well as income attributable to other periods from associates and joint ventures accounted for using the equity method in the Broadband/Fixed Network operating segment (EUR 31 million).
- ^p Mainly tax benefits from expenses for staff-related measures (EUR 0.7 billion). This also includes a tax benefit from the partial recognition of previously unrecognized taxes relating to loss carryforwards at T-Mobile Netherlands (EUR 0.3 billion) as well as an offsetting tax expense from the measurement of deferred tax items in response to the changes in the rates of taxation in connection with the 2008 corporate tax reform (EUR – 0.7 billion).
- ^q Mainly expenses from reduction of goodwill at T-Mobile Netherlands in connection with the subsequent recognition of tax loss carryforwards in the Mobile Communications Europe operating segment (EUR – 0.3 billion).

2006	Special factors	2006 excluding special factors
61,347		61,347
(34,755)	(1,400) ^r	(33,355)
26,592	(1,400)	27,992
(16,410)	(790) ^s	(15,620)
(5,264)	(841) ^t	(4,423)
1,257	20	1,237
(888)	(145) ^u	(743)
5,287	(3,156)	8,443
(2,675)	196 ^v	(2,871)
2,612	(2,960)	5,572
970	2,259 ^w	(1,289)
3,582	(701)	4,283
409	(16)	425
3,173	(685)	3,858
5,287	(3,156)	8,443
(11,034)	(43)	(10,991)
16,321	(3,113)	19,434
26.6		31.7

Special factors in 2006:

- ^r Expenses for staff-related and restructuring measures, mainly in the Broadband/Fixed Network (EUR – 0.8 billion) and Business Customers (EUR – 0.5 billion) operating segments.
- ^s Expenses for staff-related and restructuring measures, mainly in the Broadband/Fixed Network (EUR – 0.5 billion) and Business Customers (EUR – 0.2 billion) operating segments.
- ^t Expenses for staff-related and restructuring measures, mainly in the Broadband/Fixed Network (EUR – 0.1 billion), Business Customers (EUR – 0.1 billion) and Group Headquarters & Shared Services (EUR – 0.6 billion) segments.
- ^u Expenses for staff-related and restructuring measures, mainly at Group Headquarters & Shared Services (EUR – 0.1 billion).
- ^v Retroactive income from the sale of Celcom at Group Headquarters & Shared Services (EUR 0.2 billion).
- ^w Positive tax effects from the recognition of previously unrecognized deferred tax assets relating to loss carryforwards at T-Mobile USA (EUR 1.3 billion) and from expenses for staff-related and restructuring measures (EUR 1.2 billion) are offset by negative tax effects, mainly from valuation allowances on deferred tax assets relating to loss carryforwards at T-Mobile in Austria and at Broadband/Fixed Network in France and Spain (EUR – 0.2 billion).

Group EBITDA amounted to EUR 18.0 billion, an increase of EUR 1.1 billion or 6.6 percent year-on-year. Compared with the prior year, the decrease in special factors of EUR 1.0 billion in particular had a positive effect on the development of EBITDA. These mainly involved expenses in connection with staff-related measures.

Group EBITDA adjusted for special factors amounted to EUR 19.5 billion in 2008, up from the prior-year level of EUR 19.3 billion. Positive effects from changes in the composition of the Group totaling EUR 0.3 billion and negative exchange rate effects, also amounting to EUR 0.3 billion, offset each other. While the Broadband/Fixed Network operating segment recorded a decrease in adjusted EBITDA, the Mobile Communications segments in particular saw an increase in adjusted EBITDA. The decrease in the Broadband/Fixed Network segment was principally due to the continued intense price and cost pressure and also to fixed-network line losses, especially in Germany. Adjusted for special factors and changes in the composition of the Group, EBITDA in the Business Customers operating segment remained stable. The acquisition of SunCom and customer growth were the main factors leading to higher adjusted EBITDA in the Mobile Communications USA segment. T-Mobile Deutschland and Central and Eastern European companies contributed to the increase in the Mobile Communications Europe operating segment.

Net profit amounted to EUR 1.5 billion in the reporting year. This represents an increase of EUR 0.9 billion over the previous year, due in part to the higher level of EBITDA, while the share of profit/loss of associates and joint ventures accounted for using the equity method had a negative effect of EUR 0.4 billion on net profit. As a consequence of the macroeconomic developments in the fourth quarter of 2008 and the associated increase in discount rates, as part of an impairment test Deutsche Telekom recognized an impairment loss on the carrying amount of the OTE equity interest in the amount of EUR 0.5 billion.

Financial position of the Group.

In 2008, total assets of the Deutsche Telekom Group increased EUR 2.5 billion year-on-year to EUR 123.1 billion.

On the **assets** side, an increase in non-current assets was recorded in the reporting year, mainly as a result of the acquisition of the Greek company OTE, which was accounted for using the equity method at EUR 3.4 billion in 2008. This was partly offset by exchange rate effects and a decrease of inventories and trade receivables.

Liabilities and shareholders' equity were marked by the growth of EUR 3.7 billion in current and non-current financial liabilities, other liabilities (EUR 0.7 billion) and deferred taxes (EUR 0.4 billion). Shareholders' equity decreased by EUR 2.1 billion, primarily as a consequence of the dividend payment for the 2007 financial year.

Consolidated balance sheet.*

as of Dec. 31	2008 millions of €	2008 %	2007 millions of €	2007 %	Change millions of €	2006 millions of €	2006 %
Assets							
Current assets	15,908	13.0	15,945	13.2	(37)	15,951	12.3
Cash and cash equivalents	3,026	2.5	2,200	1.8	826	2,765	2.1
Trade and other receivables	7,393	6.0	7,696	6.4	(303)	7,753	6.0
Miscellaneous assets	5,489	4.5	6,049	5.0	(560)	5,433	4.2
Non-current assets	107,232	87.0	104,728	86.8	2,504	114,217	87.7
Intangible assets	53,927	43.8	54,404	45.1	(477)	58,014	44.6
Property, plant and equipment	41,559	33.7	42,531	35.2	(972)	45,869	35.2
Miscellaneous assets	11,746	9.5	7,793	6.5	3,953	10,334	7.9
Total assets	123,140	100.0	120,673	100.0	2,467	130,168	100.0
Liabilities and shareholders' equity							
Current liabilities	24,866	20.2	23,215	19.2	1,651	22,088	17.0
Financial liabilities	10,208	8.3	9,075	7.5	1,133	7,683	5.9
Trade and other payables	7,073	5.7	6,823	5.6	250	7,160	5.5
Provisions	3,437	2.8	3,365	2.8	72	3,093	2.4
Other liabilities	4,148	3.4	3,952	3.3	196	4,152	3.2
Non-current liabilities	55,162	44.8	52,213	43.3	2,949	58,402	44.9
Financial liabilities	36,386	29.5	33,831	28.0	2,555	38,799	29.8
Provisions	8,461	6.9	9,019	7.5	(558)	9,341	7.2
Other liabilities	10,315	8.4	9,363	7.8	952	10,262	7.9
Shareholders' equity	43,112	35.0	45,245	37.5	(2,133)	49,678	38.1
Total liabilities and shareholders' equity	123,140	100.0	120,673	100.0	2,467	130,168	100.0

* Accounting change in line with IFRIC 12. 2007 and 2006 comparative periods adjusted. For a detailed description see the notes to the consolidated financial statements.

Deutsche Telekom's **finance management** ensures the Group's ongoing solvency and hence its financial equilibrium. The fundamentals of Deutsche Telekom's finance policy are established each year by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the finance policy and for ongoing risk management.

The primary instruments used for the Group's medium to long-term financing are bonds and medium-term notes (MTNs). In the 2008 financial year, Deutsche Telekom issued bonds totaling EUR 2.8 billion, MTNs totaling EUR 1.8 billion, and liabilities to non-banks from promissory notes totaling EUR 1.4 billion, and took out loans totaling EUR 0.5 billion with the European Investment Bank. The individual terms and conditions for the most important financial instruments are explained in the notes to the consolidated financial statements under Note 25.

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. For this purpose, the Company has entered into standardized bilateral credit agreements with 28 banks amounting to a total of EUR 16.8 billion. 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. No drawdowns under these agreements had been made as of December 31, 2008.

To ensure its financial flexibility Deutsche Telekom essentially uses two key performance indicators: gearing and relative debt. One component of the indicators is net debt, which the Group uses as an important indicator for investors, analysts, and rating agencies.

Net debt increased in the reporting year from EUR 37.2 billion to EUR 38.2 billion. This is attributable in particular to dividends paid and cash outflows for the acquisition of shares in OTE and SunCom. The strong free cash flow and the cash inflow from the sale of Media & Broadcast had an offsetting effect.

Net debt.*

millions of €, as of Dec. 31	2008	2007	2006
Bonds	34,302	32,294	36,288
Liabilities to banks	4,222	4,260	2,348
Liabilities to non-banks from promissory notes	887	690	680
Derivative financial liabilities	1,053	977	562
Lease liabilities	2,009	2,139	2,293
Liabilities arising from ABS transactions	0	0	1,139
Other financial liabilities	974	502	377
Gross debt	43,447	40,862	43,687
Cash and cash equivalents	3,026	2,200	2,765
Available-for-sale/held-for-trading financial assets	101	75	122
Derivative financial assets	1,598	433	359
Other financial assets	564	918	886
Net debt	38,158	37,236	39,555

* Deutsche Telekom considers "net debt" to be an important measure for investors, analysts, and rating agencies. Although many of Deutsche Telekom's competitors use this measure, its definition may vary from one company to another.

Financial flexibility.*

as of Dec. 31	2008	2007	2006
Gearing			
Net debt	0.9	0.8	0.8
Shareholders' equity			
Relative debt			
Net debt	2.0	1.9	2.0
EBITDA (adjusted for special factors)			

* Calculated and rounded on the basis of millions for greater precision.

Long-term rating of Deutsche Telekom.

as of Dec. 31	Standard & Poor's	Moody's	Fitch
2006	A -	A3	A -
2007	A -	A3	A -
2008	BBB+	Baa1	A -
Outlook	stable	stable	negative

Condensed consolidated statement of cash flows.

millions of €	2008	2007	2006
Net cash from operating activities	15,368	13,714	14,222
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment	(8,707)	(8,015)	(11,806)
Free cash flow before proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	6,661	5,699	2,416
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	372	761	567
Adjustment ^a	-	121	-
Free cash flow (before dividend payments)^b	7,033	6,581	2,983
Net cash used in investing activities	(11,384)	(8,054)	(14,305)
Net cash used in financing activities	(3,097)	(6,125)	(2,061)
Effect of exchange rate changes on cash and cash equivalents	(61)	(100)	(66)
Net increase (decrease) in cash and cash equivalents	826	(565)	(2,210)
Cash and cash equivalents	3,026	2,200	2,765

^a Cash outflows for parts of Centrica PLC taken over by T-Systems UK as part of an asset deal.

^b Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Deutsche Telekom is of the opinion that the "free cash flow (before dividend payments)" indicator is used by investors as a measure to assess the Group's net cash from operating activities after deduction of cash outflows for intangible assets (excluding goodwill) and property, plant and equipment, in particular with regard to subsidiaries, associates and joint ventures, and the repayment of liabilities. Free cash flow (before dividend payments) should not be used to determine the financial position of the Group. There is only limited comparability between Deutsche Telekom's definition of free cash flow and methods of calculating this measure and similarly designated measures and disclosures of other companies.

Net cash from operating activities. Net cash from operating activities amounted to EUR 15.4 billion in the reporting period, compared with EUR 13.7 billion in the prior year. The increase was primarily attributable to favorable changes in working capital and lower interest payments. Income tax payments had an offsetting effect; payments of EUR 0.5 billion were recorded in 2008, and receipts of EUR 0.2 billion in the prior year.

Net cash used in investing activities. Net cash used in investing activities totaled EUR 11.4 billion in 2008 as compared with EUR 8.1 billion in the previous year. The main factors contributing to this change were outflows for the acquisition of SunCom in the amount of EUR 1.0 billion and for the acquisition of shares in OTE in the amount of EUR 3.1 billion as compared with outflows totaling EUR 1.5 billion for Orange Nederland and Immobilien Scout GmbH in the prior year. In addition, cash outflows for intangible assets and property, plant and equipment increased by EUR 0.7 billion, primarily as a result of the 2G and 3G network roll-out in the United States, while inflows for property, plant and equipment decreased by EUR 0.4 billion, in particular as a result of lower real estate disposals.

Net cash used in financing activities. Net cash used in financing activities in 2008 totaled EUR 3.1 billion, compared with EUR 6.1 billion in 2007.

This change was mostly attributable to higher proceeds from the issue of non-current financial liabilities of EUR 4.9 billion, while repayments decreased by EUR 0.9 billion. Current financial liabilities, on the other hand, included a year-on-year net increase in repayments amounting to EUR 2.6 billion. In addition, dividend payments increased by EUR 0.2 billion year-on-year, mainly as a result of an increase in dividend payments of Deutsche Telekom AG.

The issue of financial liabilities in 2008 was largely the result of the issue of medium-term notes totaling EUR 1.8 billion, the issue of a Eurobond totaling EUR 1.5 billion, the issue of a U.S. dollar bond totaling EUR 1.0 billion, and the issue of a Samurai bond totaling EUR 0.3 billion. In addition, promissory notes (shown as liabilities to banks) were issued for an amount of EUR 1.4 billion, commercial papers were taken out for a net amount of EUR 0.6 billion, and a loan of EUR 0.5 billion was taken out with the European Investment Bank. A benchmark bond in the amount of EUR 2.0 billion, medium-term notes for an amount of EUR 1.5 billion, a U.S. dollar bond amounting to EUR 0.5 billion, as well as bonds issued and credit lines drawn by SunCom amounting to EUR 0.7 billion were repaid during the same period. Net repayments of drawdowns under short-term credit lines amounting to EUR 1.4 billion were also made, and a loan of EUR 0.2 billion from Kreditanstalt für Wiederaufbau was repaid.

Statement on business development in 2008.

Deutsche Telekom kept net revenue constant in 2008 compared with the prior year despite the continued intense competitive and price pressure on the German as well as Central and Eastern European markets, when excluding year-on-year changes in exchange rates and in the composition of the Group. Group EBITDA and free cash flow increased. These results confirm Deutsche Telekom's successful continuation of its "Focus, fix and grow" strategy. The Board of Management therefore proposes a dividend of EUR 0.78 for each no par value share carrying dividend rights.

Development of business in the operating segments.

Mobile Communications Europe and Mobile Communications USA.

Mobile Communications Europe and Mobile Communications USA: Customer development. ^a

	Dec. 31, 2008 millions	Dec. 31, 2007 millions	Change millions	Change %	Dec. 31, 2006 millions
Mobile Communications Europe	95.6	90.9	4.7	5.2	83.4
T-Mobile Deutschland ^b	39.1	36.0	3.1	8.6	31.4
T-Mobile UK ^c	16.8	17.3	(0.5)	(2.9)	16.9
PTC (Poland)	13.3	13.0	0.3	2.3	12.2
T-Mobile Netherlands (NL) ^d	5.3	4.9	0.4	8.2	4.6
T-Mobile Austria (A)	3.4	3.3	0.1	3.0	3.2
T-Mobile CZ (Czech Republic)	5.4	5.3	0.1	1.9	5.0
T-Mobile Hungary	5.4	4.9	0.5	10.2	4.4
T-Mobile Croatia	2.7	2.4	0.3	12.5	2.2
T-Mobile Slovensko (Slovakia)	2.3	2.4	(0.1)	(4.2)	2.2
Other ^e	1.9	1.6	0.3	18.8	1.3
Mobile Communications USA	32.8	29.8	3.0	10.1	26.1
Mobile customers (total)	128.3	120.8	7.5	6.2	109.6

^a One mobile communications card corresponds to one customer. The total was calculated on the basis of precise figures and rounded to millions. Percentages are calculated on the basis of figures shown. Organic customer growth is reported for better comparability: Orange Nederland and SunCom customers were also included in the historic customer base.

^b On the basis of different rulings on the expiry of prepaid credit and the limited validity of prepaid cards, T-Mobile Deutschland changed its terms of contract and thus also its deactivation policy in the first quarter of 2007 in favor of its prepay customers. These customers can now use their prepaid credit longer than before. As a result of the change in the terms of contract, prepaid contracts no longer end automatically, but run for an unlimited duration and can be terminated by the customer at any time and by T-Mobile with one month's notice. T-Mobile Deutschland reserves the right to make use of this right of termination and to deactivate cards in the systems.

^c Including Virgin Mobile.

^d The consolidation of Online (formerly Orange Nederland Breedband B.V.) in the second quarter of 2008 has no effect on the number of customers of the T-Mobile Netherlands group, as only mobile communications customers are shown.

^e "Other" includes T-Mobile Macedonia and T-Mobile Crna Gora (Montenegro).

Mobile Communications Europe.

The customer base in the Mobile Communications Europe operating segment continued to grow in 2008. The highest increases compared with the end of 2007 were generated by T-Mobile Deutschland (3.1 million net additions), T-Mobile Hungary (0.5 million net additions), T-Mobile Netherlands (0.4 million net additions), as well as T-Mobile Croatia and PTC (0.3 million net additions each). The T-Mobile companies in the Czech Republic, Austria, Macedonia, and Montenegro also contributed to customer growth. The number of customers at T-Mobile UK declined mainly as a result of the downward trend at Virgin Mobile. The number of contract customers continued to rise encouragingly in 2008. The number of contract customers at T-Mobile Deutschland increased by almost 1 million, the same growth level as in the previous year. PTC also recorded strong growth of over 0.9 million in the number of its contract customers, which equates to an increase of 5 percent over growth in the prior year.

The percentage share of contract customers as a proportion of the total customer base increased in particular in the T-Mobile companies in Slovakia, Poland, the Czech Republic, the United Kingdom, Austria, and Hungary, as well as in the other Southeastern European companies. This success is due to the focused customer acquisition strategy – calling plans with minute buckets, flat-rate plans, and new, attractive hardware offers in conjunction with a fixed-term contract. In Germany and the other markets where T-Mobile offers the Apple iPhone 3G, this device made a significant contribution to contract customer growth.

Mobile Communications USA.

The Mobile Communications USA operating segment increased its customer base during the year. The number of customers at the end of 2008 increased to 32.8 million with a total of 4.1 million net additions, including 1.1 million customers acquired as a result of the acquisition of SunCom.

Mobile Communications Europe: Development of operations.

	2008 millions of €	2007 millions of €	Change millions of €	Change %	2006 millions of €
Total revenue^a	20,663	20,713	(50)	(0.2)	18,455
Of which: T-Mobile Deutschland	7,770	7,993	(223)	(2.8)	8,215
Of which: T-Mobile UK	4,051	4,812	(761)	(15.8)	4,494
Of which: PTC	2,260	1,965	295	15.0	305
Of which: T-Mobile NL ^b	1,806	1,318	488	37.0	1,138
Of which: T-Mobile A	1,085	1,182	(97)	(8.2)	1,149
Of which: T-Mobile CZ	1,329	1,171	158	13.5	1,043
Of which: T-Mobile Hungary	1,117	1,118	(1)	(0.1)	1,050
Of which: T-Mobile Croatia	616	581	35	6.0	556
Of which: T-Mobile Slovensko	571	510	61	12.0	429
Of which: Other ^c	248	236	12	5.1	198
EBIT (profit from operations)	3,188	2,436	752	30.9	2,746
EBIT margin (%)	15.4	11.8			14.9
Depreciation, amortization and impairment losses	(3,875)	(4,241)	366	8.6	(3,367)
EBITDA ^d	7,063	6,677	386	5.8	6,113
Special factors affecting EBITDA ^d	(97)	(147)	50	34.0	(40)
Adjusted EBITDA^d	7,160	6,824	336	4.9	6,153
Of which: T-Mobile Deutschland	3,028	2,938	90	3.1	3,303
Of which: T-Mobile UK	888	1,183	(295)	(24.9)	978
Of which: PTC	785	646	139	21.5	89
Of which: T-Mobile NL ^b	352	279	73	26.2	189
Of which: T-Mobile A	285	336	(51)	(15.2)	331
Of which: T-Mobile CZ	634	513	121	23.6	450
Of which: T-Mobile Hungary	481	475	6	1.3	422
Of which: T-Mobile Croatia	271	248	23	9.3	237
Of which: T-Mobile Slovensko	230	203	27	13.3	173
Of which: Other ^c	114	116	(2)	(1.7)	105
Adjusted EBITDA margin ^d (%)	34.7	32.9			33.3
Cash capex^e	(1,897)	(1,938)	41	2.1	(1,950)
Number of employees^f	29,237	30,802	(1,565)	(5.1)	25,345

^a The amounts stated for the national companies correspond to their respective unconsolidated financial statements without taking into consideration consolidation effects at operating segment level.

^b Including first-time consolidation of Orange Nederland from October 1, 2007 and of Online (formerly Orange Nederland Breedband B.V.) in the second quarter of 2008, retroactively as of October 1, 2007.

^c "Other" includes revenues and EBITDA generated by T-Mobile Macedonia and T-Mobile Crna Gora (Montenegro).

^d Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to the section on "Development of business in the Group."

^e Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

^f Average number of employees.

Mobile Communications USA: Development of operations. ^a

	2008 millions of €	2007 millions of €	Change millions of €	Change %	2006 millions of €
Total revenue	14,957	14,075	882	6.3	13,628
EBIT (profit from operations)	2,299	2,017	282	14.0	1,756
EBIT margin (%)	15.4	14.3			12.9
Depreciation, amortization and impairment losses	(1,884)	(1,892)	8	0.4	(1,991)
EBITDA ^b	4,183	3,909	274	7.0	3,747
Special factors affecting EBITDA ^b	(57)	-	(57)	n.a.	-
Adjusted EBITDA^b	4,240	3,909	331	8.5	3,747
Adjusted EBITDA margin ^b (%)	28.3	27.8			27.5
Cash capex^c	(2,540)	(1,958)	(582)	(29.7)	(5,297)
Number of employees^d	36,076	31,655	4,421	14.0	28,779

^a Including first-time consolidation of SunCom from February 22, 2008.

^b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to the section on "Development of business in the Group."

^c Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

^d Average number of employees.

Mobile Communications: Development of operations. ^a

	2008 millions of €	2007 millions of €	Change millions of €	Change %	2006 millions of €
Total revenue	35,586	34,736	850	2.4	32,040
EBIT (profit from operations)	5,487	4,453	1,034	23.2	4,504
EBIT margin (%)	15.4	12.8			14.1
Depreciation, amortization and impairment losses	(5,759)	(6,133)	374	6.1	(5,358)
EBITDA ^b	11,246	10,586	660	6.2	9,862
Special factors affecting EBITDA ^b	(154)	(147)	(7)	(4.8)	(40)
Adjusted EBITDA^b	11,400	10,733	667	6.2	9,902
Adjusted EBITDA margin ^b (%)	32.0	30.9			30.9
Cash capex^c	(4,437)	(3,896)	(541)	(13.9)	(7,247)
Number of employees^d	65,313	62,457	2,856	4.6	54,124

^a This table presents figures showing the Mobile Communications Europe and Mobile Communications USA operating segments in consolidated form for information purposes.

^b Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to the section on "Development of business in the Group."

^c Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

^d Average number of employees.

Mobile Communications Europe.

Total revenue in the Mobile Communications Europe operating segment almost reached the prior-year level. Even if adjusted for exchange rate effects, PTC and T-Mobile CZ in particular recorded revenue growth. All national companies in Southeastern Europe again recorded marked increases in revenue, with the exception of T-Mobile Hungary which maintained its revenue at the same level as in the previous year. Revenue at T-Mobile UK decreased, due mainly to a strong negative effect of the pound sterling exchange rate and fierce competition. Regulatory decisions also impacted revenue at T-Mobile UK in 2008. The continuing intense price competition and regulatory price cuts caused the revenues of T-Mobile Austria to decline and those of T-Mobile Deutschland to edge down slightly. However, increasing customer numbers and a targeted focus on acquiring contract customers partially offset the decrease in revenue at both companies. The consolidation of Orange Nederland and Online (formerly Orange Nederland Breedband B.V.) also had a positive effect on revenue growth in Europe.

Adjusted EBITDA grew by EUR 0.3 billion in 2008 compared with 2007. This trend was driven primarily by PTC and T-Mobile CZ. On the back of sustained successful cost management and a one-time effect of EUR 0.1 billion from the sale of an asset, T-Mobile Deutschland's EBITDA improved substantially to over EUR 3 billion despite intense competition. The national companies in Slovakia, Hungary and Croatia also contributed to EBITDA growth. The first-time consolidation of Orange Nederland and Online (formerly Orange Nederland Breedband B.V.) also had a positive effect on earnings. A sharp decline in the pound sterling reduced EBITDA for T-Mobile UK year-on-year. On top of that, lower revenues and high usage-dependent direct costs reduced T-Mobile UK's earnings further. The continuing intense price competition and regulatory price cuts led to a reduction in EBITDA at T-Mobile Austria. Considerable savings in indirect costs were not sufficient to offset the decline in revenue.

EBIT (profit from operations) in the Mobile Communications Europe operating segment increased by EUR 0.8 billion year-on-year in 2008. This corresponds to an increase of 30.9 percent. In addition to the positive EBITDA effects, lower depreciation, amortization and impairment losses at T-Mobile UK, PTC, T-Mobile Deutschland, and T-Mobile Austria also contributed to the increase in EBIT.

Cash capex in the Mobile Communications Europe operating segment amounted to EUR 1.9 billion, the same level as in the previous year. While capital expenditure decreased in the United Kingdom, Germany, the Czech Republic, Slovakia, and Croatia, it increased in Poland, the Netherlands, and Hungary.

The **average number of employees** declined year-on-year, primarily due to the lower headcount at T-Mobile Deutschland. In Germany, the spin-off of customer service operations to Deutsche Telekom Kundenservice GmbH affected employee figures within the Group. As a result, Deutsche Telekom has reported former T-Mobile customer service employees in the Broadband/Fixed Network operating segment since the first quarter of 2008. These effects were countered mainly by the inclusion of Orange Nederland and Online (formerly Orange Nederland Breedband B.V.) employees and a sharp increase in the number of PTC employees following the expansion of sales through its own shops.

Mobile Communications USA.

Total revenue in the Mobile Communications USA operating segment grew by 6.3 percent. Growth was significantly stronger when measured in local currency (13.5 percent), on account of U.S. dollar and euro currency movements. The main factor driving this revenue growth was the increase in customer base, including those customers added as a result of the acquisition of SunCom. The acquisition of SunCom in February 2008 contributed EUR 0.5 billion to consolidated revenues during 2008.

EBIT (profit before operations) and **adjusted EBITDA** rose by EUR 0.3 billion year-on-year, respectively, mainly as a result of the continued revenue growth and simultaneous improvement in EBITDA margin. Growth was stronger when measured in local currency, and was reduced by currency movements when T-Mobile USA's results were converted to euros.

Cash capex increased year-on-year from EUR 2.0 billion to EUR 2.5 billion. The increase is primarily due to higher capex in connection with the roll-out of T-Mobile USA's UMTS/HSDPA (3G) network. By the end of 2008, T-Mobile USA's 3G network covered a population of 107 million people in 130 cities.

The average **number of employees** rose year-on-year. The increase is related to sustained customer growth and business expansion and in addition the acquisition of SunCom in February 2008, which added approximately 1,850 new employees.

Broadband/Fixed Network.

Broadband/Fixed Network: Customer development.

	Dec. 31, 2008 millions	Dec. 31, 2007 millions	Change millions	Change %	Dec. 31, 2006 millions
Broadband					
Lines (total) ^{a,b}	15.0	13.9	1.1	7.9	11.3
Of which: retail	12.1	10.2	1.9	18.6	7.9
Domestic ^a	13.3	12.5	0.8	6.4	10.3
Of which: retail	10.6	9.0	1.6	17.8	7.1
International ^{a,b}	1.7	1.4	0.3	21.4	1.0
Fixed Network					
Lines (total) ^{a,b}	33.8	36.6	(2.8)	(7.7)	39.0
Domestic ^a	28.6	31.1	(2.5)	(8.0)	33.2
Of which: standard analog lines	20.3	22.4	(2.1)	(9.4)	24.2
Of which: ISDN lines	8.3	8.6	(0.3)	(3.5)	9.0
International ^{a,b}	5.3	5.5	(0.2)	(3.6)	5.8
Wholesale/resale					
Resale/IP-BSA ^c	2.8	3.7	(0.9)	(24.3)	3.4
Of which: domestic	2.5	3.5	(1.0)	(28.6)	3.2
ULLs ^d	8.4	6.4	2.0	31.3	4.7
Of which: domestic	8.3	6.4	1.9	29.7	4.7
IP-BSA SA ^e	0.2	n.a.	n.a.	n.a.	n.a.
Of which: domestic	0.2	n.a.	n.a.	n.a.	n.a.

Totals were calculated on the basis of precise figures and rounded to millions. Percentages are calculated on the basis of figures shown.

^a Lines in operation excluding internal use and public telecommunications, including wholesale services.

^b International includes Central and Eastern Europe with T-Hrvatski Telekom, Slovak Telekom, and Magyar Telekom including subsidiaries Makedonski Telekom AD and Crnogorski Telekom. T-Online France and T-Online Spain were deconsolidated in 2007 and are not included here. Prior-year figures have been adjusted accordingly.

^c Definition of resale/IP-BSA: Sale of broadband lines based on DSL technology to alternative providers outside the Deutsche Telekom Group including bundled IP-Bitstream Access. In the case of IP-BSA, Deutsche Telekom leases DSL lines to the competitor and transports the datastream carried over the lines via its concentrator network to the associated broadband point of presence where the datastream is handed over to the competitor.

^d Unbundled local loop (ULL) lines in Germany and abroad; wholesale service that can be leased by other telecommunications operators without upstream technical equipment in order to offer their own customers a telephone or DSL line.

^e Definition of IP-BSA stand alone (IP-BSA SA): IP-BSA is a wholesale product not bundled with a Deutsche Telekom PSTN line. Allows competitors to offer an all-IP product range.

In the Broadband/Fixed Network operating segment, the number of **broadband lines** rose by 1.1 million year-on-year to 15.0 million in the reporting year. In Germany, the number of broadband lines increased by 0.8 million to 13.3 million compared with the previous year.

Deutsche Telekom is by far the largest broadband provider in Germany with 10.6 million retail broadband lines. Net additions of 1.6 million retail DSL customers were recorded in 2008. This corresponds to a new customer market share calculated by Deutsche Telekom of around 45 percent. Attractive pricing models, regional pricing campaigns, and improved service are driving this growth.

The number of Entertain lines activated climbed to around 353,000 by year-end. The number of orders received up to this point in time were around 480,000.

Internationally too, the broadband market grew in 2008. With a total of 1.7 million broadband lines, including resale, the Broadband/Fixed Network operating segment achieved a year-on-year increase outside Germany of 326,000 lines.

A drop in the number of **fixed-network** lines was recorded, as expected. The total number of fixed-network lines in Germany decreased by 8.0 percent in 2008 to 28.6 million. The line losses include customers who previously obtained their broadband connection via a fixed network-based DSL resale line from Deutsche Telekom and are now migrating to a ULL-based IP line. The other line losses are mainly attributable to customers switching to other fixed-network, cable and mobile operators.

Demand for unbundled local loop lines (ULLs) in Germany increased by 1.9 million from the end of 2007 to a total of 8.3 million lines. Among other factors, this increase was mainly the result of the migration of DSL resale customers to all-IP lines operated on the basis of ULLs. The decline in DSL resale lines of just under 1.0 million to 2.5 million in 2008 was partly offset by the migration to IP-BSA lines. In the reporting period, Deutsche Telekom provided 206,000 of the IP-BSA stand alone lines introduced mid-year without a PSTN line (unbundled), which the Deutsche Telekom Group sells to competitors as wholesale products.

Broadband/Fixed Network: Development of operations. ^a

	2008 millions of €	2007 millions of €	Change millions of €	Change %	2006 millions of €
Total revenue	21,331	22,690	(1,359)	(6.0)	24,515
Domestic	19,055	20,078	(1,023)	(5.1)	21,835
Of which: network communications	9,026	10,138	(1,112)	(11.0)	11,240
Of which: wholesale services	4,404	4,482	(78)	(1.7)	4,302
Of which: IP/Internet	2,504	2,452	52	2.1	3,000
Of which: other fixed-network services ^b	2,111	2,405	(294)	(12.2)	2,536
International	2,329	2,654	(325)	(12.2)	2,680
EBIT (profit from operations)	2,914	3,250	(336)	(10.3)	3,356
EBIT margin (%)	13.7	14.3			13.7
Depreciation, amortization and impairment losses	(3,612)	(3,675)	63	1.7	(3,839)
EBITDA ^c	6,526	6,925	(399)	(5.8)	7,195
Special factors affecting EBITDA ^c	(903)	(845)	(58)	(6.9)	(1,553)
Adjusted EBITDA ^c	7,429	7,770	(341)	(4.4)	8,748
Domestic	6,461	6,792	(331)	(4.9)	7,903
International	970	979	(9)	(0.9)	845
Adjusted EBITDA margin ^c (%)	34.8	34.2			35.7
Domestic (%)	33.9	33.8			36.2
International (%)	41.6	36.9			31.5
Cash capex ^d	(3,134)	(2,805)	(329)	(11.7)	(3,250)
Number of employees ^e	94,287	97,690	(3,403)	(3.5)	107,006
Domestic	78,808	79,704	(896)	(1.1)	86,315
International	15,479	17,986	(2,507)	(13.9)	20,691

^a T-Online France and T-Online Spain, which were previously assigned to Broadband/Fixed Network, were sold and have no longer been included in the consolidated group of this operating segment since June 30, 2007 and July 31, 2007, respectively. The Scout24 group is reported in the domestic segment as the parent company has its registered office in Germany. ImmobilienScout GmbH has been fully consolidated since November 2007. ActiveBilling was reassigned and, together with T-Mobile Deutschland GmbH's call center operations, included in the Broadband/Fixed Network operating segment effective January 1, 2008.

^b Other revenue from other fixed-network services was reclassified and combined in other fixed-network services. Prior-year comparatives have been adjusted.

^c Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to the section on "Development of business in the Group."

^d Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

^e Average number of employees.

Total domestic revenue in 2008 was down 5.1 percent year-on-year at EUR 19.1 billion. This decline is attributable to the continuing line losses resulting from increased competition, the high acceptance of complete packages (telephony and Internet) with a flat-rate component and falling usage-related charges. Other factors included a volume-related decline in interconnection revenue, lower prices in the broadband market, and decreased purchase of wholesale voice and data products by the Business Customers segment due to price and volume factors. Volume growth in the broadband business and in unbundled local loop lines only partially offset the decline in revenue.

In the network communications area, intense competition caused revenues to fall by 11.0 percent year-on-year to EUR 9.0 billion in the reporting year. The popularity of complete packages was not sufficient to offset the decline in revenue from line losses. In addition, the flat rates reduced call revenues due to the decreasing proportion of billed minutes.

Revenue from wholesale services decreased by 1.7 percent in 2008 to EUR 4.4 billion. Factors included the lower number of interconnection lines and calls based on a reduction in origination services. The decline in DSL resale lines as a result of volume and price factors as well as migration of customers to IP-based lines (IP-BSA) due to lower regulatorily mandated prices also led to a decrease in revenue. The increase in revenue from unbundled local loop lines did not fully offset this decrease.

Revenue in the IP/Internet area in 2008 increased by 2.1 percent year-on-year to EUR 2.5 billion, driven primarily by the full consolidation of ImmobilienScout GmbH and volume growth in terms of DSL complete packages. This positive development was partly offset by effects such as the price cuts resulting from continuing competitive pressure or customer migration from individual DSL components to more favorably priced complete packages.

"Other fixed-network services," comprising the areas of data communications, value-added services, and terminal equipment, recorded a revenue decline of 12.2 percent to EUR 2.1 billion in 2008 due both to a decrease in volumes and, in part, to a reduction in prices.

International revenue in 2008 decreased by 12.2 percent year-on-year to EUR 2.3 billion. This decline can be attributed to the deconsolidation of T-Online France and T-Online Spain, with an impact of EUR 0.2 billion, tough competition in the traditional fixed network, and fixed-mobile substitution in Central and Eastern Europe. The losses in the traditional fixed-network business were only partially offset by dynamic broadband growth and positive exchange rate effects.

Adjusted EBITDA of the Broadband/Fixed Network operating segment decreased by EUR 0.3 billion to EUR 7.4 billion year-on-year. The negative development in international and domestic revenue was not fully offset by a reduction in revenue-related costs, lower market investments, and efficiency gains, as well as the overall positive effects of the changes in the composition of the Group.

Adjusted EBITDA of EUR 6.5 billion was generated **in Germany** in the reporting year, down 4.9 percent year-on-year. The savings, for example, in revenue-driven costs for materials, as well as reduced costs for market investments and third-party services, and lower IT expenses only partly made up for the decrease in revenue in the traditional fixed-network business.

Outside Germany, adjusted EBITDA was almost stable in 2008 at approximately EUR 1.0 billion in 2008. Adjusted for the deconsolidation of T-Online France and T-Online Spain, adjusted EBITDA in Central and Eastern Europe declined due to a decrease in revenue.

EBIT (profit from operations) decreased by 10.3 percent to EUR 2.9 billion year-on-year in 2008. The reasons for this trend are the same as those for EBITDA development.

Cash capex increased by 11.7 percent year-on-year to EUR 3.1 billion. This increase was primarily due to capital expenditure for IT systems and IP platforms in Germany, whereas, in Central and Eastern Europe, the focus of expenditure was above all on network infrastructure, including, to a certain extent, optical-fiber roll-out as well as IP platforms.

Despite staff reductions, the average **number of employees** in Germany decreased by just 896 to 78,808 on account of the newly consolidated companies. Around 4,700 employees were added at the beginning of 2008 following the reassignment of ActiveBilling and the inclusion of T-Mobile Deutschland GmbH's call center operations in the Broadband/Fixed Network operating segment. In addition, junior staff completing vocational training at Deutsche Telekom were given permanent positions. Due to the further use of workforce reduction measures such as partial or early retirement and voluntary redundancies, the transfer of civil servants and salaried employees to other employment opportunities, and the reassignment of staff to Group Headquarters & Shared Services, however, employees left the operating segment.

The average number of employees outside Germany also decreased year-on-year due to the deconsolidation of companies and the improvement of performance processes.

Business Customers.

Business Customers: Key performance indicators.

	Dec. 31, 2008	Dec. 31, 2007	Change	Change %	Dec. 31, 2006
Computing & Desktop Services					
Number of servers managed and serviced (units)	56,734	39,419	17,315	43.9	33,037
Number of workstations managed and serviced (millions)	1.51	1.46	0.05	3.4	1.36
Systems Integration ^a					
Hours billed ^b (millions)	10.7	11.4	(0.7)	(6.1)	10.9
Utilization rate ^c (%)	80.9	80.2	0.7		80.4

^a Domestic: excluding changes in the composition of the Group.

^b Cumulative figures at the balance sheet date.

^c Ratio of average number of hours billed to maximum possible hours billed per period.

Business customers: Development of operations. ^a

	2008 millions of €	2007 millions of €	Change millions of €	Change %	2006 millions of €
Total revenue	11,010	11,987	(977)	(8.2)	12,869
EBIT (loss from operations)	(6)	(323)	317	98.1	(835)
Special factors affecting EBIT ^b	(75)	(478)	403	84.3	(1,180)
Adjusted EBIT ^b	69	155	(86)	(55.5)	345
Adjusted EBIT margin ^b (%)	0.6	1.3			2.7
Depreciation, amortization and impairment losses	(805)	(907)	102	11.2	(946)
EBITDA ^c	799	584	215	36.8	111
Special factors affecting EBITDA ^c	(51)	(478)	427	89.3	(1,180)
Adjusted EBITDA ^c	850	1,062	(212)	(20.0)	1,291
Adjusted EBITDA margin ^c (%)	7.7	8.9			10.0
Cash capex ^d	(839)	(921)	82	8.9	(795)
Number of employees ^e	52,479	56,566	(4,087)	(7.2)	56,595

^a ActiveBilling was reassigned to the Broadband/Fixed Network operating segment as of January 1, 2008. Media & Broadcast GmbH was sold to Télédiffusion de France with effect from January 1, 2008.

^b For a detailed explanation of the special factors affecting EBIT, adjusted EBIT, and the adjusted EBIT margin, please refer to the section on "Development of business in the Group."

^c Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to the section on "Development of business in the Group."

^d Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement. In the first half of 2007 these include outflows totaling EUR 112 million for parts of Centrica PLC taken over by T-Systems UK as part of an asset deal.

^e Average number of employees.

The business customer market for information and communication technology (ICT) services again saw intense competition and price pressure in 2008. Despite a 5.1 percent year-on-year decrease in the number of orders received not adjusted for consolidation effects, T-Systems increased the number of orders in operational terms by 5.2 percent year-on-year. The positive development of directly comparable new order levels on an adjusted basis underlines the fact that T-Systems is on the right track with its new sales and marketing approach and its ability to provide ICT and telecommunications services worldwide. Examples of this include the new deals concluded with Alcatel-Lucent and Stora Enso. In addition, the focus on major cross-border outsourcing activities is already contributing to T-Systems' continued international growth. Examples of this are the large contracts with the energy and petrochemicals group Royal Dutch Shell and Siemens (networking its locations in Eastern Europe) and the South African insurance company Old Mutual Group (IT outsourcing).

Total revenue in the Business Customers operating segment in 2008 amounted to EUR 11.0 billion, a year-on-year decrease of 1.2 percent when adjusted for effects of changes in the composition of the Group and exchange rate effects. Reported revenue declined by 8.2 percent, primarily as a result of changes in the composition of the Group. Both internal and external revenues were affected by this trend. The positive development of international business, for instance as a result of the contracts with corporate customers such as Shell, continued in the reporting period with an increase in revenue of 7.4 percent. In Germany, revenue adjusted for changes in the composition of the Group declined by 4.3 percent, whereas reported revenue was down by 12.3 percent. The decrease in domestic revenue is attributable both to the continued price erosion in the telecommunications and IT business and to the sale of Media & Broadcast and the reassignment of ActiveBilling.

The Business Customers operating segment generated revenue of EUR 8.5 billion in 2008 from business with customers outside the Deutsche Telekom Group, a decrease of 5.7 percent compared with the prior year. Initial successes from the strategic partnership with Cognizant and revenue from the large-scale contract with the energy and petrochemical group Royal Dutch Shell were not sufficient to compensate for the price-driven decrease in revenue in the area of Systems Integration. Telecommunications also recorded a decline that was partly attributable to changes in the composition of the Group and partly to significant price erosion in the voice and data business. The increase in IP revenues was not sufficient to offset this development. Net revenue from Computing & Desktop Services increased by 3.1 percent despite deconsolidation effects. The contracts won in this segment more than offset falling prices in the mainstream IT business at Computing & Desktop Services.

The slight decline in adjusted revenue from operations did not have a negative effect on **EBIT** and **EBITDA** development. **Adjusted EBITDA** was at prior-year level when the deconsolidation of Media & Broadcast and the reassignment of ActiveBilling are taken into account. On a like-for-like basis (deconsolidations), **adjusted EBIT** (loss from operations) even improved, which can be attributed to the cost cutting and efficiency enhancement program launched.

Cash capex in the reporting year was lower than in the previous year. Investments in Centrica were primarily responsible for the development of cash capex in the prior year.

The average **headcount** in the Business Customers operating segment declined by 4,087 to 52,479, a decrease of 7.2 percent compared with the prior year. The sale of Media & Broadcast and the reassignment of ActiveBilling to the Broadband/Fixed Network operating segment at the beginning of 2008 reduced the number of employees by approximately 3,000 compared with 2007. The remaining reduction is due to the staff restructuring measures initiated in 2007. As a result, the average number of employees in Germany declined by 5,944 year-on-year to 34,383 in 2008, a decrease of 14.7 percent. The average headcount abroad rose by 1,857 – an increase of 11.4 percent. This was mainly attributable to the internationalization strategy.

Group Headquarters & Shared Services.

Group Headquarters & Shared Services: Development of operations.

	2008 millions of €	2007 millions of €	Change millions of €	Change %	2006 millions of €
Total revenue	3,573	3,868	(295)	(7.6)	3,758
EBIT (loss from operations)	(1,198)	(1,973)	775	39.3	(2,138)
EBIT margin (%)	(33.5)	(51.0)			(56.9)
Depreciation, amortization and impairment losses	(831)	(967)	136	14.1	(947)
EBITDA ^a	(367)	(1,006)	639	63.5	(1,191)
Special factors affecting EBITDA ^a	(336)	(898)	562	62.6	(730)
Adjusted EBITDA^a	(31)	(108)	77	71.3	(461)
Adjusted EBITDA margin ^a (%)	(0.9)	(2.8)			(12.3)
Cash capex^b	(435)	(471)	36	7.6	(508)
Number of employees^c	22,808	27,023	(4,215)	(15.6)	30,755
Of which: at Vivento ^d	8,200	10,200	(2,000)	(19.6)	13,500

^a Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to the section on "Development of business in the Group."

^b Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

^c Average number of employees.

^d Number of employees at the balance sheet date, including Vivento's own staff and management; figures rounded.

Vivento had three main tasks in the reporting year: the acquisition of additional external employment opportunities for civil servants and employees, in particular in the public sector, sustainable placement management to support staff restructuring, and the continued improvement and sale of additional sites of Vivento Customer Services GmbH (VCS).

During the reporting period, Vivento sold a total of ten more VCS call center sites. Five sites were transferred to the arvato group effective March 1, 2008. A further five sites were moved to the D+S europe group effective December 1, 2008. A total of some 740 employees moved to different employers as a result. Deutsche Telekom supported all transfers of operations with five-year contract commitments, thus providing the prerequisites for long-term job security for the employees affected by these disposals.

Vivento made an important contribution to cutting costs and therefore to the associated staff reduction within the Group with the sale of the operations of Vivento Technical Services GmbH (VTS) to Nokia Siemens Networks. Effective January 1, 2008, a total of around 1,600 employees started work for their new employer as part of the transfer of operations.

The workforce at Vivento totaled around 8,200 employees as of December 31, 2008. This figure comprises around 500 of Vivento's own staff including management, approximately 2,400 call center unit employees, around 3,000 employees assigned to projects set up together with the German Federal Employment Agency and to other positions, mainly in the public sector, as well as around 2,300 additional transferees. External deployment at normal market terms and conditions is intended to partially refinance the personnel costs of employees assigned. Vivento took on a total of around 2,600 employees from the Group in 2008, bringing the total number of Deutsche Telekom staff transferred to Vivento since the establishment of the personnel service provider to around 41,100. In addition, around 4,600 employees left Vivento in the reporting period to pursue new employment opportunities. Approximately 32,900 employees have thus found jobs outside Vivento since its formation. The employment rate remained high in 2008. During the reporting period, around 81 percent of the approximately 7,700 employees (excluding Vivento's own staff and management) were in employment or undergoing training.

Deutsche Telekom sold its wholly owned subsidiary DeTe Immobilien, which provides real estate services for Deutsche Telekom, to the Austrian company Strabag SE in the third quarter of 2008 as part of its strategy of focusing on its core business. The sale also included the two foreign subsidiaries of DeTe Immobilien, DeTelmmobilien – Hungary Szolgáltató Zártkörű Részvénytársaság and DeTelmmobilien-Slovakia s.r.o. Deutsche Telekom concluded far-reaching agreements to safeguard the jobs and to regulate the financial conditions of employment of the around 5,900 employees affected by the sale. In addition, a comprehensive service agreement with an initial term of ten years was concluded with Deutsche Telekom based on market and industry benchmarks. Deutsche Telekom's real estate is not affected by the sale.

Streamlining and improving the real estate portfolio remained a key property management issue in the 2008 financial year. Deutsche Telekom closed a total of 298 sales deals in the reporting year, involving 153,000 square meters of floor space and 1.1 million square meters of land. Cash inflows from the disposal of real estate totaled EUR 0.1 billion in 2008. Deutsche Telekom reduced leased floor space by another 172,000 square meters, thanks to the ongoing activities to optimize floor space and corporate sites. Overall, the Group again cut its leasing and facility management costs in 2008.

To increase its competitiveness and safeguard the future of its accounting in Germany, Deutsche Telekom established Deutsche Telekom Accounting GmbH on April 1, 2008 with the objective of modernizing and streamlining the financial accounting process and utilizing economies of scale by merging locations. To this end, Deutsche Telekom has efficiently bundled accounting functions that were previously assigned to the operating segments in a function-oriented shared service center which standardizes and automates mass accounting processes throughout the Group. The new company successfully completed its first location migrations in the reporting period, thus initiating the intended cost improvement process.

Total revenue in the Group Headquarters & Shared Services operating segment fell by 7.6 percent year-on-year in 2008. A major factor behind this trend was the revenue decrease at Vivento due in particular to the sale of VTS operations, the disposal of call center locations of VCS and price cuts in the call center unit. In addition, revenue declined in the Real Estate Services unit. This was primarily the consequence of the decline in revenue at Deutsche Funkturm GmbH, the sale of DeTe Immobilien to Strabag, and the lower level of facility management services, in particular for collocation, billed to the operating segments of the Group by the Real Estate Services unit. Volume-driven growth in revenue at Power and Air Condition Solution Management GmbH & Co. KG and increased revenue at DeTeFleetServices GmbH as a result of a higher level of proceeds from vehicle sales as part of a regular replacement process both had a positive effect on total revenue. Deutsche Telekom Accounting GmbH, which was established in the 2008 financial year, additionally generated revenue from charging the operating segments for accounting services.

Year-on-year, Group Headquarters & Shared Services improved its **adjusted EBITDA** by EUR 0.1 billion. This is primarily attributable to higher EBITDA achieved by the Real Estate Services unit and at Vivento, the former profit- ing in the reporting period from income from the reclassification of real estate from assets held for sale to non-current assets in particular as well as income from the recognition of a receivable for a refund of electricity tax paid and lower provisions. The sale of the VTS operations, the disposal of call center locations, and a year-on-year reduction in headcount due to the staff fluctuation at Vivento also had a positive effect on adjusted EBITDA. Lower income from real estate sales and the decline in revenue following price cuts in the call center unit partially offset these factors contributing to the improvement in EBITDA. **EBIT** (loss from operations) improved by EUR 0.8 billion year-on-year in 2008, mainly as a result of the decrease in expenses for staff-related measures. Furthermore, the decrease in depreciation, amortization and impairment losses, which principally affect Deutsche Telekom AG's real estate assets, and the substantial improvement in adjusted EBITDA also had a positive effect.

The average **number of employees** during the reporting period was 22,808. The decrease of 4,215 employees compared with the 2007 financial year is primarily attributable to the continued staff reduction at Vivento, which is mainly due to the sale of the VTS operations and the disposal of call center locations. The disposal of DeTe Immobilien was also reflected in the average number of employees.

Corporate responsibility.

New fields of activity for more responsibility // Supply chain management: E-TASC set up

As part of the further development of its corporate responsibility (CR) strategy in 2008, the Deutsche Telekom Group set itself the goal of becoming an international leader in the field of CR. The strategy defines a common understanding of corporate responsibility throughout Deutsche Telekom, establishing a framework of activities for all Group units. A separate CR department, which also carries out tasks such as environmental management and CR reporting, has provided the interface to a new, efficient organizational structure since early 2008. Assigning this department to the Chairman of the Board of Management has enabled corporate responsibility to be managed uniformly throughout the Group. In the future, CR will focus on three new fields of activity: climate protection ("low-carbon society"), equality of opportunity in the information society ("connect the unconnected"), and "connected life and work." With this approach, Deutsche Telekom intends to unite social and environmental commitments with economic growth in its core business. The printed CR report for 2008 and the CR online report at <http://www.telekom.com/cr-report2008> contain further information on the CR strategy and the core CR topics.

New fields of activity for more responsibility.

Deutsche Telekom's contributions to the **low-carbon society** include increased usage of renewable energies, efficient resource and waste-disposal management, digitized business processes, and the development of state-of-the-art communications solutions. Renewable energies have met the Group's entire power requirements in Germany since January 2008. Apart from the proportions of renewable energy contained in the German power mix, this is effected indirectly through the purchase of certificates from the Renewable Energy Certificate System (RECS). In addition, T-Systems, for example, has boosted energy efficiency by optimizing its own data centers as part of the Green IT concept. Customers can avoid business or shopping trips thanks to products and services such as audio and videoconferencing and special Internet-based services that enable them to download music tracks, for instance. The new energy- and cost-efficient telephones from the Sinus range not only save power but are low cost and can also be disposed of in an environmentally friendly manner. Throughout their lifecycle, Deutsche Telekom offsets the CO₂ emissions through climate protection measures elsewhere. In 2008, Deutsche Telekom sold around 751,000 climate-neutral phones from the Sinus range.

Deutsche Telekom has set itself the goal of providing as many people as possible with access to digital media (**connect the unconnected**) to bridge the digital divide. To this end, the Group supports initiatives that promote the integration of people in the information and knowledge society. Examples include the practically nationwide expansion of broadband

networks (covering approximately 96 percent of Germany at the end of 2008) and the Telekom@School initiative that already provides free Internet access for around 34,000 schools in Germany. Since 2003, Deutsche Telekom has also supported the German aid organization "Ärzte für die Dritte Welt" (Doctors for Developing Countries). By setting up a state-of-the-art ICT infrastructure, the Group is leveraging its core competencies for the organization's benefit. Furthermore, Deutsche Telekom provides the organization's volunteers with funding, logistics and know-how.

Connected life and work is a central element of Deutsche Telekom's business activities. The Group develops innovative solutions that help customers improve their quality of life and work. One groundbreaking example is the Motiva telemedicine project launched in the T-City Friedrichshafen, which enables the remote diagnosis of patients with heart failure. Within the Group itself, various diversity management programs have made an important contribution toward improving the connection between life and work. Such initiatives include the Deutsche Telekom Family Fund or the current "Heimspiel" (Home Match) project, designed specifically to help fathers achieve a balance between family and work commitments.

Further achievements in 2008: Supplier management and rating results.

Already, Deutsche Telekom is a trailblazer in numerous key areas of CR including sustainable supply chain management. As procurement goes global, the risk of suppliers failing to consistently maintain minimum social and environmental standards increases. To lessen this risk, Deutsche Telekom introduced the online supplier information system E-TASC (Electronics – Tool for Accountable Supply Chains) throughout the Group at the end of 2007. E-TASC helps evaluate the social and environmental performance of suppliers and estimate risks more effectively. Deutsche Telekom requested self-assessments from 100 of its key suppliers by the end of 2008. After all relevant information has been stored in the system, 62 percent of the entire purchasing volume will be covered. Top positions in Socially Responsible Investment (SRI) ratings and rankings are renewed testimony to the Group's CR performance. In 2008, Deutsche Telekom was once again included in the U.K. FTSE4Good sustainability index and the Dow Jones Sustainability Index (DJSI) family. The DJSI lists the top 10 percent in each industry according to the best-in-class principle. In the same year, Deutsche Telekom also won the SAM Gold Class 2008 award and a recommendation as "prime investment" from the Munich-based rating agency oekom.

Research and development.

Deutsche Telekom research and development activities // Successful transfer of results within the Group // Cooperation with research institutions in Germany and abroad // Open innovation

In 2008, Deutsche Telekom added further key elements to its research and development strategy in order to become a global leader in connected life and work. Apart from laying the focus on innovation for the benefit of the Group as a whole and the successful placement of innovative products on the market, the Group also promoted the strategy of open innovation as a further key element of R&D.

Deutsche Telekom research and development activities.

The Product & Innovation department steers innovation activities and is responsible for coordinating research and development, innovation management and innovation marketing as well as corporate venture capital across the Group. Deutsche Telekom Laboratories, the Group's central research and development unit, has become a byword for world-class international research and the development of unique selling propositions in pioneering products and services for Deutsche Telekom customers. Deutsche Telekom Laboratories focuses primarily on topics and new technologies that are expected to be rolled out or market-ready in one-and-a-half to five years. Responsibility for shorter-term product development and product innovation lies directly with the international product house, which was established in 2007, or with the Group business units. In 2008, the work carried out by the product house gained further momentum in its consistent development of cross-segment products and services. As a consequence of this approach, Deutsche Telekom is well positioned to compete in the marketplace going forward with its best-in-class products and services for both fixed and mobile networks.

Innovation Development Laboratory.

As an affiliated institute of the Berlin University of Technology (TU Berlin), Deutsche Telekom Laboratories facilitates close knowledge sharing between the scientific community and industry based on a public/private partnership model. Deutsche Telekom Laboratories is divided into two areas: the Innovation Development Laboratory and the Strategic Research Laboratory. The research work of the Innovation Development Laboratory is geared to Deutsche Telekom's research and development strategy and focuses on **five fields of innovation** set up in 2004, known as the "5i"s:

- As part of **Intuitive Usability**, Deutsche Telekom develops methods and tools to incorporate usability aspects from the early stages of developing telecommunications services. Researchers also analyze user groups and user experiences while implementing new forms of interaction to make using current and future devices, services and applications more intuitive and user-friendly. One key area in this respect relates to multimodal user interfaces and intelligent system architectures.
- The **Integrative Service Components** field develops concepts for service and network convergence and specific modules tailored to a range of applications and areas of daily life. These include using multimedia on the television, PC, mobile phone or in the car. This area also covers machine-to-machine interaction, personalized and smarter services as well as secure identity and transaction management for the customer. These components can be used to implement innovative information, communication, entertainment and e-commerce services efficiently and rapidly.
- **Intelligent Access** aims to ensure that customers are automatically offered the best service available regardless of the device and network used, anywhere – whether on the move, at home or at work – and at any time. This field of innovation also aims to improve the performance and efficiency of wireless access networks, provide new user groups with access to network-centric service modules, and also facilitate extensive network, device and service management in the area of personal home networks.

- The **Infrastructure** field develops innovations for Deutsche Telekom's basic ICT structures. The scope of this area not only includes platforms, communications networks and IT architectures but also production-oriented issues such as security, bandwidth and product lifecycle management.
- **Inherent Security** addresses customers' needs for end-to-end security in their communication applications. Security is an integral part of Deutsche Telekom's products, services and solutions. Users should be able to reliably identify who they are communicating with via the network to ensure that transactions and agreements can be concluded securely. Deutsche Telekom is also identifying and developing applications that protect its own systems against failure and misuse.

User-driven innovation utilizes sophisticated innovation market-research methods to ascertain the customer needs that play a central role in the activities of the Innovation Development Laboratory. In this context, "user clinics" provide a way of testing the user-friendliness and acceptance of innovation concepts and prototypes at an early stage. Alongside traditional methods like focus groups and large-scale field tests, they allow many strategic and technical decisions to be taken in the early stages of innovation development.

The Innovation Development Laboratory's responsibilities also include **early detection of technological trends**. New ideas that are relevant to the Group are exploited and made usable by Deutsche Telekom using a host of state-of-the-art and scientifically tested methods such as the "technology radar."

Strategic Research Laboratory.

The Strategic Research Laboratory at Deutsche Telekom Laboratories carries out long-term, applied research. It is here that researchers drawn from a variety of disciplines provide the basic knowledge for tomorrow's information and communications technologies. Approximately one third of them come from Germany, one third from other European countries, and the remainder from countries outside Europe. The Strategic Research Laboratory also makes a notable contribution to teaching at TU Berlin. To this end TU Berlin and Deutsche Telekom have set up four professorships: Quality and Usability, Intelligent Networks, Interaction Design & Media, and Security in Telecommunications.

The scientific research conducted at Deutsche Telekom Laboratories has received international acclaim and attracts visiting researchers from around the world. Numerous patent applications and scientific papers are testimony to this success. The results are widely acclaimed, as demonstrated by the large number of awards won by employees. For instance, the Speech Based Classification (SBC) project has already received numerous awards. For its solutions for secure authentication on the Internet, Deutsche Telekom received the IDDY Award 2008, an accolade conferred by the Liberty Alliance, the global identity consortium dedicated to providing a more reliable Internet for end users, governments and enterprises. A scientist from the Strategic Research Laboratory also won the award for an outstanding paper sponsored by the Information Technology Society (ITG) within the Association for Electrical, Electronic & Information Technologies (VDE).

Successful transfer of results.

The most important goal of these joint efforts is to transfer the results into the Group units, where they can be used to generate new products and services for Deutsche Telekom customers. This transfer gained further momentum in 2008. A host of findings were picked up by the operating segments, where they helped to increase revenue and reduce costs way above the initial forecasts. The mobile shopping assistant for Metro AG is just one such example. T-Mobile also rolled out Speech Based Classification as part of its voice-controlled customer service portal. Insights from the Generation 50+ project also found their way directly into the design of the Sinus A 201 telephone. Concepts from the Personalized Intelligent User Interfaces (PIUI) project were instrumental in the definition of the web'n'walk 4.0 service T-Mobile unveiled at CeBIT 2008. A value-tracking system regularly checks and monitors the value creation associated with all development projects.

In the 2008 reporting year, Zimory became the second spin-off from Deutsche Telekom Laboratories. Zimory is the world's first company to develop and operate an international trading platform for IT infrastructure resources. The patented Web 2.0 technology behind Zimory allows spare data-center capacity to be provided and accessed dynamically and on demand.

Cooperation with research institutions in Germany and abroad.

As a member of international forums and committees, Deutsche Telekom helps shape future products and services. Using these organizations as a platform, the Group secures its own interests and its customers' needs and through its standardization activities, ensures high quality and interoperability of services.

Deutsche Telekom intensified its cooperation with the State of Israel and Israeli start-ups during the reporting year. In addition to the very successful partnership with Ben-Gurion University in Israel and the Deutsche Telekom Laboratories' subsidiary institute based there, in October 2007 the Group became the sixth company in the world and the first company in the industry to sign up to Israel's Global Enterprise R&D Cooperation Framework. Deutsche Telekom supports selected Israeli companies in research and development as part of this cooperation. The firms also receive financial support from the Israeli Ministry of Industry, Trade and Labor to establish and develop marketing activities, technology development, and customer access. Since January 2008 more than 70 companies have responded to the call to Israeli start-ups to take part in this program with Deutsche Telekom – the largest ever number of participants to join the initiative. In a joint selection process, Deutsche Telekom and the Office of the Chief Scientist of the State of Israel selected the final candidates with the aim of agreeing partnerships for ongoing cooperation.

Deutsche Telekom Laboratories boasts an international partner network involving acclaimed research institutions, such as the German Research Center for Artificial Intelligence (DFKI), the University of Illinois at Urbana-Champaign, Ecole Polytechnique Fédérale de Lausanne, Stanford University and Shanghai Jiao Tong University. Last but not least, Deutsche Telekom Laboratories supports outstanding doctoral students at various universities through its PhD Advisor Mentor (PAM) program.

T-Venture, Deutsche Telekom's venture capital arm, finances and supports innovative telecommunications and IT companies during their start-up phase. In 2008, the T-Online Venture Fund invested in the Chinese start-up "Guangzhou 1 bib software development." The company operates an online marketplace for new and used cars, trucks, buses and coaches in China. The strategic investment underscores the growing importance of emerging countries such as China. 1 bib has a great deal of development potential and operates in a highly attractive market. For T-Venture as Deutsche Telekom's venture capital provider, it is important to be closely involved in these major, promising markets.

Open innovation.

Deutsche Telekom pursues the principle of "open innovation." Opening up innovation processes facilitates an extensive exchange of ideas and information between selected institutions and companies. The goal is to leverage synergies, exchange research results, and efficiently develop those results. The global potential of new technologies is thus substantially increased, enabling new applications to be rolled out faster.

Deutsche Telekom embraces open innovation on numerous levels. Examples include Innovation Day, the Deutsche Telekom Interactive TV Award, the Creation Center, the BetaBuzz online test lab, and the open development project Helios. At Innovation Day, outstanding start-ups together with Deutsche Telekom teams present their joint project results to a wide circle of industry representatives and partners. This forms the basis for further promising cooperation right through to a joint product. Deutsche Telekom thus utilizes and shapes trends for the mass market from a very early stage. The Deutsche Telekom Interactive TV Award aims to further develop television via DSL. Thanks to interactive services and networked community applications, in future viewers will enjoy a much more convenient experience that delivers far more added value than conventional television. The Creation Center operated jointly by Deutsche Telekom Laboratories and T-Mobile is an innovative platform that brings together managers, customers and creative people to generate new ideas for future T-Mobile products. The Creation Center did not take long to come up with its first successful results. The BetaBuzz online test lab is by no means just an online playground for curious users. It gives start-ups unfiltered responses from a large community and allows them to present their own creations to a wide audience. So in addition to being a potential catalyst for business growth, BetaBuzz also delivers valuable feedback straight from the users. With the Helios development project, developers and programmers have the opportunity to integrate services from the Deutsche Telekom Group in their own websites and applications. For the first time Deutsche Telekom is opening up some of its voice, messaging and authentication services as well as interesting back-end solutions to developers and website operators. Using open interfaces (APIs) developers can integrate Deutsche Telekom core services into their own innovative applications and combine these services to create new offerings. At <http://developer.telekom.com>, developers can download a software development kit (SDK) free of charge and discuss issues with their peers and the Deutsche Telekom experts. All of this gives rise to a wealth of new products – mash-up in Internet parlance. Deutsche Telekom gains access to new business models, innovative services and

talented developers. Maximum use of existing services by the entire creative external developer community opens up new sources of revenue. In addition to reinforcing innovative strength, simultaneously shifting the risk associated with developing new products and services to external developers has brought distinct advantages for Deutsche Telekom in the ever-changing telecommunications market.

At the same time, Deutsche Telekom is sustainably building up its internal expertise in developing state-of-the-art Internet applications. The product house is an important competence center in the Group for developing software for connected life and work.

Successful innovation in the segments.

The Mobile Communications business area focused on the mobile Internet as the main growth driver. T-Mobile invested in the further expansion and optimization of networks for mobile Internet access via cell phones, mobile Internet devices and mobile personal computers in 2008. The focus in Europe was on further upgrading third-generation networks (3G) in regions with heavy mobile data communication traffic. HSDPA technology supporting data rates of up to 7.2 megabits per second from base stations to devices and HSUPA delivering up to 2.0 megabits per second upload speeds provide the basis for high-speed connections. EDGE data transmission technology was also optimized in the second-generation networks, delivering a performance boost of around 20 percent.

T-Mobile UK tackled a particular network-optimization project: The British mobile subsidiary and network operator 3 UK merged their existing 3G base stations under the umbrella of the joint venture Mobile Broadband Network Limited (MBML) in order to build an optimized network they operate together. The mid-term aim of this network-sharing project is to deliver improved, largely universal coverage of the UK population with broadband mobile communications, while reducing the number of sites by 30 percent at the same time.

Across the Atlantic, T-Mobile USA started commercial operation of 3G with HSDPA. At the end of 2008, the company was offering its customers download speeds of up to one megabit per second in more than 130 major cities across the United States.

To further increase transmission capacity and improve wireless coverage inside buildings, T-Mobile is testing the use of so-called femtocells in Europe. Thanks to miniaturization, femtocells provide base station functionality in the guise and dimensions of a typical WLAN router. Plug&play enables femtocells to connect automatically to the T-Mobile network via the customers' existing broadband/DSL lines.

T-Mobile is driving forward medium-term network development through the Next Generation Mobile Networks (NGMN) Alliance. At CeBIT 2008, T-Mobile showcased the next development stage in the shape of Long Term Evolution (LTE) as a potential NGMN technology. LTE supports data transmission rates of up to 170 megabits per second (downlink) and 50 megabits per second (uplink). In the fourth quarter of 2008, T-Mobile in Bonn launched the world's first field test of LTE together with a technology partner. Multiple radio cells cover an urban area in which, for instance, broadband-intensive and time-critical applications such as videostreams and online games can be used interruption-free in a moving vehicle.

In addition to networks, T-Mobile focused in 2008 on developing and rolling out high-end devices that support the usage of the mobile Internet with unprecedented quality. Following the launch of the Apple iPhone 2G in practically all European T-Mobile companies, T-Mobile initiated the next development stage with the iPhone 3G in July 2008. T-Mobile is also adopting open, configurable terminal equipment platforms. The company launched the latest generation of Windows Mobile devices, the T-Mobile MDA Compact IV and Vario IV. As a founding member of the Open Handset Alliance, T-Mobile was also involved – under the direction of Google – in developing the Android open platform. As a result of this development, in October 2008 T-Mobile exclusively launched the T-Mobile G1, the world's first Android-based device, in the United States and the United Kingdom. The T-Mobile G1 was rolled out in Germany and other core European markets starting in February 2009. T-Mobile G1 users can choose from several hundred applications across a full range of categories via the Android Market online store, thus customizing their mobile Internet applications to suit their personal requirements.

T-Mobile also expanded its portfolio of mobile Internet-capable PCs, laptops and – the latest category – netbooks with data cards, USB modems, and broadband modules already built in. T-Mobile has been working closely with device manufacturers to popularize the use of mobile Internet communications.

T-Mobile once again substantially improved mobile Internet usage via cell phones with the latest widget technology in its web'n'walk product. Users can choose from a wide range of widget-based Internet applications to tailor their personal Internet experience. Another key area of development focused on integrating communities and other Web 2.0 applications in T-Mobile's personal communications services. T-Mobile extended its service portfolio in the second half of 2008 by rolling out instant messaging on cell phones. The new service can be used with the four largest communities AOL Instant Messenger, ICQ, Windows Live Messenger, and Yahoo! Messenger, with support for the kind of instant messaging that customers are familiar with from their home PC.

T-Mobile also systematically developed the quality of mobile voice telephony in 2008. As part of large-scale tests, the company tested enhanced voice transmission based on adaptive multi-rate wideband (AMR) technology and completed the preparations for its launch of 2G and 3G networks and devices. T-Mobile customers will thus soon be able to experience mobile telephony in high-fidelity quality. As regards future services, T-Mobile is involved in projects such as Touch&Travel from Deutsche Bahn AG. As part of the project, the companies involved have selected several bus and train routes to test the usage of electronic tickets on cell phones using near-field communications technologies (NFC).

Broadband/Fixed Network built on its innovative product portfolio. Transformation of the product landscape into an IP-based platform.

Launched in 2007, the IPTV product T-Home Entertain was consistently developed to support new content and numerous new product features. For instance, Entertain customers can now view their holiday snaps and listen to their favorite music on a TV set. Customers can also use the Program Manager while out of the house to program the set-top box and manage their recordings. Bundesliga Interactive provides access to one of the first interactive TV services in the German market.

In 2008, the operating segment continued to systematically transform its product landscape from a circuit-switched PSTN to an IP-based platform with a wide range of benefits such as simpler user interfaces, computer-telephony integration, and improved voice quality.

The Personal Social Network (PSN) unit at Deutsche Telekom's product house also brought numerous successful products to market:

On August 28, 2008, Deutsche Telekom launched a freemail product based on the latest AJAX technology and with its own new innovative design. For the first time, this allows customers without a Deutsche Telekom Internet connection to use a high-quality, secure e-mail address from Deutsche Telekom.

Two further key components to network Deutsche Telekom customers more effectively were launched at IFA 2008: My Software and the new Media Center. My Software is a new attractive software suite that bundles corporate services and personalized information on the desktop. The use of the very latest technologies and usability concepts represents the first step in continuing the success story of Software on new operating systems. The all-new Media Center reflects the increasing popularity of storing and sharing photos and videos. The state-of-the-art, easy-to-use Web 2.0 interface now offers users extensive media-specific functions such as a music and video player with the new photo, music and video environments.

Offering more than six-and-a-half million music tracks, almost three million of which are in the copy-protection-free MP3 format, www.musicload.de is the most popular music download portal. In addition, the German Institute for Service Quality (DISQ) singled Musicload out as the Best Music Portal 2008. The market-leading www.gamesload.de range exclusively launched NEOGEO games by the Japanese gaming machine manufacturer SNK PLAYMORE on the German market at the end of 2008. www.softwareload.de supplemented its range of more than 29,000 software titles with a downloadable PC magazine and its own security package for PC and mobile devices at the end of the reporting year. Since mid-2008, the range of titles has also included mobile software programs for major operating systems such as SymbianOS, Windows Mobile, Blackberry and PalmOS. The video download service, www.videoload.de, extended its cooperation agreement with Warner Bros. in May 2008, making movies available as soon as the DVDs are released for sale. Deutsche Telekom's Entertain customers also benefit from this arrangement as they can use their TV set to directly access the films offered by Videoload.

Another example of successful product developments from Deutsche Telekom subsidiaries is the new, personalizable homepage of the Scout24 group at www.scout24.de. This enables users to centrally manage their personal searches on all Scout24 sites (car, dating, electronics, finance, property, jobs and travel) and compile additional information from each of the various marketplaces.

In 2008, Deutsche Telekom launched a sophisticated Software as a Service (SaaS) product, an IT software service aimed specifically at business customers. This service allows even small enterprises to use professional software applications such as efficient e-mail communications based on Microsoft Exchange without having to set up a costly, complex infrastructure as software, operation and maintenance are leased from Deutsche Telekom. In tune with the trend of increasing mobility, the IT software service also supports the use of Windows Mobile, Blackberry and iPhone to provide mobile e-mail communications. Moreover, a wealth of other software products can be used without having to install them on the computer. They can therefore be used by multiple members of staff on the move.

Business Customers segment continues work on integrated ICT solutions.

Systematic technology scouting in cooperation with the T-Laboratories underpinned innovation efforts to develop solutions that integrate IT and telecommunications technologies in line with customers' needs. The assimilation of relevant trends, a close dialog with customers and partners, and a wealth of staff-generated ideas from several organizational units formed the basis for the innovation projects launched in 2008. In addition, continuous innovation cooperation gained further importance, especially as part of long-term customer relationships, such as major outsourcing contracts. The Business Customers operating segment launched innovation projects to address topics such as the dynamic and flexible usage of software and services from the Net, or user-centric standardized communication and collaboration. The projects also included solutions for mobile work, communication between distributed machines and sensors, including corresponding data preparation, as well as the ever-increasingly important issue of security.

Environmental considerations and increasing energy costs were another focus of the innovation activities of Deutsche Telekom's Business Customers segment. One example is remote electronic metering of electricity, gas, water and heating. To make corporate processes and structures even more flexible, in the reporting year experts worked on modular, service-oriented solutions that will make application software available for a faster modification of IT systems in response to organizational changes.

T-Systems received two awards for its security solution as part of the European TeleTrusT Innovation Award 2008: one for voice encryption for mobile networks and the other for a solution for mobile devices that monitors security requirements associated with locations and ensures compliance. The 2008 "Oscar" of the telematics sector also went to T-Systems. At Telematics Detroit 2008, the company received the Telematics Award in the category Best Telematics Service and Application for Commercial Vehicles for its intelligent Tracking Management (iTM) solution.

Automation, standardization and virtualization are the topics at the heart of internal process innovation. Dynamic usability of applications and infrastructure resources, which had been on the agenda for a number of years, became a major factor in the market in 2008. It is under constant development as an integral part of software applications and network operations.

Research and development expenditure and investment.

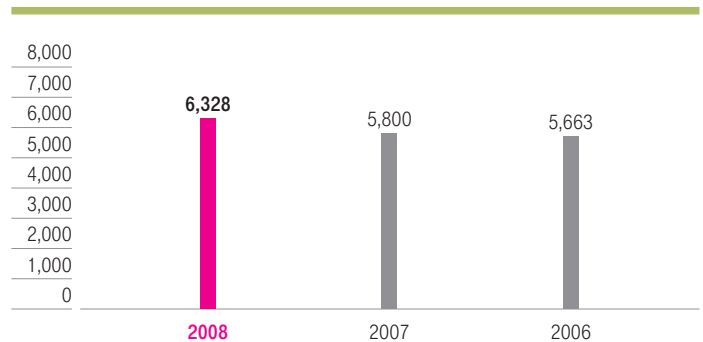
Research and development expenditure amounted to EUR 0.2 billion in the 2008 financial year, the same level as in previous years. The investments in internally generated intangible assets to be capitalized rose by EUR 0.1 billion year-on-year to EUR 0.4 billion. These investments principally relate to internally developed software, mainly for the Broadband/Fixed Network and Mobile Communications segments. In the reporting year, over 2,400 employees were involved in projects and activities to create new products and market them more efficiently.

Patent applications and intellectual property rights.

In the market for mobile and fixed-network telephony, intellectual property rights play an extremely important role, both nationally and internationally. For this reason, the Group focuses intensively on in-house development and third-party acquisition of such rights.

The number of patent applications increased in 2008 by 23 percent year-on-year to 665. 6,328 intellectual property rights (inventions, patent applications, patents, utility models, and design models) were held as of the end of 2008. The portfolio is reviewed on a regular basis, and the rights that are no longer relevant are eliminated. Management of these intellectual property rights is governed by strict cost/benefit considerations.

Number of intellectual property rights of Deutsche Telekom.



HR strategy // Socially responsible staff restructuring // Collective bargaining in the Group // On track to achieve service excellence // Realignment of ideas management // HR@2009 – service takes center stage in human resources work

The global realignment of the telecommunications industry, the rapid pace of technological development and the tough competition in the fixed-network and broadband markets posed acute challenges for Deutsche Telekom in the areas of workforce reduction, restructuring and expansion. The Group had to adjust its staff structure in various markets to account for changes in business volumes and customer numbers. The company not only consistently improved the age structure of its workforce, but also raised the number of junior staff in Germany in particular to retain and increase its market shares.

One mission, four drives, eleven projects.

Deutsche Telekom operates in dynamic markets and competitive environments where structural conditions vary widely from one country to another. Thanks to efficient personnel work, built on a mission with four strategic cornerstones, Human Resources (HR) supports 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 sustainable 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 of eleven top strategic HR projects.

Staff restructuring continued on a socially conscious basis.

Staff reduction within the Group in Germany continued on a socially conscious basis in 2008. This 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. The 32,000 Program launched in 2005 was concluded ahead of schedule. Deutsche Telekom will continue its staff reduction activities to the extent necessary, however, in response to intense competition, the very rapid pace of technological progress and the regulatory environment in Germany, as well as personnel costs that are too high in some areas in comparison with its competitors.

However, staff restructuring and staff increases are also necessary, in addition to staff reductions, to improve the age structure in the Group, to attract people with the skills the Company lacks or needs more of, and to be able to grow in new business areas. The Group took on 3,134 new staff under its 2008 recruitment drive. Another 929 junior staff joined the workforce on fixed-term contracts at Vivento Interim Services (VIS), which was formerly part of the Deutsche Telekom Group and now operates a joint business model with the temporary-employment agency Manpower. After a transitional period of around twelve months, VIS employees may be taken over on a permanent basis by Deutsche Telekom.

Vivento made an important contribution to staff restructuring in the Group in the 2008 financial year by placing some 2,900 employees in jobs mostly in the public sector, in particular at the Federal Employment Agency, improving and selling further Vivento Customer Services GmbH sites, and transferring Vivento Technical Services GmbH operations to Nokia Siemens Networks.

Vivento continued to sell off Vivento Customer Services GmbH sites in the reporting period. The arvato group took over five sites effective March 1, 2008. Approximately 410 employees were transferred to the arvato group as part of the transfer of operations. The transfer included a long-term order commitment from Deutsche Telekom. Deutsche Telekom sold five more sites to the D+S europe group in October 2008. Operations were transferred, together with around 330 employees, on December 1, 2008. The contract partners also entered into a long-term order commitment. Deutsche Telekom has thus safeguarded the jobs at these sites.

The transfer of operations of Vivento Technical Services GmbH to Nokia Siemens Networks was a crucial contribution to staff reduction. Effective January 1, 2008, around 1,600 employees started work for their new employer as part of the transfer of operations. Deutsche Telekom and Nokia Siemens Networks had signed a strategic partnership in October 2007 which involved the transfer of Vivento Technical Services GmbH to Nokia Siemens Networks.

The **Total Workforce Management** project aims to optimize the deployment of internal and external staff capacity and to respond early to demographic changes in order to cut personnel costs and raise productivity. The Workforce Quality sub-project has devised specifications for qualitative clustering of the workforce and developed the requisite formulas to compute qualitative forecast data from staffing and headcount simulations. This will help to highlight quantitative and qualitative workforce shortfalls and surpluses over the medium and long term. An HR planning process can also be defined, which includes far more pronounced qualitative elements in addition to the quantitative component. For instance, the process makes specific statements on qualifications 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 crucial to business operations.

The adjusted personnel cost ratio for the Group as a whole in the 2008 financial year was 21.1 percent of revenue, representing a year-on-year increase of 0.4 percentage points. The decrease in adjusted personnel costs was mainly attributable to the continued staff restructuring and the resulting lower headcount.

Expenses for staff-related measures totaled approximately EUR 1.1 billion in the reporting year. These mainly relate to expenses for staff reduction tools that will have an effect beyond 2009, primarily to expenses in connection with early retirement arrangements for civil servants (EUR 0.2 billion), and voluntary redundancy and severance payments in Germany and abroad (EUR 0.8 billion). In the prior year, expenses for staff-related measures amounted to around EUR 2.0 billion, primarily comprising expenses in connection with early retirement arrangements for civil servants and voluntary redundancy and severance payments for employees.

Workforce development.

Employees in the Group, as of Dec. 31	2008	2007	2006
Total	227,747	241,426	248,800
Of which: Deutsche Telekom AG	44,645	51,863	92,575
Mobile Communications	67,588	66,054	60,429
Of which: Mobile Communications Europe	29,557	32,304	29,937
Of which: Mobile Communications USA	38,031	33,750	30,492
Broadband/Fixed Network	89,783	93,486	101,594
Business Customers	51,692	56,516	57,538
Group Headquarters & Shared Services	18,684	25,370	29,239
Breakdown by geographic area			
Germany	131,713	148,938	159,992
International	96,034	92,488	88,808
Of which: other EU member states	45,115	45,709	45,144
Of which: rest of Europe	7,908	8,179	9,014
Of which: North America	38,621	34,297	31,049
Of which: rest of world	4,390	4,303	3,601
Productivity trend			
Net revenue per employee (thousands of €)	263	257	247

Personnel costs in the Group.

billions of €	2008	2007	2006
Personnel costs in the Group	14.1	15.4	16.5
Special factors	1.1 ^a	2.0 ^b	2.8 ^c
Personnel costs in the Group adjusted for special factors ^d	13.0	13.4	13.7
Net revenue	61.7	62.5	61.3
Adjusted personnel cost ratio (%)^d	21.1	21.5	22.3

Special factors (billions of €):

^a Expenses for staff-related measures (early retirement arrangements, severance and redundancy payments, compensation payments, etc.) primarily in the segments Broadband/Fixed Network (-0.7) and Business Customers (-0.4).

^b Expenses for staff-related measures (early retirement arrangements, severance and redundancy payments, compensation payments, etc.) primarily in the operating segments Broadband/Fixed Network (-1.1), Business Customers (-0.3) and Group Headquarters & Shared Services (-0.5).

^c Expenses for staff-related measures (early retirement arrangements, severance and redundancy payments, partial retirement, etc.) in the operating segments Broadband/Fixed Network (-1.5), Business Customers (-0.6) and Group Headquarters & Shared Services (-0.7).

^d Calculated and rounded on the basis of millions for greater precision.

DT KS location concept and reassignment of technology centers to Deutsche Telekom Netzproduktion GmbH.

The establishment of three service companies in 2007 was an essential element of the reorganization of Deutsche Telekom, which is intended to secure the Company's future and is therefore indispensable. The second step in 2008 involved expanding the new service companies' footprints.

Deutsche Telekom Kundenservice GmbH (DT KS) has proposed a large-scale plan to modernize and consolidate its service center structure in order to strengthen its market position.

After three months of negotiations, DT KS and its central works council agreed on a new location concept in conciliation committee proceedings. By mid-2011, DT KS will have pooled its activities at 33 sites throughout Germany. A comprehensive social plan will assist the employees who are hit particularly hard by this measure.

Deutsche Telekom AG transferred the four technology centers previously assigned to Deutsche Telekom AG to **Deutsche Telekom Netzproduktion GmbH** (DT NP) as of December 1, 2008. The Group is thus concentrating responsibility for the technology core business and increasing the economic performance of network production in the interest of its customers.

Some 6,000 employees across Germany were transferred to DT NP. An agreement was reached with the ver.di trade union on November 25, 2008 on the terms and conditions for the transferees. In line with agreements for T-Service, employees at the technology centers enjoy far-reaching safeguards relating to pay (financial cushion), protection against redundancy until the end of 2012 and protection against outsourcing until 2010.

Termination of the temporary leave system for DeTe Immobilien GmbH employees. With effect from September 30, 2008, the temporary leave system for DeTe Immobilien GmbH employees came to an end. Practically all employees have ended their inactive employment relationship (i.e., temporary leave) with Deutsche Telekom, while at the same time continuing employment within the employment enterprise, now STRABAG Property and Facility Services GmbH. The termination of the temporary leave system is a necessary step for Deutsche Telekom that allows the Group to meet its staff restructuring requirements by clearly assigning employees.

Collective bargaining in the Deutsche Telekom Group.

Collective negotiations for Telekom Shop Vertriebsgesellschaft, T-Mobile Deutschland and T-Systems were concluded in the 2008 reporting year.

First, the collective negotiations for Telekom Shop Vertriebsgesellschaft were brought to a successful conclusion in March 2008. After five months of no change, annual target salaries increased on a straight-line basis by 3.8 percent from June 1, 2008. A one-time payment of EUR 650 for lower salary groups and EUR 550 for higher salary groups was made in April 2008. The agreement will run for 16 months and expire on April 30, 2009.

The parties reached an agreement for T-Mobile Deutschland in June 2008. Under the terms of the agreement, the salaries of around 4,000 pay-scale employees will be adjusted in two stages. Salaries rose by 3.6 percent as of June 1, 2008 and will rise by a further 2.3 percent 12 months later. The collective agreement cannot be terminated before December 31, 2009. For the first months of 2008, the lower salary groups received an additional one-time payment of EUR 650 (EUR 550 for civil servants on leave) and the higher salary groups EUR 550 (EUR 470 for civil servants on leave). In January 2009, employees in the lower salary groups received another one-time payment of EUR 500 (EUR 425 for civil servants on leave), while EUR 425 will be paid to those in the higher salary groups (EUR 340 for civil servants on leave).

The 2008 collective negotiations at T-Systems were concluded in July. The result was a salary increase of 3.1 percent effective January 1, 2009. The linear salary increase applies to the approximately 27,000 employees of T-Systems Enterprise Services and T-Systems Business Services who are covered by the company collective agreement with the service industry trade union ver.di. The parties agreed a one-time payment of EUR 900 for 2008. The wage settlement is valid for a total of 21 months and will expire on December 31, 2009.

The collective negotiations at Telekom Shop Vertriebsgesellschaft, T-Mobile Deutschland, and T-Systems had to take differing business backgrounds into consideration. Overall, it was possible to reach an agreement that takes into account the economic situation of the individual company on the one hand and the interests of the employees on the other. The collective remuneration agreements with the T-Service companies and Deutsche Telekom AG were terminated with due notice effective December 31, 2008. Collective negotiations for around 50,000 employees and approximately 11,500 trainees began in mid-January 2009.

Collective negotiations on remuneration increases for DeTeFleet GmbH and Deutsche Funkturm Management GmbH began in 2008 but have not yet been concluded.

Pay increase for civil servants in the Deutsche Telekom Group. The lawmaker decided to adjust retroactively the remuneration and pensions of German civil servants by enacting the 2008/2009 Federal Civil Servant Remuneration and Pension Adjustment Act (Bundesbesoldungs- und Versorgungsanpassungsgesetz). This also applies to civil servants employed at Deutsche Telekom AG. The Act provides for the following pay increase: On January 1, 2008, the basic monthly salary rates increased by EUR 50 (basic amount). Remuneration, including the basic amount, increased on a straight line basis by 3.1 percent. A further linear increase of 2.8 percent followed on January 1, 2009. In addition, one-time payments of EUR 225 were made in January 2009; overtime pay and severity allowances also rose.

The draft act for the reform of civil service law (Dienstrechtsneuordnungsgesetz) was approved by the German Bundestag on November 12, 2008 and by the Bundesrat (second chamber) on December 19, 2008. The draft includes a gradual raising of the retirement age of Federal civil servants to 67. This raise does not apply, however, to those civil servants who have chosen to take early retirement, meaning civil servants who are eligible can still take early retirement upon reaching the age of 55. When the reform comes into force, the provisions for early retirement will be extended until December 31, 2012, whereas they are 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.

Training commitment remains at a high level.

For years Deutsche Telekom has been the largest vocational training provider in Germany. At the end of the reporting year, the Group had 11,393 trainees and students on degree courses with integrated practical phases in Germany. The proportion of trainees in the workforce is also well above the average of other companies. Deutsche Telekom intends to maintain this high level of commitment to junior-staff training. By September 1, 2008, Deutsche Telekom gave around 3,800 young people a career development opportunity by accepting them for training or a study program. Training positions are available in twelve different professions and on various 'dual' training courses. For 2008 to 2010, Deutsche Telekom and the service industry trade union ver.di agreed upon an above-average trainee ratio of 2.9 percent per year of the headcount of permanent employees in Germany. At the end of 2008 the parties also agreed to exceed this quota in 2009 as the Group takes the realization of its social responsibility to an even higher level. The Group trainee ratio was 9.2 percent of staff in Germany, excluding Vivento, at the end of 2008.

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. Unions and management agreed in June 2007 that more than 4,000 junior staff would be given permanent positions in the Group in Germany by the end of 2009. The Group gave around 1,300 trainees permanent positions in 2007; approximately 1,800 followed in 2008. Deutsche Telekom invests in its future by training junior staff and promotes the necessary change in the Group by employing young people.

Further training at Deutsche Telekom.

Telekom Training, further-training provider for the Group and the German labor market, coordinates and designs training programs for expert and executive staff. In total, Telekom Training held 23,428 seminars for 155,457 participants in 2008. The majority of these events took place at one of the eight Deutsche Telekom conference hotels.

Service culture: On track to achieve service excellence.

Deutsche Telekom has launched several projects to increase the level of service qualification in the long term and to generate an active service culture throughout the Group. The establishment of the service companies was a key element in the future-oriented restructuring of Deutsche Telekom – a fine example of a successful and ambitious transformation process.

Service-oriented approaches are starting to bear fruit:

- Service quality increased: around 60 percent of all customer inquiries were resolved upon initial telephone contact.
- Service Saturday pilot launched nationwide: Deutsche Telekom is positioning itself as a service pioneer in the industry.
- Customer information systems optimized: powerful customer support processing software has been installed.
- Customer satisfaction growing: according to surveys, customers are increasingly satisfied with products and services.

Ideas management.

In 2008, Deutsche Telekom continued implementation of the strategic realignment of its ideas management organization. Throughout the Company, ideas are no longer separated by business area; there is now one central Ideas Management Center for the entire Group. A Group Works Agreement was also concluded with employee representatives as an essential measure to put ideas management on a uniform footing throughout the Group and thus to lay the foundation for boosting the Group's innovation culture.

Moreover, in 2008 the focus was on substantially shortening the time it takes to assess new ideas. For instance, having been unattended for an unacceptable length of time, virtually the entire backlog of suggestions and ideas was finally assessed under a special initiative. Ideas Management also implemented various measures to improve quality, including optimization of the IT system and improved monitoring of processing times. In 2008 alone, the Group generated savings of EUR 0.1 billion from a total of 8,456 ideas.

Service takes center stage in human resources work with HR@2009.

Leaner, more efficient, more customer-oriented: The HR@2009 project boosts the role of HR as a partner to Deutsche Telekom's business units. The new organizational structure is already up and running in the domestic Group units and serves as a model for the international roll-out. This project also contributes to the Group-wide Save for Service program.

Outstanding customer focus and efficiency as a result of HR@2009.

Deutsche Telekom's new HR organization is based on a clear distribution of roles:

- The HR business partners are the direct contacts for HR topics within the Group.
- The HR competence centers provide expertise and advisory services to the HR business partners.
- The shared services have a central role in the management and performance of standard administrative processes.

Human Resources Service Telekom as a fully integrated service provider.

Supporting a customer base of over 140,000 employees, Human Resources Service Telekom (PST) as an HR shared service center has developed into a fully integrated, nationwide service provider for administrative HR products. Since it was set up in 2006, PST has integrated all the HR service centers of the major national units. These measures chiefly affected T-Systems Enterprise Services and T-Mobile Deutschland in the reporting period.

Risk and opportunity management.

Continued decline in prices in the core business // Consolidation among competitors // Extensive data privacy measures

Deutsche Telekom's operating environment is characterized by continuous technological progress, increasingly fierce competition, and regulation. Deutsche Telekom is mastering these challenges by systematically managing risks and opportunities using a holistic risk early warning system.

This system consolidates all strategic and organizational control and monitoring measures for managing risks, focusing on early identification, assessment, and management of risks and opportunities. Deutsche Telekom analyzes opportunities primarily within the framework of its strategy and innovation development activities on the basis of comprehensive market analyses in order to identify potential opportunities for its segments and markets.

The Group'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 regularly examines the risk management system and the risk reports at its meetings.

Deutsche Telekom regularly analyzes risks and opportunities, both centrally and in the Group segments. The early warning systems used in this process are based on prescribed Group-wide methods and are tailored to specific requirements. Potential deviations in the planning period are analyzed to determine the potential scope and probability of occurrence, using methods such as scenario modeling. The reference variables for the potential scope are the Group's target values (including EBITDA).

Deutsche Telekom's risk management system aggregates essential EBITDA-assessed 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 Group's reputation and image. These components are factored into the assessment of the aggregate risk position, which is carried out using a system of indicators that covers all material risk areas.

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 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.

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. The Deutsche Telekom Group 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, depending on the risk assessment. However, Deutsche Telekom only hedges risks that affect cash flows. The Group uses derivatives exclusively as hedging instruments, not for trading or other speculative purposes.

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. Within the scope of their legal mandate to audit the Company's annual financial statements, the external auditors 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 Group 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's financial position and results are examined in the following sections.

Economic environment. For Deutsche Telekom's largest markets – Germany and the United States – the economic outlook for 2009 has worsened significantly. The main risk facing the global economy is the extent and duration of the financial market crisis and its impact on the real economy. Despite efforts by governments and central banks, the global economic recession looks set to continue for some time. A gradual recovery is not expected until late 2009. Economic developments are impacting not only the willingness of consumers to buy but also, and in particular, the readiness of enterprises to invest.

Industry and competition. Unrelenting stiff competition and technological progress continued to depress prices for voice and data services in both fixed-network and mobile communications in 2008. There is a general risk that price reductions cannot be compensated by corresponding volume growth.

Competitive pressure could rise even further as a result for example of significantly expanded coverage by (regional) telecommunications carriers and the continuing trend toward bundled products. Technological innovations and increasing fixed-mobile substitution are also intensifying the competitive situation. Moreover, previously pure mobile communications providers in Germany are increasingly offering fixed-network and DSL products. In addition, competing DSL providers offer bundled products integrating broadband and Voice over IP (VoIP) without the need for a fixed-network line.

Furthermore, competitors are increasingly taking over cable companies that operate their own home lines. This enables these companies to offer private homes and smaller companies telecommunications products that do not require expansion of their own network or a local loop line from Deutsche Telekom. Alternatively, in certain regions competitors are extending their own fiber-optic network up to the home so that they are independent of Deutsche Telekom's network there, too. The cable companies are expanding their range of services to include triple-play offers, for example. A significant competitive trend is emerging where Deutsche Telekom increasingly has to compete with players that do not belong to the telecommunications sector as such, including major companies from the consumer electronics and Internet industries. 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 both 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. T-Mobile must continue to successfully drive its product and service quality and pricing. As a crucial growth driver for Deutsche Telekom, risks to T-Mobile's U.S. business may also negatively impact the Group's ability to reach its targets.

As for the Business Customers segment, the ICT market is experiencing declining prices and long sales cycles with the risk of lower revenues and margins for T-Systems. In the current economic climate, corporate customers could postpone investments, which may impact T-Systems' ICT business. 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, particularly considering the growing importance of business with multinational corporations outside Germany. T-Systems was strategically realigned in 2008 with the goal of further expanding its market lead in the business customers segment in Germany and focusing ICT solutions expertise in large-scale projects.

Products, services, and innovations. As a result of rapid technological progress and increasing technological convergence, new and established technologies or 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, the range of new products such as the iPhone that was rolled out in key European markets, and the T-Mobile G1 phone provide an opportunity to tap new sources of mobile Internet revenue.

Key drivers of demand for broadband lines include the increasing performance of transmission technology and the availability of innovative products and services. Against the background of strong market penetration, the first indications of the market in Germany becoming saturated can be expected in the form of slowing market growth. There is also a risk that Deutsche Telekom will not be able to convince customers sufficiently of the benefits of the new, innovative products and services or raise the level of acceptance among customers. The marketing of innovative TV products (Entertain) will also be influenced by the prevalence of cable TV connections in Germany and the broad range of free-to-air television channels compared with other countries.

Deutsche Telekom is augmenting the sales opportunities of the mobile Internet by continuously expanding its high-performance mobile communications network. Thanks to increasingly higher bandwidths and better network coverage, high-quality multimedia offerings and office applications are now taken for granted by people on the move. If mobile data applications do not develop as expected, there is a risk that revenue targets will be missed. Furthermore, investments in network construction and expansion as well as in mobile communications licenses may pay off later than expected. If competitors prove more successful than Deutsche Telekom at convincing customers of the added value of mobile products and services, this could lead to the loss of particularly high-revenue customers.

Systematic orientation toward customer needs helped improve service quality in 2008. Customer service will continue to be of crucial significance for customer satisfaction and long-term business success.

Regulation. Regulation of the network, network access and prices applies to 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 corresponding regulatory regimes in the fixed-network and mobile areas.

The risk that regulation will be extended to cover modern super-fast optical fiber access networks and the restrictions regarding the dismantling of main distribution frames make political lobbying necessary. 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 these regulatory influences in Germany 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 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 scope of regulation has also been extended to mobile termination. The European Commission is currently reviewing a recommendation aimed at limiting the costs that can be included in the calculation of termination charges. Termination charges are therefore expected to come under further pressure.

Even after an average increase of 4.4 percent in fixed-network termination charges in Germany, it is still possible that regulated wholesale charges will be cut. The regulatory framework is currently being reviewed by the European Union. It is expected that the EU will make regulation even more detailed and create more capacity for intervention. There is no indication of any significant efforts in favor of sector-specific deregulation. Rather, it is feared that the outcome of the review will increase the scope of regulation.

The European Commission has proposed, for example, a new regulatory instrument allowing, in the most extreme case, the functional separation of network operation and services. The Commission's proposals are currently being reviewed by the European bodies. Results are expected toward the end of the first half of 2009.

The European Commission is pressing for a further reduction of international roaming rates (billing intervals for voice as well as additional caps for text messaging and data). This kind of regulation is expected to result in considerable revenue losses.

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. The investigation focuses on whether the operators are setting negative incentives for the use of VoIP services, thus creating competition barriers for VoIP providers.

Should regulation become this intense, Deutsche Telekom's flexibility could be compromised, especially with regard to pricing and product design.

Human resources. Staff restructuring within the Deutsche Telekom Group in Germany continued on a socially conscious basis in 2008. This 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 will also continue to restructure its workforce as required. If it is not possible to implement the corresponding measures to the extent planned or not at all, this may have negative effects on the Group's financial targets and profitability.

When Group units that employ civil servants are disposed of, it is generally possible to continue to employ them at the Group unit to be sold. This requires the consent or initiative of the civil servants themselves. However, there is a risk that civil servants may return from the unit sold to Deutsche Telekom after the end of their temporary leave from civil servant status. This risk can be reduced – by compensation payments, for example – but not completely ruled out. At present, around 4,200 civil servants have the right to return to Deutsche Telekom. This figure increased considerably in 2008, chiefly as a result of the deconsolidation of DeTe Immobilien.

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 abolished 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 (Bundessonferenzzahlungsgesetz). This Act was reviewed at several court instances. In December 2008, the Federal Administrative Court ruled that the case must be presented before the Federal Constitutional Court for a judicial review pursuant to Art. 100 of the German Basic Law. The Federal Administrative Court has not yet drafted its written submission to the Federal Constitutional Court. It is therefore uncertain when the Federal Constitutional Court will announce its ruling. If the Court rules that all civil servants who worked for Deutsche Telekom between 2004 and 2008 are entitled to receive year-end bonus payments for the relevant years, this could result in corresponding expenses.

IT/telecommunications infrastructure. In the 2008 financial year, Deutsche Telekom implemented comprehensive programs to adapt its IT systems and IT infrastructure to changing customer needs and new organizational structures. Any lack of efficiency in planning and monitoring these activities could result in resource allocation errors and disruptions to business processes.

Building on the IT 2010 initiative launched in March 2007, the Group-wide project Next Generation IT (NG IT) 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 work on preparing, for example, the joint product data model, solutions for forward-looking, comprehensive customer relationship management (CRM), and future IT support for the Finance, Human Resources, and Procurement functions.

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 so-called spam calls. Due to the great complexity of the IT landscape, malfunctions, for example between newly developed and existing IT systems, would lead to process disturbances and, in a worst case scenario, to interruptions to business processes.

Deutsche Telekom counteracts these risks with 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. Group-wide insurance programs have also been established to cover operational interruptions and damage to current and non-current assets.

Data security and data privacy. Safeguarding customer data is a top priority for the Group. It forms the basis for 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. To guarantee better protection for customer data Deutsche Telekom took various measures, such as the restructuring of its data privacy in fall 2008. Deutsche Telekom created a new Board of Management department for Data Privacy, Legal Affairs and Compliance 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 data privacy and security expertise of the Group's specialists as well as recommendations from external experts were assimilated in the process. These activities will also involve a significant increase in financial and human resources in these areas as well as a right to veto business decisions relating to data privacy. Together with his staff, the new Board member will ensure that Deutsche Telekom harmonizes and implements the necessary measures related to data privacy and security and will monitor compliance throughout the Group. Furthermore, the Group is setting up an independent data privacy council comprising leading experts from universities, industry and other organizations.

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 thus makes a crucial contribution to improving the privacy of customer data in everyday business – another step in continuing its numerous efforts from the past years. To increase the awareness of data privacy and data security among employees, in particular executives, the Company stepped up its established training programs and the annual data audits. In addition, the Group will give even more serious consideration to cases of misuse and punish them accordingly. Deutsche Telekom has further restricted the scope of various customer support activities, thereby limiting 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 may access the systems on specific computers only. Access for external sales partners and our staff to internal IT systems is restricted, among other things, by applications requiring transaction authentication numbers (TANs). In the TAN procedure, the sales staff can only access personal data of mobile customers when 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.

Together with the Federal Criminal Police Office and the police, Deutsche Telekom plans to launch a security concept for data of persons particularly at risk. The goal is to sustainably increase transparency in the area of data privacy. The Deutsche Telekom Group will publish a voluntary report prepared by the Group privacy officer every year and submit it to the Supervisory Board of Deutsche Telekom and the Federal Commissioner for Data Protection. The first data privacy report is scheduled for the first quarter of 2009. The Company has commissioned the German Technical Inspection Association (TÜV) as a recognized testing authority with the task of carrying out a data privacy certification of its customer systems. In addition to its own investigations, Deutsche Telekom will 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 ICT industry. In October 2008, Deutsche Telekom launched the website www.telekom.com/datenschutz (in German only) which provides information on the current status of data privacy at Deutsche Telekom in Germany. The site also provides information 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. Deutsche Telekom is therefore voluntarily fulfilling a requirement that is still being debated among politicians as a possible obligation.

These countermeasures will minimize the occurrence 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 both to networks and to the use of terminal equipment. They have an effect, for example, on T-Mobile, particularly with regard to mobile network roll-out. In the Broadband/Fixed Network operating segment, they affect sales of cordless DECT equipment 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. The Deutsche Telekom Group's efforts to provide state-of-the-art technologies therefore include funding scientific research that aims to detect possible risks at an early stage. Among other things, the Group is involved in Informationszentrum Mobilfunk (IZMF), an industry initiative by mobile communications enterprises, as well as in the German Research Association for Radio Applications (Forschungsgemeinschaft Funk – FGF), which supports independent research into the biological effects of EMFs. In addition, the EMF policy adopted in 2004 has enabled T-Mobile to take measures in the areas of transparency, information, involvement, and research funding that should minimize both potential legal and regulatory problems as well as acceptance problems among the public.

Purchasing. As an ICT service provider and an operator and provider of IT/telecommunications products, Deutsche Telekom cooperates 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.

Shareholders have filed more than 2,000 lawsuits in Germany against Deutsche Telekom. They claim to have purchased shares in Deutsche Telekom on the basis of the offering prospectuses dated May 28, 1999 and May 26, 2000. Many of these lawsuits also allege that Deutsche Telekom did not recognize the carrying amount of the real estate assets in accordance with statutory accounting requirements and that it provided incorrect data in connection with the acquisition of Voicestream. Some lawsuits are also directed at KfW Bankengruppe and/or the Federal Republic of Germany. The aggregate amount of the claims filed under these lawsuits is approximately EUR 79 million. The Frankfurt/Main Regional Court has issued two certified questions to the Frankfurt/Main Higher Regional Court pursuant to the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG). Moreover, several thousand investors have initiated conciliatory proceedings with a state institution in Hamburg, the "Öffentliche Rechtsauskunfts- und Antragsstelle der Freien und Hansestadt Hamburg."

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). If the outcome of these proceedings shows that the exchange ratio for the T-Online shares was too low, the court will stipulate a supplementary cash payment that Deutsche Telekom would have to pay to all former shareholders of T-Online whose shares were exchanged for Deutsche Telekom shares in connection with the merger. Proceedings are scheduled to begin on February 17, 2009 before the Frankfurt/Main Regional Court.

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 operating 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 to be 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 15, 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 and February 6, 2008. The initial hearing took place in June 2008 during which the arbitration court discussed legal issues with the parties. No arbitrational ruling was made on the claims asserted. Under orders from the arbitration court, each party submitted 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 has the opportunity to submit a further written response to the relevant statement from the other party, by April 3, 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 16, 2008, the asserted claims for payment total around EUR 560 million plus interest.

On May 3, 2005, Vivendi SA (formerly Vivendi Universal S.A., hereinafter referred to as Vivendi) took legal action against Deutsche Telekom AG and T-Mobile International AG & Co. KG (now T-Mobile International AG). 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 then 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. Numerous other lawsuits and arbitration proceedings in addition to those listed below are pending in connection with the disputed PTC shares. However, they are not presented in detail here.

On April 13, 2006, in line with the rules of the International Chamber of Commerce in Paris, Vivendi filed arbitration proceedings before the international court of arbitration in Geneva against Deutsche Telekom AG, T-Mobile International AG & Co. KG (now T-Mobile International AG), T-Mobile Deutschland GmbH, 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 compensation.

On October 23, 2006, Vivendi filed a suit against Deutsche Telekom AG, T-Mobile USA Inc., T-Mobile International AG, T-Mobile Deutschland GmbH and others with the U.S. District Court in Seattle, Washington State, 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 has lodged an appeal against this decision and reduced its compensation claim from around USD 7.5 billion to around USD 2.5 billion.

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 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 due to the excessive prices for the provision of subscriber data between 1997 and 1999, the equity ratio of telegate AG fell 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 increased his claim by approximately EUR 283 million. The amount in dispute has thus risen to approximately EUR 612 million.

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.

On October 31, 2005, satellite operator Eutelsat S.A. filed an action against Deutsche Telekom AG and T-Systems Business Services GmbH with the Paris Commercial Court for damages of EUR 142 million due to an alleged breach of contract. The Paris Commercial Court declined jurisdiction and dismissed the action on June 24, 2008. Eutelsat's appeal was also dismissed on December 10, 2008. Eutelsat has lodged another appeal against this decision and also still has the option of referring the matter to an arbitration court.

In a ruling on the ULL reference offer dated December 21, 2007, the Federal Network Agency obliged Deutsche Telekom 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 as far as this is 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.

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.

Like many other large telecommunications/Internet providers, Deutsche Telekom believes it is exposed to an increasingly large number of 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.

Financial risks. The financial risks for the Group arise mainly from liquidity, credit, and currency and interest rate risks. To guarantee the solvency and financial flexibility of Deutsche Telekom at all times, a liquidity reserve in the form of credit lines and cash is maintained. 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.

As of December 31, 2008, 28 banks granted Deutsche Telekom credit lines totaling EUR 16.8 billion. In the current environment, new issues of bonds and medium-term notes are only possible in smaller volumes and within limited windows of opportunity. The financial market crisis is impacting on the extension of bilateral lines. Especially institutions that are being split up, taken over by other banks or do not have sufficient equity are not likely to extend their lines. As a result, the number of facilities available to Deutsche Telekom will decrease over time. Nevertheless, each of these lines will continue to be available to Deutsche Telekom for another two years, from the time they are not extended any further. Of the original 29 bilateral lines only the line provided by the now insolvent Lehman Brothers Commercial Paper Inc. no longer exists.

Rating agencies Moody's and S&P both cut Deutsche Telekom's long-term rating from A3 and A- in 2007 to Baa1 and BBB+ respectively. The outlook from both rating agencies is "stable." Fitch has maintained Deutsche Telekom's rating at A- with a negative outlook. If Deutsche Telekom's rating falls below certain defined levels, this will result in higher interest rates for some of the bonds and medium-term notes issued.

Deutsche Telekom believes it is rather unlikely that it will have difficulty in accessing the capital markets due to a decline in its ratings. Detailed information on financial risks can be found in Note 43 in the notes to the consolidated financial statements.

Impairment of Deutsche Telekom's assets. The value of the assets of Deutsche Telekom and its subsidiaries is reviewed periodically. In addition to the regular annual measurements, specific impairment tests may have to be carried out in certain cases. These may be necessary, for example, whenever due to changes in the economic, regulatory, business or political environment it can be assumed that the value of goodwill, intangible assets or items of property, plant and equipment might have decreased. 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 Deutsche Telekom share and ADS price.

Sales of shares by the Federal Republic and KfW Bankengruppe. As of December 31, 2008, the Federal Republic, together with KfW Bankengruppe held approximately 31.7 percent of Deutsche Telekom's shares, and 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 Bankengruppe. The one-year lock-up for further sales of Deutsche Telekom shares by KfW Bankengruppe agreed between KfW Bankengruppe and Blackstone expired in April 2007. The two-year lock-up for the shares of Deutsche Telekom purchased by the Blackstone Group expired in April 2008.

It is possible that the Federal Republic will 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 Bankengruppe. On May 16, 2008, KfW Bankengruppe issued a five-year exchangeable on shares of Deutsche Telekom AG. Exchangeables are debt certificates that the holder can exchange, during a period determined in advance and at a conversion price determined in advance, for shares in another company (registered shares in Deutsche Telekom AG in the case of the KfW Bankengruppe exchangeables referred to here). If the conversion price is exceeded, KfW Bankengruppe 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 Bankengruppe has the right to pay them out in Deutsche Telekom AG shares. This exchangeable has a volume of EUR 3.3 billion and a conversion price of EUR 14.9341. The exchangeable issued by KfW Bankengruppe in 2003 that matured on August 8, 2008 was repaid in cash.

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

Aggregate risk position. The assessment of the aggregate risk position is the outcome of the consolidated analysis of all material areas of risk or individual risks. Despite the intense competitive and price pressure, the regulatory framework, the deterioration in economic conditions, and the considerable challenges the Group faces as regards its staff restructuring and quality of its customer service, the aggregate risk position in the reporting year has not fundamentally changed since the previous year. As it stands today, there is no risk to the Company's continued existence as a going concern.

The opportunities.

Focus, fix and grow – this strategy will safeguard Deutsche Telekom's stable, positive business development in the long term. Opportunities present themselves through the systematic implementation of the following pillars of this strategy: 1. Improve competitiveness in Germany and in Central and Eastern Europe, 2. Grow abroad with mobile communications, 3. Mobilize the Internet, and 4. Roll out network-centric ICT.

The expansion of DSL is also of particular importance, as all new business models will in future be based on broadband technology. Deutsche Telekom can now supply 96 percent of all German households with DSL lines. The Company has taken a major step toward filling the white spots on the map in rural areas. At the same time, the systematic roll-out strategy will provide opportunities for the use and payoff of innovative products. This also includes mobile data applications on the basis of mobile broadband technologies.

Innovative bundled products as well as convergence products are also potential areas of opportunity for Deutsche Telekom. 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. Civic, social, and ecological requirements are further starting points for the development of new, promising products and services, such as a state-of-the-art health care system, efficient climate protection, mobility geared to seniors, citizen-oriented administration, mobile working, or transparent goods traceability (e.g., commodity online services). In particular, IP-based solutions and the use of Radio Frequency Identification facilitate new business models that can reduce the quantities of resources used and also the costs to society and the environment. In this way, Deutsche Telekom makes a further contribution to the sustainable development of society.

Projects like T-City in Friedrichshafen are proof of the innovative strength of the Deutsche Telekom Group, which demonstrates its service quality combined with state-of-the-art networking technology, and allows customers to experience many products for themselves.

Significant events after the balance sheet date.

OTE shareholders' meeting.

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. It cannot be ruled out that this resolution by the shareholders may be declared invalid by a court, in the event that other shareholders successfully file rescission suit against this resolution. For further details on the acquisition of OTE, please refer to Note 23 "Investments accounted for using the equity method" in the notes to the consolidated financial statements.

Deutsche Telekom issues an eight-year bond of EUR 2 billion.

In January 2009, Deutsche Telekom issued a bond of EUR 2 billion via its financing subsidiary, Deutsche Telekom International Finance B.V., Amsterdam. It has a coupon of 6 percent p.a. At an issue rate of 99.808 percent, this corresponds to a mark-up of 2.65 percent above the eight-year interbank rate (mid-swap). The transaction was very successful with orders for more than EUR 5 billion. With more than 400 orders, it was possible to place the bond with a wide range of investors.

Outlook.*

Deutsche Telekom well positioned financially in spite of financial market crisis // Markets remain fiercely competitive // Sustained improvement of service culture // Mobile communications will remain a growth engine // Broadband business to be further expanded // T-Systems: Concentration on corporate customers

Economic outlook.

Germany's six leading economic research institutes (Projektgruppe Gemeinschaftsdiagnose) and the recent economic outlooks issued by the International Monetary Fund and the World Bank predict that the national economies of the leading industrialized nations will pass through a phase of recession. A gradual recovery is not expected until late 2009. The global financial market crisis has brought about an economic slowdown in the United States, Europe and other industrialized countries. The Federal Government's latest annual economic report forecasts a drop in national GDP of around 2.25 percent in 2009. An increase of 0.2 percent had previously been forecast. While developed economies will contract in 2009, the World Bank believes that economic growth in emerging and developing countries will only reach around 3.8 percent.

Market expectations.

The forecast economic difficulties in German and international markets may force companies around the world to step up their cost-cutting measures and business with corporate and business customers in the areas of telecommunications and information technology may be impacted. There are currently no indications that consumers in Europe are reducing their telecommunications spending to a noticeable extent, although it is not possible to rule out completely any impact of the economic crisis on the mobile communications market in the United States. Deutsche Telekom's main sales markets will also face intense competition and a continuing fall in prices.

Deutsche Telekom is well positioned.

Deutsche Telekom will consistently pursue its strategic action areas – improving competitiveness, growing abroad with mobile communications, mobilizing the Internet and rolling out network-centric ICT – to achieve its long term goal of becoming a global leader in connected life and work.

Despite the turbulence on the financial markets, Deutsche Telekom managed to cover some of its 2009 funding requirements in the long term by issuing a bond of EUR 2 billion and placing a promissory note totaling EUR 0.2 billion at the beginning of 2009. Should the bond markets contrary to expectations not be able to manage any further issues in the course of this year, the remaining funding requirements can be covered using the existing liquidity reserve.

As such, the foundation is laid for Deutsche Telekom to achieve its financial targets, i.e., a sustained, strong level of cash flow and the payment of an attractive dividend, despite the expectation of an unfavorable economic environment. This will also be supported by the systematic implementation of cost-cutting measures. Where this requires adjustment of the personnel structure, the necessary staff reduction will be primarily implemented using socially responsible and voluntary instruments such as partial and early retirement arrangements, and severance and voluntary redundancy payments.

In addition, where it makes sense as part of the further internationalization of Deutsche Telekom, consolidation may also be an option in markets where the Group is already active. Activities outside these markets are also a possibility to leverage international economies of scale and synergies.

Mobile Communications Europe. Deutsche Telekom expects customer numbers to continue growing in the Mobile Communications Europe operating segment. A key growth driver is the range of innovative data services, especially an enhanced web'n'walk offering with new mobile devices and attractive rate plans. The investment in OTE added more mobile growth markets in Southeastern Europe to the footprint and will add potential for a sustainable increase in revenue, profit, and the customer base.

Adjusted for exchange rate effects, Deutsche Telekom expects the Mobile Communications Europe operating segment to experience positive revenue and profit trends overall. This development will be supported by savings initiatives. For instance, in the United Kingdom, T-Mobile UK and its competitor 3 UK have started to share their UMTS networks to cut costs and provide a larger proportion of the population with 3G mobile services. However, regulatory decisions and exchange rate risks may negatively affect revenue and profit denominated in euros.

The key areas of capital expenditure in Europe will be improvements in GSM network quality and the further roll-out of the UMTS networks. Moreover, T-Mobile was the world's first network operator to successfully test the Long Term Evolution (LTE) technical standard, one of the possible technologies for mobile communications networks of the future.

Mobile Communications USA. Absent further deterioration in the U.S. economy, the mobile communications business is expected to be positively impacted primarily by growth in non-voice services and further customer additions – albeit at a slower rate – in the Mobile Communications USA operating segment.

Based on these assumptions, Deutsche Telekom expects that the positive revenue and profit trend in mobile communications will continue in the United States. However, regulatory decisions and exchange rate risks may negatively affect revenues and profits in euros.

Mobile Communications USA will continue to focus capital expenditure on the enhancement of network quality and coverage, as well as the continued build out of 3G mobile communications networks.

Broadband/Fixed Network. Deutsche Telekom will defend its market leadership in the broadband and fixed-network business, even though its traditional access business will continue to suffer competition-driven losses of market share. Deutsche Telekom is countering these losses with its quality and service campaign which will again focus the Broadband/Fixed Network operating segment in 2009 on safeguarding and defending its core voice and access business, and broadband market leadership. In addition, Deutsche Telekom is focusing consistently on addressing growth areas with new products, for instance, an innovative IP connection for consumers in the first half of 2009 that will offer customers additional functions, such as video telephony.

One of the key issues in 2009 will be the further development of the mass market with Entertain. This is to be done through a combination of a super-fast DSL line and attractive content, together with a powerful package comprising television via DSL and a telephone line with all the flat rates.

Another important milestone will be the agreement with the Central Works Council on modernizing and consolidating the service centers. The Broadband/Fixed Network operating segment will generate additional savings under the Save for Service program.

Against this background, Deutsche Telekom expects the negative revenue and earnings trend in the Broadband/Fixed Network operating segment to slow in the medium term. This applies even when excluding the integration of approximately 160,000 business customers from the Business Customers operating segment effective January 1, 2009 and the first-time consolidation of OTE's fixed-network business.

Deutsche Telekom is continuing to invest in the high-speed network infrastructure in 2009. The focus will be on increasing broadband coverage in rural regions. Other investments in the performance of the existing IP network infrastructure are also planned.

Business Customers: Concentration on the growth market of ICT services for corporate customers. T-Systems now focuses on the ICT services growth market with solutions for corporate customers. Since January 1, 2009, the Broadband/Fixed Network operating segment has been serving Deutsche Telekom's business customers, which total around 160,000. The realignment of the business customer segments enhances business customer and corporate customer business in equal measure, and is an important milestone in strengthening the Company's leading market position in Germany.

Drawing on a global infrastructure of data centers and networks, T-Systems now operates the information and communications technology for some 400 corporate customers, including multinational corporations as well as public sector and public health institutions. On this basis, Deutsche Telekom's corporate customers arm provides integrated solutions for the networked future of business and society. Outside Germany, companies' increasing globalization is translating into growing demand in the international ICT market overall. It is this demand that T-Systems is addressing. The cost-cutting measures had encouraging effects in the past financial year and will continue in 2009. Revenue development is expected to remain at the prior-year level in this operating segment in 2009 and earnings are expected to improve as a result of the measures described.

Group Headquarters & Shared Services. Earnings in the Group Headquarters & Shared Services operating segment will be negatively affected primarily by the performance of Vivento, mainly as a result of the measures for securing employment opportunities for civil servants and salaried employees especially in the public sector. The improvement and centralization of functions aimed at achieving efficiency gains for the Group will also put pressure on the results of Shared Services.


General statement on the business development in the Group.

In view of the expected market situation in the individual operating segments, Deutsche Telekom aims to again achieve positive results for the entire Group.

* 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, earnings, and personnel figures for 2009 and 2010. 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 the Annual Report. 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 or business combinations 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.

Consolidated financial statements

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We increased the number of our DSL and mobile customers significantly in 2008. Successful calling plans such as the Call&Surf all-in packages, the Max mobile flat rates, and innovative products like Entertain, the Apple iPhone 3G and T-Mobile G1 made a significant contribution to increasing our competitiveness in Germany and to continuing our growth course abroad.

Consolidated income statement.

millions of €	Note	2008	2007*	2006*
Net revenue	1	61,666	62,516	61,347
Cost of sales	2	(34,592)	(35,337)	(34,755)
Gross profit		27,074	27,179	26,592
Selling expenses	3	(15,952)	(16,644)	(16,410)
General and administrative expenses	4	(4,821)	(5,133)	(5,264)
Other operating income	5	1,971	1,645	1,257
Other operating expenses	6	(1,232)	(1,761)	(888)
Profit from operations		7,040	5,286	5,287
Finance costs	7	(2,487)	(2,514)	(2,540)
Interest income		408	261	297
Interest expense		(2,895)	(2,775)	(2,837)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	8	(388)	55	32
Other financial income (expense)	9	(713)	(374)	(167)
Profit (loss) from financial activities		(3,588)	(2,833)	(2,675)
Profit before income taxes		3,452	2,453	2,612
Income taxes	10	(1,428)	(1,373)	970
Profit after income taxes		2,024	1,080	3,582
Profit (loss) attributable to minority interests	11	541	509	409
Net profit (profit (loss) attributable to equity holders of the parent)		1,483	571	3,173
Earnings per share	12			
Basic		0.34	0.13	0.74
Diluted		0.34	0.13	0.74

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Consolidated balance sheet.

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millions of €	Note	Dec. 31, 2008	Dec. 31, 2007*
Assets			
Current assets		15,908	15,945
Cash and cash equivalents	17	3,026	2,200
Trade and other receivables	18	7,393	7,696
Current recoverable income taxes	10	273	222
Other financial assets	24	2,169	2,019
Inventories	19	1,294	1,463
Non-current assets and disposal groups held for sale	20	434	1,103
Other assets		1,319	1,242
Non-current assets		107,232	104,728
Intangible assets	21	53,927	54,404
Property, plant and equipment	22	41,559	42,531
Investments accounted for using the equity method	23	3,557	118
Other financial assets	24	1,386	599
Deferred tax assets	10	6,234	6,610
Other assets		569	466
Total assets		123,140	120,673
Liabilities and shareholders' equity			
Current liabilities		24,866	23,215
Financial liabilities	25	10,208	9,075
Trade and other payables	26	7,073	6,823
Income tax liabilities	10	585	437
Other provisions	30	3,437	3,365
Liabilities directly associated with non-current assets and disposal groups held for sale	20	95	182
Other liabilities	28	3,468	3,333
Non-current liabilities		55,162	52,213
Financial liabilities	25	36,386	33,831
Provisions for pensions and other employee benefits	29	5,157	5,354
Other provisions	30	3,304	3,665
Deferred tax liabilities	10	7,108	6,675
Other liabilities	28	3,207	2,688
Liabilities		80,028	75,428
Shareholders' equity	31	43,112	45,245
Issued capital	32	11,165	11,165
Capital reserves	33	51,526	51,524
Retained earnings including carryforwards	34	(18,761)	(16,218)
Other comprehensive income	35	(5,411)	(4,907)
Net profit		1,483	571
Treasury shares	36	(5)	(5)
Equity attributable to equity holders of the parent		39,997	42,130
Minority interests	37	3,115	3,115
Total liabilities and shareholders' equity		123,140	120,673

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Consolidated cash flow statement.

millions of €	Note	2008	2007*	2006*
	38			
Profit after income taxes		2,024	1,080	3,582
Depreciation, amortization and impairment losses		10,975	11,611	11,034
Income tax expense (benefit)		1,428	1,373	(970)
Interest income and interest expenses		2,487	2,514	2,540
Other financial (income) expense		713	374	167
Share of (profit) loss of associates and joint ventures accounted for using the equity method		388	(55)	(32)
Profit on the disposal of fully consolidated subsidiaries		(455)	(379)	-
Other non-cash transactions		(147)	124	32
(Gain) loss from the disposal of intangible assets and property, plant and equipment		70	(42)	(72)
Change in assets carried as working capital		286	(1,072)	(17)
Change in provisions		493	1,825	1,585
Change in other liabilities carried as working capital		(130)	(1,391)	353
Income taxes received (paid)		(520)	171	(1,248)
Dividends received		13	36	27
Cash generated from operations		17,625	16,169	16,981
Interest paid		(3,431)	(4,005)	(4,081)
Interest received		1,174	1,550	1,322
Net cash from operating activities		15,368	13,714	14,222
Cash outflows for investments in				
– Intangible assets		(1,799)	(1,346)	(4,628)
– Property, plant and equipment		(6,908)	(6,669)	(7,178)
– Non-current financial assets		(3,261)	(264)	(624)
– Investments in fully consolidated subsidiaries and business units		(1,030)	(1,547)	(2,265)
Proceeds from disposal of				
– Intangible assets		34	39	35
– Property, plant and equipment		338	722	532
– Non-current financial assets		102	133	249
– Investments in fully consolidated subsidiaries and business units		778	888	(21)
Net change in short-term investments and marketable securities and receivables		611	(60)	(348)
Other		(249)	50	(57)
Net cash used in investing activities		(11,384)	(8,054)	(14,305)
Proceeds from issue of current financial liabilities		39,281	32,514	3,817
Repayment of current financial liabilities		(44,657)	(35,259)	(9,163)
Proceeds from issue of non-current financial liabilities		6,477	1,586	7,871
Repayment of non-current financial liabilities		(96)	(1,020)	(492)
Dividend payments		(3,963)	(3,762)	(3,182)
Share buy-back		-	-	(709)
Proceeds from the exercise of stock options		3	24	16
Repayment of lease liabilities		(142)	(208)	(219)
Net cash used in financing activities		(3,097)	(6,125)	(2,061)
Effect of exchange rate changes on cash and cash equivalents		(61)	(100)	(66)
Net increase (decrease) in cash and cash equivalents		826	(565)	(2,210)
Cash and cash equivalents, at the beginning of the year		2,200	2,765	4,975
Cash and cash equivalents, at the end of the year		3,026	2,200	2,765

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Statement of recognized income and expense.

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millions of €	2008	2007*	2006*
Fair value measurement of available-for-sale securities			
- Change in other comprehensive income (not recognized in income statement)	1	(1)	3
- Recognition of other comprehensive income in income statement	0	(1)	(1)
Fair value measurement of hedging instruments			
- Change in other comprehensive income (not recognized in income statement)	60	(118)	385
- Recognition of other comprehensive income in income statement	(101)	3	(8)
Revaluation due to business combinations	(118)	(142)	395
Exchange differences on translation of foreign subsidiaries	(352)	(2,510)	(1,747)
Other income and expense recognized directly in equity	110	160	80
Actuarial gains and losses from defined benefit plans and other employee benefits	227	923	314
Deferred taxes on items in other comprehensive income	(53)	(228)	(275)
Income and expense recognized directly in equity	(226)	(1,914)	(854)
Profit after income taxes	2,024	1,080	3,582
Recognized income and expense	1,798	(834)	2,728
Minority interests	547	512	517
Equity attributable to equity holders of the parent	1,251	(1,346)	2,211

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Notes to the consolidated financial statements.

Summary of accounting policies.

General information.

The Deutsche Telekom Group (hereinafter referred to as Deutsche Telekom) is one of the world's leading service providers in the telecommunications and information technology sector. With its operating segments, Mobile Communications Europe, Mobile Communications USA, Broadband/Fixed Network, Business Customers and Group Headquarters & Shared Services, Deutsche Telekom covers the full range of state-of-the-art telecommunications and information technology services.

The Company was entered as Deutsche Telekom AG in the commercial register of the Bonn District Court (Amtsgericht – HRB 6794) on January 2, 1995.

The Company has its registered office in Bonn, Germany. Its address is Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

The declaration of conformity with the German Corporate Governance Code required pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) was released and made available to shareholders.

In addition to Frankfurt/Main, other German stock exchanges, and Tokyo, Deutsche Telekom shares are also traded on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The annual financial statements of Deutsche Telekom AG as well as the consolidated financial statements of Deutsche Telekom AG, which have an unqualified audit opinion from Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, are published in the electronic Federal Gazette (Bundesanzeiger). 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.

The consolidated financial statements of Deutsche Telekom for the 2008 financial year were released for publication by the Board of Management on February 9, 2009.

Basis of preparation.

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). All IFRSs issued by the International Accounting Standards Board (IASB), effective at the time of preparing the consolidated financial statements and applied by Deutsche Telekom, have been adopted for use in the EU by the European Commission. The consolidated financial statements of Deutsche Telekom thus also comply with IFRS as issued by the IASB. Therefore the term IFRS is used in the following.

The financial year corresponds to the calendar year. The consolidated income statement, the consolidated cash flow statement and the statement of recognized income and expense include two comparative years.

Presentation in the balance sheet differentiates between current and non-current assets and liabilities, some of which are broken down further by their respective maturities in the notes to the financial statements. The income statement is presented using the cost-of-sales method. Under this format, net revenue is compared against the expenses incurred to generate these revenues, classified into cost of sales, selling, and general and administrative functions. The consolidated financial statements are prepared in euros.

The financial statements of Deutsche Telekom AG and its subsidiaries included in the consolidated financial statements were prepared using uniform group accounting policies.

Initial application of standards, interpretations and amendments to standards and interpretations in the financial year.

In the financial year, Deutsche Telekom applied the following pronouncements by the IASB for the first time:

- Amendments to IFRS 7 “Financial Instruments: Disclosures” and IAS 39 “Financial Instruments: Recognition and Measurement”: “Reclassification of Financial Assets,”
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions,”
- IFRIC 12 “Service Concession Arrangements,” and
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction.”

The initial application of the pronouncements did not have a material impact on the presentation of Deutsche Telekom’s results of operations, financial position, or cash flows. For further details of the initial application of pronouncements by the IASB and changes in accounting policies, please refer to the section “Change in accounting policies.”

Standards, interpretations and amendments issued, but not yet adopted.

In March 2007, the IASB issued an amendment to **IAS 23 “Borrowing Costs.”** The European Union endorsed IAS 23 in December 2008. The amendment to the standard mainly relates to the elimination of the option of immediately recognizing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as an expense. Currently, Deutsche Telekom recognizes these costs directly as an expense. A qualifying asset in this context is an asset that takes a substantial period of time to get ready for its intended use or sale. In the future, an entity is therefore required to capitalize borrowing costs as part of the cost of the qualifying assets. The revised standard does not require the capitalization of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. The standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. Deutsche Telekom is currently analyzing the impact of the amendment to IAS 23 on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows as part of the implementation of initial application as of January 1, 2009.

In June 2007, the IFRIC issued **IFRIC 13 “Customer Loyalty Programmes.”** The European Union endorsed IFRIC 13 in December 2008. The interpretation addresses the accounting of customer loyalty programs that grant customers points (credits) that allow them to acquire free or discounted goods or services from the seller or a third party. The question to be clarified was whether the award credits are a liability in the context of a sale or an advance payment for a future sales transaction. The interpretation now issued requires the proceeds of the sale to be divided into two components. One component is attributable to the transaction which resulted in the credit awards. The other component is allocable to the future sales transaction resulting from the credit awards to be redeemed. The portion of the proceeds allocated to the goods or service already delivered is recognized as revenue. The portion of the proceeds allocated to the award credits is deferred as an advance payment until the customer redeems the credit award, or the obligation in respect of the credit award is fulfilled. Since the guidance under IFRIC 13 deviates from Deutsche Telekom’s current accounting policy, the accounting method will have to be adjusted. The interpretation is effective for financial years beginning on or after July 1, 2008. The adoption of IFRIC 13 is not expected to have a material impact on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows.

In September 2007, the IASB issued an amendment to **IAS 1 “Presentation of Financial Statements: A Revised Presentation.”** The European Union endorsed the amendment to IAS 1 in December 2008. IAS 1 (revised) uses the terms “statement of financial position” (previously “balance sheet”) and “statement of cash flows” (previously “cash flow statement”) and introduces a new element of financial statements termed “statement of comprehensive income.” Use of the new terminology, however, is not mandatory. The amendment to IAS 1 requires entities to disclose comparative information in respect of the previous period. The revised standard also stipulates the presentation of a further financial statement (statement of financial position) at the beginning of the first comparative period presented if the entity changed its accounting policies retrospectively or made retrospective restatements.

Revised IAS 1 also includes:

- All changes in shareholders' equity resulting from transactions with owners must be presented separately from such changes in shareholders' equity not resulting from transactions with owners (non-owner changes).
- Income and expenses are reported separately from transactions with owners either in one statement of comprehensive income or in two statements – a separate income statement and a statement of comprehensive income.
- The components of other comprehensive income must be presented in the statement of comprehensive income.
- The total comprehensive income must be disclosed.

The amendment to IAS 1 also requires the relevant amount of income tax per component of other comprehensive income to be stated and the amounts reclassified as other comprehensive income to be presented. Reclassification amounts arise from the reclassification of amounts formerly reported under other comprehensive income as profit or loss. In addition, amounts reported as distributed dividends and corresponding per-share amounts must be presented either in the statement of changes in equity or in the notes. The amendment to IAS 1 is effective for financial years beginning on or after January 1, 2009. As the amendment to IAS 1 only affects disclosure requirements, it will not have an impact on Deutsche Telekom's results of operations, financial position or cash flows.

In January 2008, the IASB issued the revised standards **IFRS 3 "Business Combinations"** and **IAS 27 "Consolidated and Separate Financial Statements."** The standards are the outcome of the second phase of the project carried out together with the Financial Accounting Standards Board (FASB) to reform the accounting for business combinations. The revised IFRS 3 and IAS 27 have not yet been endorsed by the European Union. The main changes that the revised IFRS 3 will make to the existing requirements are described below:

- The revised standard gives the option of measuring non-controlling interests either at fair value or at the proportionate share of the identifiable net assets. This choice can be exercised for each business combination individually.
- In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at the date the acquirer obtains control. Goodwill shall then be determined as the difference between the remeasured carrying amount plus consideration transferred for the acquisition of the new shares, minus the acquired net assets.

- Transaction costs shall be recognized as expenses.
- For changes in contingent consideration classified as a liability at the acquisition date, goodwill cannot be remeasured subsequently.
- According to the revised IFRS 3, effects from the settlement of relationships existing prior to the business combination shall not be part of the exchange for the acquiree.
- In contrast to the original IFRS 3, the revised standard governs the recognition and measurement of rights that were granted to another entity prior to the business combination and which are now reacquired as part of the business combination (reacquired rights).

The main changes that the revised IAS 27 will make to the existing requirements are described below:

- Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for exclusively within equity.
- If a parent loses control of a subsidiary it shall derecognize the consolidated assets and liabilities. The new requirement is that any investment retained in the former subsidiary shall be recognized at fair value at the date when control is lost; any differences resulting from this shall be recognized in profit or loss.
- When losses attributed to the minority (non-controlling) interests exceed the minority's interests in the subsidiary's equity, these losses shall be allocated to the non-controlling interests even if this results in a deficit balance.

The revised IFRS 3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Earlier application is permitted, however, at the earliest at the beginning of an annual reporting period that begins on or after June 30, 2007. The provisions of IAS 27 shall be effective for annual reporting periods beginning on or after July 1, 2009. Earlier application is permitted. However, the earlier application of one of these two standards requires that the other standard also applies at the same earlier time.

Deutsche Telekom is currently analyzing the date of adoption of the amendments to IFRS 3 and IAS 27 and the resulting effects on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In January 2008, the IASB published the revised standard **IFRS 2 "Share-based Payment – Vesting Conditions and Cancellations."** The European Union endorsed the revised IFRS 2 in December 2008.

Main changes and clarifications are:

- Vesting conditions are service conditions and performance conditions only.
- All (premature) cancellations, whether by the entity itself or by employees, should receive the same accounting treatment.

The amendments to IFRS 2 are effective for financial years beginning on or after January 1, 2009. The amendment to the standard does currently not have an impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows, nor is it expected to in future.

In February 2008, the IASB issued an amendment to **IAS 32 "Financial Instruments: Presentation"** and **IAS 1 "Presentation of Financial Statements."** The European Union endorsed the revised standards in January 2009. The amendments relate to the classification of puttable financial instruments and of obligations arising only in the event of liquidation. This means that some financial instruments currently falling under the definition of financial liabilities will be classified as equity. IAS 32 contains detailed criteria applied to identifying such instruments. The amendments shall be applied for financial years beginning on or after January 1, 2009. The amendment to the standards is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

As a result of the first **annual improvement process project**, the IASB issued a collective standard with amendments to various IFRSs in May 2008. It relates to a large number of smaller amendments to existing standards whose implementation was regarded as necessary, but non-urgent. The European Union endorsed this standard in January 2009. The issued amendments are presented in two parts:

- those that involve accounting changes for presentation, recognition or measurement purposes,
- those that involve terminology or editorial changes with no or minimal effect on accounting.

Unless otherwise specified in the standard, the amendments are effective for financial years beginning on or after January 1, 2009. The adoption of the standard is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows.

In May 2008, the IASB issued the revised standards **IFRS 1 "First-time Adoption of International Financial Reporting Standards"** and **IAS 27 "Consolidated and Separate Financial Statements."** The European Union endorsed the amendments in January 2009. The amendments to IFRS 1 grant first-time adopters several simplifications for measuring the initial cost of investments in subsidiaries, joint ventures, and associates in IFRS single-entity financial statements. The amendments to IAS 27 relate to reorganizations within a group. They allow the new parent to measure the cost of its investment at the carrying amount of its share of the equity items of the previous parent. The new guidance is effective for financial years beginning on or after January 1, 2009. The amendment to the standards is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In July 2008, the IFRIC issued **IFRIC 15 "Agreements for the Construction of Real Estate."** The European Union has not yet endorsed IFRIC 15. IFRIC 15 refers to the issue of how to account for revenue and associated expenses by entities that undertake the construction of real estate and sell these items before construction is completed. The interpretation defines criteria for the accounting in accordance with either IAS 11 "Construction Contracts," or IAS 18 "Revenue." IFRIC 15 is effective for financial years beginning on or after January 1, 2009. The adoption of IFRIC 15 is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In July 2008, the IFRIC issued **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation."** The European Union has not yet endorsed IFRIC 16. IFRIC 16 provides guidance on accounting for hedges of net investments in a foreign operation. The interpretation clarifies the nature of the hedged risk for which a hedging relationship may be designated and where the hedging instrument can be held within the group. Thus, hedge accounting may be applied only to foreign exchange differences between the functional currency of the foreign operation and the parent entity's functional currency. The (derivative or non-derivative) hedging instrument may be held by any entity within the group, except the foreign operation that itself is being hedged, as long as the designation, documentation and effectiveness requirements of IAS 39.88 that relate to a net investment hedge are satisfied. IFRIC 16 is effective for financial years beginning on or after October 1, 2008. The adoption of IFRIC 16 is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In July 2008, the IASB issued an amendment to **IAS 39 “Financial Instruments: Recognition and Measurement.”** The European Union has not yet endorsed the amendment to IAS 39. The amendment on eligible hedged items specifies that an entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable. The amendment to IAS 39 is effective for financial years beginning on or after July 1, 2009. The provisions are to be applied retrospectively. The amendment to the standard is not expected to have a material impact on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows.

In November 2008, the IASB issued the revised **IFRS 1 “First-time Adoption of International Financial Reporting Standards.”** The European Union has not yet endorsed the amendment to IFRS 1. The revised standard is effective for financial years beginning on or after July 1, 2009. The changes merely concern the wording and therefore generally have no effect on the presentation of the results of operations and financial position.

In November 2008, the IFRIC issued **IFRIC 17 “Distribution of Non-Cash Assets to Owners.”** The European Union has not yet endorsed IFRIC 17. The interpretation provides guidance on the recognition and measurement of liabilities arising from dividends paid in the form of assets other than cash (e.g., property, plant and equipment) and clarifies how any difference between the carrying amount of the assets distributed and the carrying amount of the dividend paid should be accounted for. IFRIC 17 is effective for financial years beginning on or after July 1, 2009. The adoption of IFRIC 17 is not expected to have a material impact on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows.

In January 2009, the IFRIC issued **IFRIC 18 “Transfer of Assets from Customers.”** The European Union has not yet endorsed IFRIC 18. The interpretation clarifies the IFRS requirements for agreements whereby an entity receives from a customer an item of property, plant and equipment (or cash which is used only for the construction or acquisition of an item of property, plant and equipment) that the entity must then use to connect the customer to a network and/or to provide the customer with ongoing access to a supply of goods or services. IFRIC 18 is to be applied prospectively to transactions that will be carried out on or after July 1, 2009. Earlier application is permitted under certain conditions. Deutsche Telekom is currently analyzing the impact of applying IFRIC 18 on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows.

Consolidated group.

All subsidiaries, joint ventures and associates are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom and are fully consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. If a subsidiary meets the criteria for classification as held for sale at the acquisition date according to IFRS 5, it shall not be fully consolidated, but the corresponding assets and liabilities are presented as held for sale. Joint ventures are companies jointly controlled by Deutsche Telekom and other companies. Associates are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the equity method.

The composition of the Deutsche Telekom Group changed as follows in the 2008 financial year:

	Domestic	International	Total
Consolidated subsidiaries			
January 1, 2008	70	176	246
Additions	1	14	15
Disposals (including mergers)	(6)	(26)	(32)
December 31, 2008	65	164	229
Associates accounted for using the equity method			
January 1, 2008	8	8	16
Additions	0	1	1
Disposals	(3)	0	(3)
December 31, 2008	5	9	14
Joint ventures accounted for using the equity method			
January 1, 2008	2	1	3
Additions	0	2	2
Disposals	0	0	0
December 31, 2008	2	3	5
Total			
January 1, 2008	80	185	265
Additions	1	17	18
Disposals (including mergers)	(9)	(26)	(35)
December 31, 2008	72	176	248

Business combinations.

2008:

Deutsche Telekom took over full control of **SunCom Wireless Holdings, Inc., Berwyn, United States (SunCom)** on February 22, 2008 after the Group company T-Mobile USA Inc. acquired 100 percent of shares in the company. With the acquisition of SunCom, T-Mobile USA is expanding the coverage of its own mobile communications network to the Southeastern United States as well as the Caribbean. SunCom's customer base is spread over the U.S. states of North Carolina, South Carolina, Tennessee and Georgia, as well as Puerto Rico and the U.S. Virgin Islands. Like T-Mobile, the company operates its mobile communications network based on GSM/GPRS/EDGE. The T-Mobile group had been offering mobile communications services to its customers in these regions since 2004 under a roaming agreement with SunCom.

The acquisition cost of the business combination, including costs of USD 2 million directly attributable to it, as of the acquisition date was USD 1.6 billion (EUR 1.1 billion). Cash and cash equivalents in the amount of EUR 52 million were acquired in conjunction with the purchase of SunCom. On the basis of the final purchase price allocation, the business combination with SunCom resulted in goodwill of EUR 0.9 billion. This goodwill arises from synergies the merger of the two companies is expected to generate, particularly through the reduction of roaming costs, as well as marketing synergies. In addition, this goodwill reflects the overall growth opportunities for T-Mobile USA and Mobile Communications as a growth area created by the larger customer base and the expansion of the mobile communications network.

The fair values of SunCom's acquired assets, liabilities and contingent liabilities recognized at the date of acquisition and their carrying amounts immediately prior to the business combination are presented in the following table:

millions of €	SunCom	
	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
Assets	2,057	1,097
Current assets	243	255
Cash and cash equivalents	52	52
Financial assets	114	114
Trade and other receivables	54	55
Other assets	23	34
Non-current assets	1,814	842
Intangible assets	1,333	555
Of which: goodwill	883	60
Property, plant and equipment	146	274
Other assets	335	13
Liabilities	977	925
Current liabilities	792	759
Financial liabilities	678	655
Trade and other payables	36	36
Other liabilities	78	68
Non-current liabilities	185	166
Other liabilities	185	166

SunCom was included in Deutsche Telekom's consolidated financial statements for the first time as of February 22, 2008. Net revenue increased by EUR 462 million as a result of the acquisition of SunCom. Had the business combination already occurred on January 1, 2008, net revenue would have been EUR 84 million higher. Net profit of the Group for the 2008 financial year includes a net profit at SunCom of EUR 1 million. If the business combination had been executed effective January 1, 2008, the Group's net profit would have been reduced accordingly by EUR 6 million.

2007:

By acquiring 100 percent of the equity interests in **Orange Nederland N.V., The Hague, Netherlands (Orange Nederland)** and in **Orange Nederland Breedband B.V., Amsterdam, Netherlands (Online)** via its Group company T-Mobile Netherlands Holding B.V., Deutsche Telekom gained control of the entities as of October 1, 2007.

At the acquisition date, **Orange Nederland** provided mobile communications products and services based on GSM and UMTS technology.

Including agreed purchase price adjustments for net debt and expenses that were incurred prior to the acquisition date but resulted in cash outflow at a later date, and for advance payments for the use of the brand, the acquisition costs for Orange Nederland at the acquisition date amounted to EUR 1.2 billion.

The business combination with Orange Nederland resulted in goodwill of EUR 0.4 billion. The main factors resulting in the recognition of goodwill were anticipated savings through synergy effects of the combination and an expected improvement in Deutsche Telekom's market position in the Netherlands. Cash and cash equivalents in the amount of EUR 18 million were acquired in conjunction with the purchase of Orange Nederland.

The fair values of Orange Nederland's acquired assets, liabilities and contingent liabilities recognized at the date of acquisition and their carrying amounts immediately prior to the business combination are presented in the following table:

millions of €	Orange Nederland *	
	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
Assets	968	752
Current assets	121	127
Cash and cash equivalents	18	18
Other assets	103	109
Non-current assets	847	625
Intangible assets	398	250
Property, plant and equipment	259	375
Other assets	190	-
Liabilities	214	218
Current liabilities	191	199
Financial liabilities	-	-
Trade and other payables	70	78
Other liabilities	121	121
Non-current liabilities	23	19
Financial liabilities	-	-
Other liabilities	23	19

* Figures excluding goodwill.

Orange Nederland was included in Deutsche Telekom's consolidated financial statements as of October 1, 2007 for the first time. Net revenue increased by EUR 147 million as a result of the acquisition. Had the business combination taken place on January 1, 2007, the Group's net revenue would have been EUR 493 million higher than the level of net revenue actually generated. Net profit for the 2007 financial year included a net loss at Orange Nederland of EUR 37 million. Net profit would have been an additional EUR 30 million lower, had the business combination been executed effective January 1, 2007.

Online (formerly Orange Breedband) offered broadband Internet lines and other Internet-based services at the acquisition date. At the time of acquisition, the intention was to sell the acquired equity interest in Online; therefore the assets and liabilities were included in non-current assets and disposal groups held for sale. In the second quarter of 2008, Deutsche Telekom decided not to sell the acquired shares. Accordingly, the acquired assets and liabilities are no longer reported in the consolidated balance sheet as being held for sale. The differences resulting from the remeasurement of the assets and liabilities following this reclassification, as well as

all other effects on profit and loss to be applied retroactively until the date of reclassification, are reported in the income statement under other operating expenses totaling EUR 6 million. The reclassification resulted in goodwill of EUR 54 million.

On October 24, 2007, Deutsche Telekom exercised its preemptive right through Group subsidiary Scout24 AG, Baar, Switzerland, to purchase a share of 66.22 percent in **Immobilien Scout GmbH, Berlin**, which was previously held by Aareal Bank, Wiesbaden, for the price of EUR 0.4 billion. The acquisition increased Scout24 AG's existing share of 33.11 percent to 99.33 percent. Immediately prior to the acquisition of the additional 66.22-percent share, the carrying amount of the existing 33.11-percent share in Immobilien Scout was EUR 7 million. Since the investment existed before Deutsche Telekom obtained control of the entity, the acquisition of the additional stake was treated as a business combination achieved in stages according to IFRS 3.

The business activities of Immobilien Scout comprise the operation of an Internet-based real estate marketing platform and associated products and services for the German market.

Immobilien Scout was included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary for the first time effective November 1, 2007. The existing 33.11-percent share in Immobilien Scout was carried at equity until October 31, 2007 and included in the consolidated financial statements as an associate.

The business combination resulted in total goodwill of EUR 0.3 billion. This includes around EUR 20 million from the existing 33.11-percent share that was realized in the course of the initial inclusion at equity of the Scout24 group in February 2004. The acquisition of the further 66.22-percent share resulted in goodwill of EUR 283 million. This amount was mainly attributable to positive future income effects and anticipated savings due to synergies. Cash and cash equivalents in the amount of EUR 1 million were acquired in conjunction with the purchase of Immobilien Scout.

The fair values of Immobilien Scout's acquired assets, liabilities and contingent liabilities recognized at the date of acquisition and their carrying amounts immediately prior to the business combination are presented in the following table:

millions of €	Immobilien Scout *	
	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
Assets	168	35
Current assets	31	31
Cash and cash equivalents	1	1
Other assets	30	30
Non-current assets	137	4
Intangible assets	133	1
Property, plant and equipment	3	3
Other assets	1	0
Liabilities	53	13
Current liabilities	13	13
Financial liabilities	-	-
Trade and other payables	-	-
Other liabilities	13	13
Non-current liabilities	40	-
Financial liabilities	-	-
Other liabilities	40	-

* Figures excluding goodwill.

The EUR 31 million change in fair value relating to the previously held interest (33.11 percent) resulting from the complete revaluation of Immobilien Scout's assets and liabilities was recognized in the revaluation reserve. The proportion of shareholders' equity attributable to third parties was approximately EUR 1 million.

From its acquisition date onwards, Immobilien Scout contributed EUR 16 million to the Group's net revenue in 2007. Net profit for the 2007 financial year included EUR 4 million in profit generated by Immobilien Scout since its acquisition date. Had the business combination taken place at the beginning of the 2007 financial year, its revenue contribution in 2007 would have been EUR 67 million and the contribution to 2007 net profit would have been EUR 20 million.

2006:

Effective March 31, 2006, T-Systems acquired the IT service provider **gedas** from Volkswagen AG for a purchase price of EUR 0.3 billion. The purchase price was paid in cash.

At the acquisition date, the information technology service provider gedas advised companies in the automotive and manufacturing industries on the development, systems integration, and operation of IT solutions. The technology expertise acquired in the company's core market and the understanding of business processes in the automotive sector also benefit numerous customers in other sectors and public administrations. The IT service provider developed a comprehensive thinking and working principle of its own – Intelligent Transformation – consisting of three elements: technological benefit, integrated view and creating an appropriate interface between people and technology.

The business combination resulted in goodwill of EUR 0.2 billion. Cash and cash equivalents in the amount of EUR 41 million were acquired in conjunction with the purchase of the gedas group.

The gedas group was included in Deutsche Telekom's consolidated financial statements as of March 31, 2006 for the first time. The gedas group contributed a total of EUR 495 million to the Group's net revenue since the acquisition date in the 2006 financial year. Net profit for the 2006 financial year included a net loss at the gedas group since the acquisition date in the amount of EUR 15 million. Had the business combination taken place at the beginning of the 2006 financial year, its revenue contribution in 2006 would have been EUR 639 million and the loss of the gedas group would have risen to EUR 26 million.

The fair values of the gedas group's acquired assets, liabilities and contingent liabilities recognized at the date of acquisition and their carrying amounts immediately prior to the business combination are presented in the following table:

millions of €	gedas group*	
	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
Assets	434	341
Current assets	231	231
Cash and cash equivalents	41	41
Other assets	190	190
Non-current assets	203	110
Intangible assets	112	20
Property, plant and equipment	73	73
Other assets	18	17
Liabilities	341	308
Current liabilities	298	293
Financial liabilities	119	119
Trade and other payables	69	69
Other liabilities	110	105
Non-current liabilities	43	15
Financial liabilities	6	6
Other liabilities	37	9

* Figures excluding goodwill.

Effective April 28, 2006, Deutsche Telekom – through the Group company T-Mobile Austria – acquired 100 percent of the shares and voting rights in the Austrian mobile communications company **tele.ring Telekom Service GmbH, Vienna, Austria (tele.ring)**. At the acquisition date, tele.ring was an Austrian telecommunications company which primarily provided UMTS/GSM mobile communications services. The purchase price of EUR 1.3 billion was settled in cash. Cash and cash equivalents in the amount of EUR 23 million were acquired as part of the transaction. Incidental acquisition expenses of EUR 5 million were incurred primarily for financial and legal advisory services. The business combination resulted in goodwill of EUR 0.7 billion. The main factors resulting in the recognition of goodwill can be summarized as follows:

- A portion of the acquired intangible assets, such as the assembled workforce, could not be recognized as intangible assets since the recognition criteria were not fulfilled.
- Expected cost savings from synergy effects of the merger were taken into account in determining the purchase price.

In addition to providing services in the area of UMTS/GSM mobile communications, the tele.ring group generated a small amount of its revenues with fixed-network business at the acquisition date. Since this activity was not consistent with the strategic objectives of T-Mobile Austria, the latter intended to sell off the existing fixed-network customer base. The acquisition of the tele.ring group was further subject to certain regulatory conditions. Nearly all cell sites necessary for mobile communications operations as well as the frequency spectrum of the UMTS license of the tele.ring group were required to be sold to competitors. At the time of acquisition the relevant assets were classified as held for sale. These assets were sold in the 2007 financial year.

tele.ring was included in Deutsche Telekom's consolidated financial statements as of May 1, 2006 for the first time. The revenue generated by tele.ring in the 2006 financial year since its acquisition date was EUR 296 million. Had the business combination already taken place effective January 1, 2006, net revenue in the 2006 financial year would have been EUR 158 million higher. Net profit for the 2006 financial year included a net loss at tele.ring in the amount of EUR 117 million. Net profit in the 2006 financial year would have been lower by EUR 23 million – the amount of the net loss of tele.ring – had the business combination been executed effective January 1, 2006.

The fair values of tele.ring's acquired assets, liabilities and contingent liabilities recognized at the date of acquisition and their carrying amounts immediately prior to the business combination are presented in the following table:

millions of €	tele.ring group*	
	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
Assets	785	666
Current assets	199	119
Cash and cash equivalents	23	23
Assets held for sale	85	0
Other assets	91	96
Non-current assets	586	547
Intangible assets	461	230
Property, plant and equipment	118	304
Other assets	7	13
Liabilities	138	145
Current liabilities	106	99
Financial liabilities	17	17
Trade and other payables	47	47
Other liabilities	42	35
Non-current liabilities	32	46
Financial liabilities	0	0
Other liabilities	32	46

* Figures excluding goodwill.

The deferred tax effects of tax loss carryforwards of EUR 0.9 billion were not recognized, as it was not probable that taxable profit will be available in the near future, against which these tax loss carryforwards could be utilized.

The **merger of T-Online International AG into Deutsche Telekom AG** was entered into the commercial register on June 6, 2006. As such, the merger of T-Online International AG into Deutsche Telekom AG has taken effect. In connection with the merger, Deutsche Telekom acquired 9.86 percent of the remaining shares in T-Online by issuing 62.7 million new Deutsche Telekom shares. This transaction generated goodwill of EUR 0.2 billion.

In the third quarter of 2006, Deutsche Telekom bought back 62.7 million Deutsche Telekom shares for a purchase price of EUR 0.7 billion and subsequently retired them. This corresponded to the number of shares newly issued in the course of the merger of T-Online International AG into Deutsche Telekom AG. The buy-back program was implemented solely for the purpose of reducing the share capital of Deutsche Telekom AG so that the merger with **T-Online International AG** does not lead to a permanent increase in the number of Deutsche Telekom AG shares.

By acquiring a further 48.00 percent of the voting rights in **Polska Telefonia Cyfrowa Sp.z o.o., Warsaw, Poland (PTC)** (via T-Mobile Deutschland GmbH, Bonn), Deutsche Telekom obtained control of the entity as of October 26, 2006. PTC provides mobile communications products and services based on GSM and UMTS technology.

For reasons of simplicity, PTC was not fully consolidated until November 1, 2006. Due to the existence of a significant influence on the company, PTC was included as an associate in the consolidated financial statements of Deutsche Telekom until then. The carrying amount of the existing 49.00-percent stake in PTC was EUR 1.8 billion at October 31, 2006. Since the investment existed before Deutsche Telekom obtained control of the entity, the acquisition of the 48.00-percent stake was treated as a business combination achieved in stages according to IFRS 3.

Since Deutsche Telekom obtained control of the entity upon acquisition of the remaining 48.00 percent of the shares in PTC, PTC's assets and liabilities were included in the consolidated financial statements of Deutsche Telekom at fair value effective November 1, 2006. The voting rights were acquired by means of exercising a call option. Payments of EUR 0.6 billion have been made to date as consideration for the additional 48.00 percent of the shares in PTC. Any further payments will be made depending on future events. A subsequent adjustment of the purchase price as a result of the judicial determination of the final purchase price would have an impact on goodwill. Cash and cash equivalents in the amount of EUR 0.2 billion were acquired in conjunction with the purchase of PTC.

Including EUR 7 million in costs directly attributable to the business combination incurred for business and legal advisory services, the costs for the acquisition of the 48.00 percent of the shares amounted to EUR 1.6 billion. The business combination resulted in total goodwill of EUR 1.7 billion. Goodwill was mainly attributable to cost savings expected from synergy effects.

The fair values of PTC's acquired assets, liabilities and contingent liabilities recognized at the date of acquisition and their carrying amounts immediately prior to the business combination are presented in the following table:

millions of €	Polska Telefonia Cyfrowa (PTC)*	
	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
Assets	3,194	1,900
Current assets	558	558
Cash and cash equivalents	185	185
Assets held for sale	2	2
Other assets	371	371
Non-current assets	2,636	1,342
Intangible assets	1,963	634
Property, plant and equipment	634	706
Other assets	39	2
Liabilities	1,044	666
Current liabilities	432	421
Financial liabilities	127	120
Trade and other payables	28	28
Other liabilities	277	273
Non-current liabilities	612	245
Financial liabilities	262	159
Other liabilities	350	86

* Figures excluding goodwill.

The change in fair value relating to the previously held interest (49.00 percent) resulting from the complete revaluation of PTC's assets and liabilities was approximately EUR 0.4 billion and was recognized in the revaluation reserve. The proportion of shareholders' equity attributable to third parties was approximately EUR 65 million.

The revenue generated by PTC in the 2006 financial year since the acquisition date was EUR 299 million. Had the business combination taken place on January 1, 2006, the Group's net revenue in the 2006 financial year would have been EUR 1,523 million higher than the level of net revenue actually generated. Net profit for the 2006 financial year included a net loss at PTC in the amount of EUR 116 million. Net profit would have been approximately EUR 380 million lower – the amount of the net loss of PTC – had the business combination been executed effective January 1, 2006.

Pro forma information.

The pro forma information shown in the table on the right presents the most important financial data of Deutsche Telekom, including its principal consolidated subsidiaries acquired in the financial years 2006 through 2008, as if they had been included in the consolidated financial statements from the beginning of each financial year in which they were acquired.

millions of €	2008	2007*	2006*
Net revenue			
Reported	61,666	62,516	61,347
Pro forma	61,750	63,060	63,172
Net profit			
Reported	1,483	571	3,173
Pro forma	1,477	557	2,759
Earnings per share/ADS (€)			
Reported	0.34	0.13	0.74
Pro forma	0.34	0.13	0.64

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Principal subsidiaries.

The Group's principal subsidiaries are presented in the following table:

Name and registered office	Deutsche Telekom share	Net revenue	Employees
	% Dec. 31, 2008	millions of € 2008	average 2008
T-Mobile USA, Inc., Bellevue, Washington, United States ^{a, b}	100.00	14,957	36,076
T-Mobile Deutschland GmbH, Bonn ^c	100.00	7,770	5,474
T-Systems Enterprise Services GmbH, Frankfurt/Main ^a	100.00	5,048	16,215
T-Systems Business Services GmbH, Bonn ^a	100.00	4,707	11,270
T-Mobile Holdings Ltd., Hatfield, United Kingdom ^{a, b}	100.00	4,051	6,128
Magyar Telekom Nyrt., Budapest, Hungary ^{a, g}	59.30	2,678	10,679
PTC, Polska Telefonia Cyfrowa Sp.z o.o., Warsaw, Poland ^c	97.00	2,260	5,155
T-Mobile Netherlands Holding B.V., The Hague, Netherlands ^{a, b}	100.00	1,806	2,234
T-Mobile Czech Republic a.s., Prague, Czech Republic ^e	60.77	1,329	2,559
HT-Hrvatske telekomunikacije d.d., Zagreb, Croatia ^a	51.00	1,223	6,462
T-Mobile Austria Holding GmbH, Vienna, Austria ^{a, d}	100.00	1,085	1,539
Slovak Telekom a.s., Bratislava, Slovakia ^a	51.00	994	5,258
T-Systems GEI GmbH, Aachen ^f	100.00	351	2,405

^a Consolidated subgroup financial statements.

^b Indirect shareholding via T-Mobile Global Holding GmbH, Bonn (Deutsche Telekom AG's indirect share: 100%).

^c Indirect shareholding via T-Mobile International AG, Bonn (Deutsche Telekom AG's share: 100%).

^d Indirect shareholding via T-Mobile Global Holding Nr. 2 GmbH, Bonn (Deutsche Telekom AG's indirect share: 100%).

^e Indirect shareholding via CMobil B.V., Amsterdam (Deutsche Telekom AG's indirect share: 100%).

^f Indirect shareholding via T-Systems Enterprise Services GmbH, Frankfurt/Main (Deutsche Telekom AG's share: 100%).

^g Indirect shareholding via MagyarCom Holding GmbH, Bonn (Deutsche Telekom AG's share: 100%).

In accordance with § 313 HGB, the full list of investment holdings, which is included in the notes to the consolidated financial statements, is published in the electronic Federal Gazette (Bundesanzeiger) together with the consolidated financial statements. The list is available upon request from Deutsche Telekom AG, Bonn, Investor Relations. Furthermore, the list of investment holdings includes a full list of all subsidiaries that exercise preparation and disclosure simplification options in accordance with § 264 (3) HGB as well as disclosure simplification options in accordance with § 264 b HGB.

Consolidation methods.

Under IFRS, all business combinations must be accounted for using the purchase method. The acquirer allocates the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Non-current assets that are classified as held for sale are recognized at fair value less costs to sell. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets and of the liabilities and contingent liabilities taken over, regardless of the level of the investment held, is recognized as goodwill. Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities which exceeds the cost of a business combination is recognized in profit or loss.

When acquiring additional equity interests in companies that are already consolidated subsidiaries, the difference between the purchase price consideration and the proportionate acquired equity is recognized as goodwill.

Income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. Income and expenses of a subsidiary are included in the consolidated financial statements until the

date on which the parent ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount, including the cumulative amount of any exchange differences that relate to the subsidiary recognized in equity, is recognized in the consolidated income statement as the gain or loss on the disposal of the subsidiary. Intercompany income and expenses, receivables and liabilities, and profits or losses are eliminated.

Investments in joint ventures and associates accounted for using the equity method are carried at the acquirer's interest in the identifiable assets (including any attributable goodwill), liabilities and contingent liabilities are remeasured to fair value upon acquisition. Goodwill from application of the equity method is not amortized. Unrealized gains and losses from transactions with these companies are eliminated in proportion to the acquirer's interest. The carrying amount of the investment accounted for using the equity method is tested for impairment whenever there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss must be recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs to sell and value in use.

Currency translation.

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At balance sheet dates, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in profit or loss.

The assets and liabilities of Group entities whose functional currency is not the euro are translated into euros from the local currency using the middle rates at the reporting date. The middle rates are the average of the bid and ask rates at closing on the respective dates. The income statements and corresponding profit or loss of foreign-currency denominated Group entities are translated at average exchange rates for the period. Exchange rate differences are recognized as a separate component of equity.

The exchange rates of certain significant currencies changed as follows:

€	Annual average rate			Rate at balance sheet date	
	2008	2007	2006	Dec. 31, 2008	Dec. 31, 2007
100 Czech korunas (CZK)	4.00894	3.60154	3.52842	3.75561	3.76364
1 Pound sterling (GBP)	1.25601	1.46142	1.46671	1.04555	1.36130
100 Croatian kuna (HRK)	13.84420	13.62830	13.65320	13.57610	13.63840
1,000 Hungarian forints (HUF)	3.97687	3.97762	3.78398	3.77407	3.96178
100 Macedonian denars (MKD)	1.62523	1.62699	1.62490	1.64255	1.62538
100 Polish zlotys (PLN)	28.47930	26.42900	25.66560	23.94770	27.89210
100 Slovak korunas (SKK)	3.19913	2.96074	2.68559	3.31932	2.97801
1 U.S. dollar (USD)	0.67976	0.72974	0.79626	0.71617	0.67907

Accounting policies.

Intangible assets (excluding goodwill) with finite useful lives, including UMTS licenses, are measured at cost and amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount, which is measured at the higher of fair value less costs to sell and value in use, is lower than the carrying amount. Indefinite-lived intangible assets (U.S. mobile communications licenses (FCC licenses)) are carried at cost. While FCC licenses are issued for a fixed time, renewals of FCC licenses have occurred routinely and at nominal costs. Moreover, Deutsche Telekom has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of the FCC licenses and therefore, treats the FCC licenses as an indefinite-lived intangible asset. They are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The useful lives and the amortization method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

Amortization of mobile communications licenses begins as soon as the related network is ready for use. The useful lives of mobile communications licenses are determined based on several factors, including the term of the licenses granted by the respective regulatory body in each country, the availability and expected cost of renewing the licenses, as well as the development of future technologies. The remaining useful lives of the Company's mobile communications licenses are as follows:

Mobile communications licenses	Years
FCC licenses	Indefinite
UMTS licenses	6 to 16
GSM licenses	1 to 16

Development expenditures are capitalized if they meet the criteria for recognition as assets and are amortized over their useful lives. **Research expenditures** and borrowing costs are not capitalized and are expensed as incurred.

Goodwill is not amortized, but is tested for impairment based on the recoverable amount of the cash-generating unit to which the goodwill is allocated (impairment-only approach). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment test must be performed annually, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit is impaired and must be reduced in the amount of the difference. Impairment losses for goodwill may not be reversed. If the impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognized through the pro rata reduction of the carrying amounts of the assets allocated to the cash-generating unit. Deutsche Telekom determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell. The fair value less costs to sell is usually determined based on discounted cash flow calculations. These discounted cash flow calculations use projections that are based on financial budgets approved by management covering a ten-year-period and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. Key assumptions on which management has based its determination of fair value less costs to sell include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, growth rates and discount rates. Cash flow calculations are supported by external sources of information.

Property, plant and equipment is carried at cost less straight-line depreciation and impairment losses. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8. In addition to directly attributable costs, the costs of internally developed assets include proportionate indirect material and labor costs, as well as administrative expenses relating to production or the provision of services. In addition to the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, costs also include the estimated costs for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Borrowing costs are not capitalized. Investment grants received reduce the cost of the assets for which the grants were made.

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in the following table:

	Years
Buildings	25 to 50
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment and technical equipment for broadband distribution networks	2 to 12
Broadband distribution networks, outside plant networks and cable conduit lines	8 to 35
Other equipment, operating and office equipment	2 to 23

Leasehold improvements are depreciated over the shorter of their useful lives or lease terms.

Impairment of intangible assets and items of property, plant and equipment is identified by comparing the carrying amount with the recoverable amount. If no future cash flows generated independently of other assets can be allocated to the individual assets, recoverability is tested on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The recoverable amount of the cash-generating units is generally determined using discounted cash flow calculations. Cash flows are projected over the estimated useful life of the asset or cash-generating unit. The discount rate used reflects the risk specific to the asset or cash-generating unit. The cash flows used reflect management assumptions and are supported by external sources of information.

Beneficial ownership of **leased assets** is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred. If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the balance sheet by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease), the lessee must recognize the leased asset in the balance sheet. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

Investment property consists of all property held to earn rentals or for capital appreciation and not used in production or for administrative purposes. Investment property is measured at cost less any accumulated depreciation and impairment losses.

Non-current assets and disposal groups held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs to sell and are classified as non-current assets held for sale. Such assets are no longer depreciated. As a rule, impairment of such assets is only recognized if fair value less costs to sell is lower than the carrying amount. If fair value less costs to sell subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. The assets are to be measured at the lower of the carrying amount that would have applied if the asset had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

Inventories are carried at the lower of net realizable value or cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Borrowing costs are not capitalized. Cost is measured using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Deutsche Telekom sells handsets separately and in connection with service contracts. As part of the strategy to acquire new customers, it sometimes sells handsets, in connection with a service contract, at below its acquisition cost. As the handset subsidy is part of the Company's strategy for acquiring new customers, the loss on the sale of handsets is recognized at the time of the sale and, as a rule, shown under cost of sales.

Pension obligations and other employee benefits relate to obligations to non-civil servants. Liabilities for **defined benefit plans** are measured using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations was set on the basis of the return on high-quality fixed-income corporate bonds in the respective currency area. In countries without a liquid market for such bonds, the return on government bonds is used instead. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognized in the period in which they occur outside profit or loss within equity (retained earnings). The return on plan assets is classified in interest income. Service costs are classified as operating expenses. Past service costs are recognized immediately to the extent that the benefits are vested; otherwise, they are recognized on a straight-line basis over the average remaining vesting period. The amounts payable under **defined contribution plans** are expensed when the obligation to pay the amounts is established, and classified as operating expenses. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

For active civil servants and those who have taken leave from civil-servant status and have an employment contract, Deutsche Telekom is obliged to make annual contributions to a special pension fund which makes pension payments to this group of people. The amounts of these contributions are set out by Postreform II, the legislation by which the former Deutsche Bundespost Telekom was legally transformed into a stock corporation, which came into force in 1995, and are therefore not subject to a separate actuarial calculation. The contributions are expensed in the period in which they are incurred and classified as operating expenses. The same applies to deferred compensation contributions to the Telekom Pension Fund and to contributions to defined contribution plans operated by Group entities outside Germany.

Part-time working arrangements for employees approaching retirement are largely based on the block model of the partial retirement arrangement (Altersteilzeit). Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding settlement amount, which is recorded on a pro rata basis during the active/working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering partial retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme and is recognized in full when the obligation arises.

Provisions for voluntary redundancy and severance payments and in connection with early retirement arrangements for civil servants are recognized when Deutsche Telekom is demonstrably committed to granting those benefits. This is the case when Deutsche Telekom has a detailed formal plan for the termination of the employment relationship and is without realistic possibility of withdrawal. The termination benefits are measured based on the number of employees expected to be affected by the measures. Where termination benefits fall due more than twelve months after the balance sheet date, the expected amount to be paid is discounted to the balance sheet date.

Other provisions are recognized where Deutsche Telekom has legal or constructive obligations to third parties on the basis of past transactions or events that will probably require an outflow of resources to settle, and this outflow can be reliably measured. These provisions are carried at their expected settlement amount, taking into account all identifiable risks, and may not be offset against reimbursements. The settlement amount is calculated on the basis of a best estimate. Provisions are discounted when the effect of the time value of money is material. Changes in estimates of the amount and timing of payments or changes in the discount rate applied in measuring provisions for decommissioning, restoration, and similar obligations are recognized in accordance with the change in the carrying amount of the related asset. Where the decrease in the amount of a provision exceeds the carrying amount of the related asset, the excess is recognized immediately in profit or loss. Provisions are recognized for external legal fees related to expected losses from executory contracts.

Contingencies (contingent liabilities and assets) are potential liabilities or assets arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of Deutsche Telekom. Contingent liabilities can also be present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured reliably. Contingent liabilities are only recognized at their fair value if they were assumed in the course of a business combination. Contingent liabilities not assumed in the course of a business combination are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, liabilities to non-banks from promissory notes, and derivative financial liabilities. Financial instruments are generally recognized as soon as Deutsche Telekom becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale (purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned), the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Deutsche Telekom. In general, financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis. To the extent that contracts to buy or sell a non-financial item such as goods or electricity fall within the scope of IAS 39, they are accounted for in accordance with this standard.

Financial assets are measured at fair value on initial recognition. For all financial assets not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account. The fair values recognized in the balance sheet generally correspond to the market prices of the financial assets. If these are not immediately available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

Cash and cash equivalents, which include cash accounts and short-term cash deposits at banks, have maturities of up to three months when initially recognized and are measured at amortized cost.

Trade and other current receivables are measured at the amount the item is initially recognized less any impairment losses using the effective interest method, if applicable. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the derecognition of the respective receivables. For allowances, financial assets that may need to be written down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment and written down, if necessary. When the expected future cash flows of the portfolio are being calculated as required for this, previous cases of default are taken into consideration in addition to the cash flows envisaged in the contract. The cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets contained in the relevant portfolio.

Impairment losses on trade accounts receivable are recognized in some cases using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. As there is a wide variety of operating segments and regional circumstances, this decision is the responsibility of the respective portfolio managers.

Other non-current receivables are measured at amortized cost using the effective interest method.

Financial assets held for trading are measured at fair value. These mainly include derivatives that are not part of an effective hedging relationship as set out in IAS 39 and therefore have to be classified as held for trading. Any gains or losses arising from subsequent measurement are recognized in the income statement.

Certain types of investment are intended and expected to be **held to maturity** with reasonable economic certainty. These financial assets are measured at amortized cost using the effective interest method.

Other non-derivative financial assets are classified as **available for sale** and generally measured at fair value. The gains and losses arising from fair value measurement are recognized directly in equity, unless the impairment is permanent or significant, or the changes in the fair value of debt instruments resulting from currency fluctuations are recognized in profit or loss. The cumulative gains and losses arising from fair value measurement are only recognized in profit or loss on disposal of the related financial assets. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Deutsche Telekom has not yet made use of the option of designating financial assets upon initial recognition as **financial assets at fair value through profit or loss**.

The carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested at each reporting date to determine whether there is objective, material evidence of **impairment** (e.g., a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortized cost). Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss.

Where impairments of the fair values of available-for-sale financial assets were recognized directly in equity in the past, these must now be reclassified from equity in the amount of the impairment determined and reclassified to the income statement. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed in the appropriate amount. In the case of debt instruments, these reversed impairment losses are recognized in profit or loss. Impairment losses on unquoted equity instruments that are classified as available for sale and carried at cost may not be reversed. Both the fair value of held-to-maturity securities to be determined by testing for impairment and the fair value of the loans and receivables measured at amortized cost, which are required for impairment testing, correspond to the present value of the estimated future cash flows, discounted using the original effective interest rate. The fair value of unquoted equity instruments measured at cost is calculated as the present value of the expected future cash flows, discounted using the current interest rate that corresponds to the investment's special risk position.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognized.

Trade payables and other non-derivative financial liabilities are generally measured at amortized cost using the effective interest method.

The Group has not yet made use of the option to designate financial liabilities upon initial recognition as **financial liabilities at fair value through profit or loss**.

Derivatives that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and measured at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities.

Deutsche Telekom uses **derivatives** to hedge the interest rate and currency risks resulting from its operating, financing, and investing activities.

The Company does not hold or issue derivatives for speculative trading purposes.

Derivatives are carried at their fair value upon initial recognition. The fair values are also relevant for subsequent measurement. The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available, the fair value must be calculated using standard financial valuation models.

The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were discontinued at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates, interest rates, and credit ratings at the reporting date. Calculations are made using middle rates. In the case of interest-bearing derivatives, a distinction is made between the "clean price" and the "dirty price." In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Recording the changes in the fair values – in either the income statement or directly in equity – depends on whether or not the derivative is part of an effective hedging relationship as set out in IAS 39. If **hedge accounting** pursuant to IAS 39 is not employed, the changes in the fair values of the derivatives must be recognized in profit or loss. If, on the other hand, an effective hedging relationship as set out in IAS 39 exists, the hedge will be recognized as such.

Deutsche Telekom applies hedge accounting to hedge balance sheet items and future cash flows, thus reducing income statement volatility. A distinction is made between fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation depending on the nature of the hedged item.

Fair value hedges are used to hedge the fair values of assets recognized in the balance sheet, liabilities recognized in the balance sheet, or firm commitments not yet recognized in the balance sheet. Any change in the fair value of the derivative designated as the hedging instrument is recognized in profit or loss; the carrying amount of the hedged item is adjusted by the profit or loss to the extent of the hedged risk (basis adjustment). The adjustments to the carrying amount are not amortized until the hedging relationship has been discontinued.

Cash flow hedges are used to hedge against fluctuations in future cash flows from assets and liabilities recognized in the balance sheet, from firm commitments (in the case of currency risks), or from highly probable forecast transactions. To hedge the currency risk of an unrecognized firm commitment, Deutsche Telekom makes use of the option to recognize this as a cash flow hedge rather than a fair value hedge. If a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognized in equity (hedging reserve) until the gain or loss on the hedged item is realized; the ineffective portion of the hedging instrument is recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial or non-financial asset or liability, the associated cumulative gains and losses that were recognized directly in equity are reclassified into profit or loss in the same periods during which the financial asset acquired or the financial liability assumed affects profit or loss for the period. In doing so, Deutsche Telekom has decided not to make use of the basis adjustment option for hedging forecast transactions when non-financial balance sheet items arise.

If **hedges of a net investment in a foreign operation** are employed, all gains or losses on the effective portion of the hedging instrument, together with any gains or losses on the foreign-currency translation of the hedged investment, are taken directly to equity. Any gains or losses on the ineffective portion are recognized immediately in profit or loss. The cumulative remeasurement gains and losses on the hedging instrument that had previously been recognized directly in equity and the gains and losses on the currency translation of the hedged item are recognized in profit or loss only on disposal of the investment.

IAS 39 sets out strict requirements on the use of hedge accounting. These are fulfilled at Deutsche Telekom by documenting, at the inception of a hedge, both the relationship between the financial instrument used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This involves concretely assigning the hedging instruments to the corresponding assets or liabilities or (firmly agreed/expected) future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis; ineffective hedges are discontinued immediately.

Deutsche Telekom also employs hedges that do not satisfy the strict hedge accounting criteria of IAS 39 but which make an effective contribution to hedging the financial risk in accordance with the principles of risk management. Furthermore, Deutsche Telekom does not use hedge accounting in accordance with IAS 39 to hedge the foreign-currency exposure of recognized monetary assets and liabilities, because the gains and losses on the hedged item from currency translation that are recognized in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments.

Stock options (equity-settled share-based payment transactions) are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Obligations arising from cash-settled share-based payment transactions are recognized as a liability and measured at fair value at the balance sheet date. The expenses are recognized over the vesting period. For both cash-settled and equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Black-Scholes model or the Monte Carlo model.

Revenues include all revenues from the ordinary business activities of Deutsche Telekom. Revenues are recorded net of value-added tax and other taxes collected from customers that are remitted to governmental authorities. They are recognized in the accounting period in which they are earned in accordance with the realization principle. Customer activation fees are deferred and amortized over the estimated average period of customer retention, unless they are part of a multiple-element arrangement, in which case they are a component of the arrangement consideration to be paid by the customer. Activation costs and costs of acquiring customers are deferred, up to the amount of deferred customer activation fees, and recognized over the average customer retention period.

For **multiple-element arrangements**, revenue recognition for each of the elements identified must be determined separately. The framework of the Emerging Issues Task Force Issue No. 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables" (EITF 00-21) was applied to account for multiple-element revenue agreements entered into after January 1, 2003, as permitted by IAS 8.12. EITF 00-21 requires in principle that arrangements involving the delivery of bundled products or services be separated into individual units of accounting (components), each with its own separate earnings process. Total arrangement consideration relating to the bundled contract is allocated among the different units based on

their relative fair values (i.e., a ratio of the relative fair value of each of the accounting units to the aggregated fair value of the bundled deliverables is generated). If the fair value of the delivered elements cannot be determined reliably but the fair value of the undelivered elements can be determined reliably, the residual value method is used to allocate the arrangement consideration. The fair value of the elements delivered is determined as the difference between the total arrangement consideration to be provided by the customer and the fair value of the undelivered elements.

Payments to customers, including payments to dealers and agents (discounts, provisions) are generally recognized as a decrease in revenue. If the consideration provides a benefit in its own right and can be reliably measured, the payments are recognized as expenses.

Revenue from systems integration contracts requiring the delivery of customized products is recognized by reference to the stage of completion, as determined by the ratio of project costs incurred to date to estimated total contract costs, with estimates regularly revised during the life of the contract. A group of contracts, whether with a single customer or with several customers, is treated as a single contract when the group of contracts is negotiated as a single package, the contracts are closely interrelated and the contracts are performed concurrently or in a continuous sequence. When a contract covers a number of assets, the construction of each asset is treated separately when separate proposals have been submitted for each asset, each asset has been negotiated separately and can be accepted or rejected by the customer separately, and the costs and revenues of each asset can be identified. Receivables from these contracts are classified in the balance sheet item "trade and other receivables." Receivables from these contracts are calculated as the balance of the costs incurred and the profits recognized, less any discounts and recognized losses on the contract; if the balance for a contract is negative, this amount is reported in liabilities. If the total actual and estimated expenses exceed revenues for a particular contract, the loss is immediately recognized.

Revenue recognition in Deutsche Telekom's operating segments is as follows:

Mobile Communications Europe and Mobile Communications USA.

Revenue generated by the operating segments Mobile Communications Europe and Mobile Communications USA include revenues from the provision of mobile services, customer activation fees, and sales of mobile handsets and accessories. Mobile services revenues include monthly service charges, charges for special features, call charges, and roaming charges billed to T-Mobile customers, as well as other mobile operators. Mobile services revenues are recognized based upon minutes of use and contracted fees less credits and adjustments for discounts. The revenue and related expenses associated with the sale of mobile phones, wireless data devices, and accessories are recognized when the products are delivered and accepted by the customer.

Broadband/Fixed Network. The Broadband/Fixed Network operating segment provides its customers with narrow and broadband access to the fixed network as well as Internet access. It also sells, leases, and services telecommunications equipment for its customers and provides additional telecommunications services. The Broadband/Fixed Network operating segment also conducts business with national and international network operators and with resellers (wholesale including resale). Service revenues are recognized when the services are provided in accordance with contractual terms and conditions. Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from rentals and operating leases is recognized monthly as the entitlement to the fees accrues. Revenues from customer activation fees are deferred over the average customer retention period. Revenues also result from charges for advertising and e-commerce. Advertising revenues are recognized in the period that the advertisements are exhibited. Transaction revenues are recognized upon notification from the customer that qualifying transactions have occurred and collection of the resulting receivable is reasonably assured.

Business Customers. The Business Customers operating segment derives revenues from Computing & Desktop Services, Systems Integration and Telecommunications Services. Revenue is recognized when persuasive evidence of a sales arrangement exists, products are delivered or services are rendered, the sales price or fee is fixed or determinable and collectibility is reasonably assured.

Revenue from Computing & Desktop Services is recognized as the services are provided using a proportional performance model. Revenue is recognized ratably over the contractual service period for fixed-price contracts and on an output or consumption basis for all other service contracts. Revenue from service contracts billed on the basis of time and material used is recognized at the contractual hourly rates as labor hours are delivered and direct expenses are incurred.

Revenue from hardware sales or sales-type leases is recognized when the product is shipped to the customer, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Revenue from rentals and leases is recognized on a straight-line basis over the rental period.

Revenue from systems integration contracts requiring the delivery of customized products is generally recognized by reference to the stage of completion, as determined by the ratio of project costs incurred to date to estimated total contract costs, with estimates regularly revised during the life of the contract. For contracts including milestones, revenues are recognized only when the services for a given milestone are provided and accepted by the customer, and the billable amounts are not contingent upon providing remaining services.

Telecommunication services include network services and hosting & ASP services. Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of approximately three years. Customer activation fees and related costs are deferred and amortized over the estimated average period of customer retention. Revenues for voice and data services are recognized under such contracts when used by the customer. When an arrangement contains a lease, the lease is accounted for separately in accordance with IFRIC 4 and IAS 17. Revenues from hosting & ASP services are recognized as the services are provided.

Income taxes include current income taxes as well as deferred taxes. Tax liabilities/tax receivables mainly comprise liabilities/receivables relating to domestic and foreign income taxes. They include liabilities/receivables for the current period as well as for prior periods. The liabilities/receivables are measured based on the applicable tax law in the countries Deutsche Telekom operates in and include all facts the Company is aware of.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated balance sheet and the tax base, as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising on the investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or loss (before income taxes) under IFRS nor taxable profit or loss. Currently enacted tax laws and tax laws that have been substantively enacted as of the balance sheet date are used as the basis for measuring deferred taxes.

Change in accounting policies.

Deutsche Telekom adopted a change to the accounting policies for service concessions under IAS 8 in the 2008 financial year. They are now accounted for in accordance with the regulations in the interpretation **IFRIC 12 "Service Concession Arrangements."** Service concessions are arrangements whereby a government or other public sector entity as the grantor grants contracts for the supply of public services to private sector entities as operators. Depending on the consideration the operator receives from the grantor, the operator recognizes a financial asset or an intangible asset. A financial asset is recognized if the operator has an unconditional contractual right to receive cash or another financial asset from the grantor. If, however, the consideration the operator receives from the grantor is a right to impose charges upon users, which does not represent an absolute right to receive payments, an intangible asset is recognized. Depending on the contractual arrangements, recognition of both a financial asset and an intangible asset is also possible. For Deutsche Telekom's consolidated financial statements, this change in accounting policies is relevant to the operations of the Toll Collect group. Toll Collect is a joint venture accounted for using the equity method. This change in accounting policy is applied retrospectively. The prior-year comparatives have been adjusted accordingly. This change in accounting policies has no material effect on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In October 2008, the IASB amended **IAS 39 “Financial Instruments: Recognition and Measurement”** and **IFRS 7 “Financial Instruments: Disclosures.”** The European Union endorsed the amendments to “Reclassification of Financial Assets” in October 2008. The amendments to IAS 39 allow an entity to reclassify certain non-derivative financial instruments measured at fair value to another measurement category. The amended IFRS 7 requires additional disclosures for any financial asset reclassified. The amendments were effective retroactively from July 1, 2008. In the reporting period, Deutsche Telekom did not hold any financial assets eligible for reclassification under the amendment to IAS 39 in its portfolio. The application of the amended IAS 39 and IFRS 7 therefore has no effect on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows.

Measurement uncertainties.

The presentation of the results of operations, financial position or cash flows in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties have on the consolidated financial statements.

Measurement of **property, plant and equipment, and intangible assets** involves the use of estimates for determining the fair value at the acquisition date, provided they were acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management’s judgment.

The determination of **impairments of property, plant and equipment, and intangible assets** involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the mobile communications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using the discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. Specifically, the estimation of cash flows underlying the fair values of the mobile businesses considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment to write down these investments to their fair values, which could adversely affect future operating results.

The **determination of the recoverable amount of a cash-generating unit** involves the use of estimates by management. Methods used to determine the fair value less costs to sell include discounted cash flow-based methods and methods that use quoted stock market prices as a basis. Key assumptions on which management has based its determination of fair value less costs to sell include revenue, customer acquisition and retention costs, churn rates, capital expenditure and market share. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any goodwill impairment.

Financial assets include equity investments in foreign telecommunications service providers that are principally engaged in the mobile, fixed-network, Internet and data communications businesses, some of which are publicly traded and have highly volatile share prices. As a rule, an investment impairment loss is recorded when an investment's carrying amount exceeds the present value of its estimated future cash flows. The calculation of the present value of estimated future cash flows and the determination of whether an impairment is permanent involve judgment and rely heavily on an assessment by management regarding the future development prospects of the investee. In measuring impairments, quoted market prices are used, if available, or other valuation parameters, based on information available from the investee. To determine whether an impairment is permanent, the Company considers the ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the carrying amount, including an assessment of factors such as the length of time and magnitude of the excess of carrying value over market value, the forecasted results of the investee, the regional geographic economic environment and state of the industry. Future adverse changes in market conditions, particularly a downturn in the telecommunications industry, or poor operating results of investees, could result in losses or an inability to recover the carrying amount of the investments that may not be reflected in an investment's current carrying amount. This could result in impairment losses, which could adversely affect future operating results.

Management maintains an **allowance for doubtful accounts** to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment is required for the calculation of actual and deferred taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss-carryforward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, loss-carryforward periods, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, results of operations, the financial position, and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced in profit or loss or directly in equity, or the impaired deferred tax assets must be recognized in profit or loss or directly in equity, depending on how the deferred tax assets were originally recognized.

Pension obligations for benefits to non-civil servants are generally satisfied by defined benefit plans. Pension benefit costs for non-civil servants are determined in accordance with actuarial valuations, which rely on assumptions including discount rates, life expectancies and, if applicable, expected return on plan assets. Estimations of the expected return on plan assets have a limited impact on pension cost. Other key assumptions for pension costs are based in part on actuarial valuations, which rely on assumptions, including discount rates used to calculate the amount of the pension obligation. The assumptions concerning the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. In the event that further changes in assumptions are required with respect to discount rates and expected returns on invested assets, the future amounts of the pension benefit costs may be affected materially.

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the **Civil Service Health Insurance Fund** (Postbeamtenkrankenkasse) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund may not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing composition of ages of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom's share in the fund's future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

Deutsche Telekom exercises considerable judgment in measuring and recognizing **provisions** and the exposure to **contingent liabilities** related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recorded for liabilities when losses are expected from executory contracts, a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes, environmental liabilities and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future operating results.

Revenue recognition.

Customer activation fees. The operating segments Mobile Communications Europe, Mobile Communications USA and Broadband/Fixed Network receive installation and activation fees from new customers. These fees (and related directly attributable external costs) are deferred and amortized over the expected duration of the customer relationship. The estimation of the expected average duration of the relationship is based on historical customer turnover. If management's estimates are revised, material differences may result in the amount and timing of revenue for any period.

Service contracts. The Business Customers operating segment conducts a portion of its business under long-term contracts with customers. Under these contracts, revenue is recognized as performance progresses. Contract progress is estimated. Depending on the methodology used to determine contract progress, these estimates may include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. All estimates involved in such long-term contracts are subject to regular reviews and adjusted as necessary.

Multiple-element arrangements. The framework of the Emerging Issues Task Force Issue No. 00-21 was adopted to account for multiple-element arrangements in accordance with IAS 8.12. EITF 00-21 requires that arrangements involving the delivery of bundled products or services be separated into individual units of accounting, each with its own separate earnings process. Total arrangement consideration relating to the bundled contract is allocated among the different units based on their relative fair values (i.e., a ratio of the relative fair value of each of the accounting units to the aggregated fair value of the bundled deliverables is generated). The determination of fair values is complex, because some of the elements are price sensitive and, thus, volatile in a competitive marketplace. Revisions to the estimates of these relative fair values may significantly affect the allocation of total arrangement consideration among the different accounting units, affecting future operating results.

Notes to the consolidated income statement.

1 Net revenue.

Net revenue breaks down into the following revenue categories:

millions of €	2008	2007	2006
Revenue from the rendering of services	58,449	59,125	57,730
Revenue from the sale of goods and merchandise	3,036	3,174	3,240
Revenue from the use of entity assets by others	181	217	377
	61,666	62,516	61,347

Net revenue decreased by EUR 0.9 billion to EUR 61.7 billion in the 2008 financial year. Revenue was positively impacted by changes in the composition of the Group and customer growth in the mobile communications business. These positive effects were offset by lower revenue in the Broadband/Fixed Network operating segment as well as by exchange rate effects that resulted primarily from the translation of U.S. dollars (USD).

2 Cost of sales.

Cost of sales decreased by EUR 0.7 billion in 2008 to EUR 34.6 billion (2007: EUR 35.3 billion; 2006: EUR 34.8 billion) as a result of cost cuts, exchange rate effects and changes in the composition of the Group. Cost of sales in the Mobile Communications USA operating segment, by contrast, increased due to customer additions and the acquisition of SunCom.

3 Selling expenses.

Selling expenses in the reporting year decreased by EUR 0.6 billion to EUR 16.0 billion (2007: EUR 16.6 billion; 2006: EUR 16.4 billion). This reduction was attributable in particular to cost cuts, lower marketing expenses and exchange rate effects.

4 General and administrative expenses.

The year-on-year reduction in general and administrative expenses by EUR 0.3 billion to EUR 4.8 billion in 2008 (2007: EUR 5.1 billion; 2006: EUR 5.3 billion) was primarily attributable to the year-on-year decrease in expenses in the Group Headquarters & Shared Services operating segment.

5 Other operating income.

millions of €	2008	2007	2006
Income from divestitures	505	388	21
Income from reimbursements	272	226	250
Income from disposal of non-current assets	100	300	227
Income from reversal of provisions	71	39	38
Miscellaneous other operating income	1,023	692	721
	1,971	1,645	1,257

Other operating income increased by EUR 0.3 billion to EUR 2.0 billion in the 2008 financial year, which is primarily attributable to the increase in miscellaneous other operating income and in income from divestitures.

The increase in miscellaneous other operating income is a result of income from the sale of an asset (EUR 0.1 billion) and from the reclassification of real estate from assets held for sale to non-current assets (EUR 0.1 billion).

The higher income from divestitures is essentially due to the gain on the disposal of Media & Broadcast. The gains recorded in the prior-year period from the disposals of T-Online France and T-Online Spain, by contrast, had been lower.

Furthermore, miscellaneous other operating income encompasses a variety of income items for which the individually recognized amounts are not material.

6 Other operating expenses.

millions of €	2008	2007	2006
Goodwill impairment losses	289	327	10
Loss on disposal of non-current assets	170	257	155
Miscellaneous other operating expenses	773	1,177	723
	1,232	1,761	888

Other operating expenses decreased by EUR 0.5 billion to EUR 1.2 billion in the 2008 financial year, comprising goodwill from impairment losses of EUR 0.3 billion in the reporting year.

For further details, please refer to Note 21 "Intangible assets." By comparison, impairment losses of EUR 0.3 billion were also recognized in the 2007 financial year and related to the reduction in the carrying amount of goodwill of T-Mobile Netherlands (formerly Ben Nederland). This, however, was not the result of an impairment test, but of the recognition of deferred tax assets for tax loss carryforwards that were acquired by the Group in connection with the acquisition of Ben Nederland but were not considered to meet the criteria for recognition at the time. Based on an assessment of all available evidence, Deutsche Telekom determined in 2007 that it had become probable that these previously unrecognized loss carryforwards would be realizable in the near term. As a result of these findings, it was required that deferred taxes be recognized, and according to IFRS 3.65 in conjunction with IAS 12.68, also taking the accounting interpretation IDW RS HFA 19 of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) into account, that the carrying amount of goodwill be reduced accordingly.

Miscellaneous other operating expenses included expenses relating to the disposal of DeTe Immobilien in the reporting year, whereas in the prior year they related to the sale of call centers and the transfer of operations of Vivento Technical Services. Furthermore, miscellaneous other operating expenses encompass a variety of expense items for which the individually recognized amounts are not material.

7 Finance costs.

millions of €	2008	2007	2006
Interest income	408	261	297
Interest expense	(2,895)	(2,775)	(2,837)
	(2,487)	(2,514)	(2,540)
Of which: from financial instruments relating to categories in accordance with IAS 39:			
Loans and receivables	162	152	202
Held-to-maturity investments	23	9	14
Available-for-sale financial assets	32	31	27
Financial liabilities measured at amortized cost *	(2,668)	(2,612)	(2,636)

* Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives that were used as hedging instruments against interest-rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting period for hedge accounting in accordance with IAS 39 (2008: interest income of EUR 68 million, interest expense of EUR 11 million; 2007: interest expense of EUR 42 million; 2006: interest income of EUR 29 million, interest expense of EUR 13 million).

Finance costs remained almost unchanged year-on-year, in particular with substantially lower U.S. dollar interbank rates having a positive effect. This had a positive impact on non-derivative instruments and on interest rate derivatives used as part of interest rate management, affecting both interest income and interest expense. This positive effect was partially offset by the downgrade of Deutsche Telekom's rating to BBB+/Baa1 in the second quarter of 2008 and the resulting adjustment to the carrying amounts for a number of bonds with rating-linked coupons. These adjustments increased interest expense.

Accrued interest payments from derivatives (interest rate swaps) that were designated as hedging instruments in a fair value hedge in accordance with IAS 39 are netted per swap contract and recognized as interest income or interest expense depending on the net amount. Finance costs are assigned to the categories on the basis of the hedged item; only financial liabilities were hedged in the reporting period.

8 Share of profit/loss of associates and joint ventures accounted for using the equity method.

millions of €	2008	2007*	2006*
Share of profit (loss) of joint ventures	31	25	(81)
Share of profit (loss) of associates	(419)	30	113
	(388)	55	32

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

The downward trend of the share of profit/loss of associates and joint ventures accounted for using the equity method is primarily attributable to the share in OTE. In addition to the proportionate share of profit of EUR 0.1 billion, this item also included an impairment loss on the carrying amount of the OTE equity interest in the amount of EUR 0.5 billion recognized as of December 31, 2008. For further details, please refer to Note 23 "Investments accounted for using the equity method."

9 Other financial income/expense.

millions of €	2008	2007	2006
Income from investments	44	25	6
Gain (loss) from financial instruments	(254)	(3)	136
Interest component from measurement of provisions and liabilities	(503)	(396)	(309)
	(713)	(374)	(167)

All income components including interest income and expense from financial instruments classified as held for trading in accordance with IAS 39 are reported under other financial income/expense.

Other financial expense increased by EUR 0.3 billion in comparison with the previous year. This is primarily due to the higher loss from financial instruments. This increase in loss from financial instruments is mainly due to effects from cross-currency swaps used by Deutsche Telekom to convert financial liabilities into one of the Group's main currencies. Different trends in interest level and liquidity of the currencies involved in these swaps contributed to the increase in other financial expense.

10 Income taxes.

Income taxes in the consolidated income statement.

Income taxes are broken down into current taxes paid or payable in the individual countries and into deferred taxes.

The following table provides a breakdown of income taxes in Germany and internationally:

millions of €	2008	2007*	2006*
Current taxes	644	212	249
Germany	88	(259)	(54)
International	556	471	303
Deferred taxes	784	1,161	(1,219)
Germany	515	1,121	(666)
International	269	40	(553)
	1,428	1,373	(970)

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Deutsche Telekom's combined income tax rate for 2008 amounted to 30.5 percent, comprising corporate income tax at a rate of 15 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade income tax at an average multiplier of 419 percent. The combined income tax rate for 2007 and 2006 amounted to 39 percent.

Reconciliation of the effective tax rate. Income taxes of EUR 1,428 million in the reporting year (2007: EUR 1,373 million; 2006: EUR (970) million) are derived as follows from the expected income tax expense that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit before income taxes:

millions of €	2008	2007*	2006*
Profit before income taxes	3,452	2,453	2,612
Expected income tax expense (income tax rate applicable to Deutsche Telekom AG: 2008: 30.5%; 2007: 39%; 2006: 39%)	1,053	957	1,019
Adjustments to expected tax expense			
Effect of changes in statutory tax rates	3	734	(8)
Tax effects from prior years	29	65	(517)
Tax effects from other income taxes	115	42	7
Non-taxable income	(86)	(217)	(151)
Tax effects from equity investments	124	(23)	(63)
Non-deductible expenses	110	63	78
Permanent differences	(47)	28	(270)
Impairment of goodwill or negative excess from capital consolidation	71	130	4
Tax effects from loss carryforwards	(34)	(306)	(975)
Tax effects from additions to and reductions of local tax	86	92	109
Adjustment of taxes to different foreign tax rates	3	(182)	(190)
Other tax effects	1	(10)	(13)
Income tax expense (benefit) according to the consolidated income statement	1,428	1,373	(970)
Effective income tax rate (%)	41	56	(37)

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Current income taxes in the consolidated income statement.

The following table provides a breakdown of current income taxes:

millions of €	2008	2007	2006
Current income taxes	644	212	249
Of which:			
Current tax expense	596	579	841
Prior-period tax expense (income)	48	(367)	(592)

Deferred taxes in the consolidated income statement. The following table shows the development of deferred taxes:

millions of €	2008	2007*	2006*
Deferred tax expense (income)	784	1,161	(1,219)
Of which:			
On temporary differences	409	324	89
On loss carryforwards	419	852	(1,275)

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Despite significantly higher profit before income taxes, income tax expense only increased to a minor extent, since deferred tax assets and liabilities had to be adjusted resulting in a negative effect on income in the previous year to reflect the tax rate reduction in connection with the 2008 corporate tax reform. This resulted in a one-time increase in income tax expense of EUR 0.7 billion in 2007.

Goodwill impairment losses and a negative at equity result in the reporting year, both not to be considered for tax purposes, resulted in a relatively high income tax expense when compared with the profit before income taxes.

Income taxes in the consolidated balance sheet.

Current income taxes in the consolidated balance sheet:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Recoverable taxes	273	222
Tax liabilities	(585)	(437)

Deferred taxes in the consolidated balance sheet:

millions of €	Dec. 31, 2008	Dec. 31, 2007*
Deferred tax assets	6,234	6,610
Deferred tax liabilities	(7,108)	(6,675)
	(874)	(65)
Of which: recognized in equity	(300)	(246)

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Development of deferred taxes:

millions of €	Dec. 31, 2008	Dec. 31, 2007*
Deferred taxes recognized in balance sheet	(874)	(65)
Difference to prior year	(809)	(934)
Of which:		
Recognized in income statement	(784)	(1,160)
Recognized in equity	(53)	(228)
Acquisitions/disposals	215	157
Currency translation adjustments	(187)	297

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Deferred taxes relate to the following key balance sheet items, loss carryforwards, and tax credits:

millions of €	Dec. 31, 2008		Dec. 31, 2007*	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current assets	661	(1,146)	622	(374)
Trade and other receivables	498	(133)	443	(81)
Other financial assets	42	(961)	30	(247)
Inventories	13	(5)	39	(5)
Other assets	108	(47)	110	(41)
Non-current assets	2,391	(9,748)	1,642	(8,145)
Intangible assets	888	(6,755)	757	(6,187)
Property, plant and equipment	507	(2,135)	487	(1,632)
Investments accounted for using the equity method	0	(3)	0	0
Other financial assets	651	(487)	258	(294)
Other assets	345	(368)	140	(32)
Current liabilities	1,713	(748)	1,090	(654)
Financial liabilities	117	(212)	71	(102)
Trade and other payables	1,175	(394)	591	(340)
Other provisions	305	(40)	306	(77)
Other liabilities	116	(102)	122	(135)
Non-current liabilities	2,572	(605)	2,598	(826)
Financial liabilities	864	(300)	848	(549)
Provisions for pensions and other employee benefits	393	(217)	417	(186)
Other provisions	664	(44)	798	(58)
Other liabilities	651	(44)	535	(33)
Tax credits	188	-	122	-
Loss carryforwards	5,062	-	5,143	-
Total	12,587	(12,247)	11,217	(9,999)
Of which: non-current	11,327	(9,982)	9,002	(8,972)
Netting	(5,139)	5,139	(3,324)	3,324
Allowance	(1,214)		(1,283)	
Recognition	6,234	(7,108)	6,610	(6,675)

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

The allowances relate primarily to loss carryforwards.

The loss carryforwards are shown in the following table:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Loss carryforwards for corporate income tax purposes	15,293	15,581
Expiry within		
1 year	4	50
2 years	2	24
3 years	1,390	8
4 years	87	2,207
5 years	28	178
After 5 years	6,291	5,785
Unlimited carryforward period	7,491	7,329

Loss carryforwards and temporary differences for which no deferred taxes were recorded amount to:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Loss carryforwards for corporate income tax purposes	3,952	4,230
Expiry within		
1 year	4	50
2 years	2	20
3 years	1,146	8
4 years	34	1,091
5 years	22	2
After 5 years	117	6
Unlimited carryforward period	2,627	3,053
Temporary differences in corporate income tax	289	332

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 220 million (December 31, 2007: EUR 183 million) and on temporary differences for trade tax purposes in the amount of EUR 75 million (December 31, 2007: EUR 5 million). Apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 106 million (December 31, 2007: EUR 86 million) were recognized for other foreign income tax loss carryforwards.

No deferred tax assets were recognized on the aforementioned tax loss carryforwards and temporary differences as it is not probable that taxable profit will be available in the near future against which these tax loss carryforwards can be utilized.

A positive tax effect in the amount of EUR 12 million (2007: EUR 14 million; 2006: EUR 8 million) was recorded, attributable to the utilization of loss carryforwards on which deferred tax assets had not yet been recognized.

Despite losses in the current and the prior year, deferred tax assets in the amount of EUR 2,878 million were recognized on loss carryforwards and temporary differences for 2008 (December 31, 2007: EUR 3,002 million; December 31, 2006: EUR 4,684 million), as the Company expects to generate future taxable profits. Furthermore, the impairment test of deferred tax assets also takes potential structural improvements into consideration.

Having streamlined T-Mobile UK's corporate structure in 2006, Deutsche Telekom believes that a capital loss has become available for tax purposes. However, as it is unlikely that the resulting loss carryforward of EUR 7,558 million, which can only be offset against certain types of profit, can be utilized, it is not included in the loss carryforwards above.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 1,485 million (December 31, 2007: EUR 627 million) as it is unlikely that these differences will be reversed in the near future.

11 Profit/loss attributable to minority interests.

Profit attributable to minority interests of EUR 541 million (2007: EUR 509 million; 2006: EUR 409 million) comprises gains of EUR 859 million (2007: EUR 549 million; 2006: EUR 430 million) and losses of EUR 318 million (2007: EUR 40 million; 2006: EUR 21 million).

These amounts are mainly attributable to Magyar Telekom, T-Mobile Czech Republic a.s., T-Mobile Hrvatska d.o.o. and HT-Hrvatske telekomunikacije d.d.

12 Earnings per share.

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

Basic earnings per share.

	2008	2007*	2006*
Net profit (millions of €)	1,483	571	3,173
Adjustment for the financing costs of the mandatory convertible bond (after taxes) (millions of €)	-	-	38
Adjusted net profit (basic) (millions of €)	1,483	571	3,211
Number of ordinary shares issued (millions)	4,361	4,361	4,309
Treasury shares (millions)	(2)	(2)	(2)
Shares reserved for outstanding options (T-Mobile USA/Powertel) (millions)	(19)	(20)	(22)
Effect from the potential conversion of the mandatory convertible bond (millions)	-	-	68
Adjusted weighted average number of ordinary shares outstanding (basic) (millions)	4,340	4,339	4,353
Basic earnings per share/ADS (€)	0.34	0.13	0.74

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Net profit is calculated as the profit/loss after income taxes less profit/loss attributable to minority interests. The calculation of basic earnings per share is based on the time-weighted total number of all ordinary shares outstanding. The number of ordinary shares issued already includes all shares newly issued in the reporting period in line with their time weighting. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the treasury shares held by Deutsche Telekom AG as well as the shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA/Powertel, are held in a trust deposit account for later issue and later trading as registered shares and/or American depositary shares (ADS), each multiplied by the corresponding time weighting factor.

In addition, for the purpose of calculating basic earnings per share, the number of ordinary shares outstanding was increased in 2006 by the total number of shares that would potentially be issued upon conversion of the mandatory convertible bond issued in February 2003. Likewise, net profit was adjusted for all costs (after taxes) – costs for financing the mandatory convertible bond, interest expense and bank fees – as these cease to apply when the bond is converted, and therefore no longer have an effect on net profit. The mandatory convertible bond was converted into 163 million shares of Deutsche Telekom AG on June 1, 2006. The conversion was taken into account for the 2006 financial year in line with its time weighting.

Diluted earnings per share.

	2008	2007*	2006*
Adjusted net profit (basic) (millions of €)	1,483	571	3,211
Dilutive effects on profit (loss) from stock options (after taxes) (millions of €)	0	0	0
Net profit (diluted) (millions of €)	1,483	571	3,211
Adjusted weighted average number of ordinary shares outstanding (basic) (millions)	4,340	4,339	4,353
Dilutive potential ordinary shares from stock options and warrants (millions)	0	1	1
Weighted average number of ordinary shares outstanding (diluted) (millions)	4,340	4,340	4,354
Diluted earnings per share/ADS (€)	0.34	0.13	0.74

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

The calculation of diluted earnings per share generally corresponds to the method for calculating basic earnings per share. However, the calculation must be adjusted for all dilutive effects arising from potential ordinary shares. The equity instruments may dilute basic earnings per share in the future and – to the extent that a potential dilution already occurred in the respective reporting period – have been included in the calculation of diluted earnings per share. For further details on the equity instruments currently applicable, please refer to Notes 32 "Issued capital" and 42 "Stock-based compensation plans."

13 Dividend per share.

For the 2008 financial year, the Board of Management proposes a dividend of EUR 0.78 for each no par value share carrying dividend rights. On the basis of this proposed appropriation, total dividends in the amount of EUR 3,386 million (2007: EUR 3,386 million) will be appropriated to the no par value shares carrying dividend rights at February 9, 2009.

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.

14 Goods and services purchased.

The following table provides a breakdown of the costs for goods and services purchased included in the functional costs:

millions of €	2008	2007	2006
Goods purchased	7,080	6,897	7,017
Services purchased	12,342	12,418	11,207
	19,422	19,315	18,224

15 Personnel costs.

The following table provides a breakdown of the personnel costs included in the functional costs:

millions of €	2008	2007	2006
Wages and salaries	11,383	12,609	13,436
Social security contributions and expenses for pension plans and benefits:			
Social security costs	1,503	1,588	1,598
Expenses for pension plans	1,056	1,056	1,351
Expenses for benefits	136	134	157
	14,078	15,387	16,542

The year-on-year decrease of EUR 1.3 billion in personnel costs to EUR 14.1 billion is due to lower expenses for staff-related measures (early retirement arrangements, voluntary redundancy and severance payments as well as compensation payments) and lower headcounts as a result of the restructuring program in Germany, in particular. This decrease was partially offset by the effect of changes in the composition of the Group and a staff increase at T-Mobile USA.

Average number of employees.

	2008	2007	2006
Deutsche Telekom Group	234,887	243,736	248,480
Germany	141,123	154,101	166,563
International	93,764	89,635	81,917
Non-civil servants	201,036	205,471	205,511
Civil servants	33,851	38,265	42,969
Trainees and student interns	10,424	10,708	10,346

Number of employees at balance sheet date.

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Deutsche Telekom Group	227,747	241,426	248,800
Germany	131,713	148,938	159,992
International	96,034	92,488	88,808
Non-civil servants	195,634	205,867	208,420
Civil servants	32,113	35,559	40,380
Trainees and student interns	11,668	11,932	11,840

The decrease in the average number of employees is mainly attributable to staff reductions in Germany and Eastern Europe as well as the sale of the business operations of Vivento Technical Services and the sale of call center sites. This trend was partially offset by an increase in headcount at T-Mobile USA as well as effects of changes in the composition of the Group. Furthermore, the sale of DeTe Immobilien in particular impacted headcount figures as of the balance sheet date.

16 Depreciation, amortization and impairment losses.

The following table provides a breakdown of depreciation, amortization and impairment losses included in the functional costs:

millions of €	2008	2007	2006
Amortization and impairment of intangible assets	3,397	3,490	2,840
Of which:			
Goodwill impairment losses	289	327	10
Amortization of mobile communications licenses	1,013	1,017	994
Depreciation and impairment of property, plant and equipment	7,578	8,121	8,194
	10,975	11,611	11,034

Amortization and impairment of intangible assets mainly relate to mobile communications licenses, software, customer bases and brand names as well as goodwill. The decline in the 2008 financial year is due in particular to lower amortization of acquired intangible assets as well as reduced goodwill impairment losses.

Goodwill impairment losses account for EUR 0.3 billion. For further details, please refer to Note 21 "Intangible assets." In the 2007 financial year, the carrying amount of the goodwill of T-Mobile Netherlands (formerly Ben Nederland) was reduced by EUR 0.3 billion. This reduction of the carrying amount of goodwill was not related to the result of an impairment test, but to the recognition of deferred tax assets for tax loss carryforwards that were acquired by the Group in connection with the acquisition of Ben Nederland but were not considered to meet the criteria for recognition at the time. Since, based on an assessment of all available evidence, Deutsche Telekom determined in 2007 that it had become probable that these previously unrecognized loss carryforwards would be realizable in the near term and deferred taxes would have to be recognized correspondingly, it was required by IFRS 3.65 in conjunction with IAS 12.68, also taking the accounting interpretation IDW RS HFA 19 of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) into account, that the carrying amount of goodwill had to be reduced accordingly.

Depreciation of property, plant and equipment decreased by EUR 0.5 billion in the reporting year, mainly as a result of lower depreciation of technical equipment and machinery as well as of lower impairment of land and buildings.

The following table provides a breakdown of impairment losses:

millions of €	2008	2007	2006
Intangible assets	340	378	123
Of which:			
Goodwill	289	327	10
U.S. mobile communications licenses	21	9	33
Property, plant and equipment	140	300	287
Land and buildings	123	238	228
Technical equipment and machinery	5	54	13
Other equipment, operating and office equipment	8	4	26
Advance payments and construction in progress	4	4	20
	480	678	410

The impairment losses on land and buildings mainly result from the fair value measurement of land and buildings intended for sale less costs to sell. The amounts are reported in other operating expenses.

Notes to the consolidated balance sheet.

17 Cash and cash equivalents.

The assets reported under this category have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 515 million on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

In the reporting period, cash and cash equivalents increased by EUR 0.8 billion to EUR 3.0 billion. This was attributable to an increase in proceeds from the issue of financial liabilities, to free cash flow and to proceeds from

the sale of Media&Broadcast. The payment of dividends, the acquisition of shares in OTE and the acquisition of SunCom had an offsetting effect.

For further details, please refer to the consolidated cash flow statement.

As of December 31, 2008, the Group reported cash and cash equivalents of EUR 0.8 billion held by subsidiaries in Croatia, Macedonia and Montenegro. These countries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

18 Trade and other receivables.

millions of €	Dec. 31, 2008	Dec. 31, 2007
Trade receivables	7,224	7,530
Receivables from construction contracts	169	166
	7,393	7,696

Of the total amount of trade receivables and receivables from construction contracts, EUR 7,391 million (December 31, 2007: EUR 7,693 million) is due within one year.

millions of €	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Trade receivables								
as of Dec. 31, 2008	7,224	4,029	730	135	40	73	37	117
as of Dec. 31, 2007	7,530	4,039	1,048	162	78	165	39	31

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The following table shows the development of allowances on trade receivables:

millions of €	2008	2007
Allowances as of January 1	1,071	1,148
Currency translation adjustments	(7)	(8)
Additions (allowances recognized as expense)	547	662
Use	(437)	(510)
Reversal	(151)	(221)
Allowances as of December 31	1,023	1,071

The total additions of EUR 547 million (2007: EUR 662 million) relate to allowances for individual impairments of EUR 87 million (2007: EUR 144 million) and allowances for collective impairments of EUR 460 million (2007: EUR 518 million). Reversals were made of allowances for individual impairments of EUR 58 million (2007: EUR 85 million) and of allowances for collective impairments of EUR 84 million (2007: EUR 106 million).

The following table presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

millions of €	2008	2007
Expenses for full write-off of receivables	424	378
Income from recoveries on receivables written off	55	52

All income and expenses relating to allowances and write-offs of trade receivables are reported under selling expenses.

19 Inventories.

millions of €	Dec. 31, 2008	Dec. 31, 2007
Raw materials and supplies	118	138
Work in process	27	66
Finished goods and merchandise	1,147	1,255
Advance payments	2	4
	1,294	1,463

Of the inventories reported as of December 31, 2008, write-downs of EUR 53 million (2007: EUR 55 million; 2006: EUR 93 million) on the net realizable value were recognized in profit or loss.

The carrying amount of inventories recognized as expense amounted to EUR 6,188 million (2007: EUR 5,713 million).

20 Non-current assets and disposal groups held for sale.

As of December 31, 2008, current assets and current liabilities included EUR 339 million in non-current assets and disposal groups held for sale, EUR 434 million of which are presented as current assets and EUR 95 million as current liabilities in the consolidated balance sheet. They mainly relate to land and buildings intended for sale by Deutsche Telekom and not required for operations within the Group Headquarters & Shared Services operating segment.

The assets and liabilities shown here that are classified as held for sale, and the assets and liabilities associated with disposal groups, are not included in the explanations on other balance sheet items.

The non-current assets and disposal groups held for sale in the amount of EUR 921 million (assets: EUR 1,103 million; liabilities: EUR 182 million) were shown as current assets in the prior year. These primarily related to assets in connection with real estate of Deutsche Telekom (EUR 462 million), T-Systems Media & Broadcast (EUR 247 million) and Online (formerly Orange Breedband) (EUR 133 million).

The main changes since December 31, 2007 are described below:

Given the current difficult market environment for **real estate**, Deutsche Telekom does not anticipate disposal of certain land and buildings intended for sale in the near future. According to the relevant accounting regulations (IFRS 5), this real estate in the operating segment Group Headquarters & Shared Services was no longer permitted to be recognized on the consolidated balance sheet as held for sale and had to be reclassified as non-current assets and measured at the lower of amortized cost and recoverable amount. The resulting measurement differences of EUR 0.1 billion were recognized in the income statement under other operating income.

Deutsche Telekom AG sold the subsidiary **T-Systems Media & Broadcast** to the French TDF (Télédiffusion de France) group effective January 1, 2008. The net proceeds of the disposal amounted to EUR 0.7 billion. The TDF group acquired all shares in the subsidiary, which installs and operates multimedia TV and radio broadcasting platforms and was previously assigned to the Business Customers operating segment. The gain resulting from the entity's sale and deconsolidation in the amount of EUR 0.5 billion is included in other operating income.

In the second quarter of 2008, Deutsche Telekom decided not to sell the acquired shares in **Online** (formerly Orange Breedband). Accordingly, the acquired assets and liabilities were no longer reported in the consolidated balance sheet as being held for sale. The differences resulting from the remeasurement of the assets and liabilities following this reclassification, as well as all other effects on profit and loss to be applied retroactively until the date of reclassification, were recorded under other operating expenses totaling EUR 6 million.

21 Intangible assets.

millions of €	Internally generated intangible assets
Cost	
At December 31, 2006	1,745
Currency translation	(60)
Changes in the composition of the Group	(12)
Additions	348
Disposals	273
Reclassifications	335
At December 31, 2007	2,083
Currency translation	(23)
Changes in the composition of the Group	0
Additions	414
Disposals	361
Held-for-sale changes	2
Reclassifications	105
At December 31, 2008	2,220
Accumulated amortization	
At December 31, 2006	1,009
Currency translation	(31)
Changes in the composition of the Group	(3)
Additions (amortization)	486
Additions (impairment)	0
Disposals	270
Reclassifications	32
At December 31, 2007	1,223
Currency translation	(6)
Changes in the composition of the Group	0
Additions (amortization)	459
Additions (impairment)	14
Disposals	370
Held-for-sale changes	0
Reclassifications	(10)
At December 31, 2008	1,310
Net carrying amount	
At December 31, 2007	860
At December 31, 2008	910

Acquired intangible assets							Goodwill	Advance payments	Total
Total	Acquired concessions, industrial and similar rights and assets	UMTS licenses	GSM licenses	FCC licenses (T-Mobile USA)	Other acquired intangible assets				
44,080	1,012	15,593	1,146	18,176	8,153	31,151	125	77,101	
(2,507)	23	(491)	19	(1,910)	(148)	(1,402)	3	(3,966)	
441	141	56	106	0	138	(224)	(7)	198	
764	5	3	16	116	624	733	343	2,188	
593	16	0	0	25	552	6	8	880	
194	(123)	0	0	0	317	22	(187)	364	
42,379	1,042	15,161	1,287	16,357	8,532	30,274	269	75,005	
(736)	18	(1,301)	(28)	907	(332)	(1,421)	(8)	(2,188)	
436	2	0	0	276	158	(1)	0	435	
692	15	10	0	159	508	884	750	2,740	
538	(12)	0	18	0	532	2	(2)	899	
44	0	0	0	(33)	77	54	0	100	
663	91	0	39	0	533	0	(141)	627	
42,940	1,180	13,870	1,280	17,666	8,944	29,788	872	75,820	
7,882	338	2,492	468	0	4,584	10,196	0	19,087	
(254)	9	(95)	5	0	(173)	(892)	0	(1,177)	
(54)	(8)	0	0	0	(46)	0	0	(57)	
2,626	163	908	100	0	1,455	0	0	3,112	
51	6	0	0	9	36	327	0	378	
547	12	0	0	9	526	0	0	817	
40	(59)	0	0	0	99	3	0	75	
9,744	437	3,305	573	0	5,429	9,634	0	20,601	
(548)	(11)	(308)	(11)	0	(218)	(761)	0	(1,315)	
(18)	0	0	0	0	(18)	0	0	(18)	
2,598	134	868	124	0	1,472	0	0	3,057	
37	0	0	0	21	16	289	0	340	
508	(19)	0	18	0	509	0	0	878	
(21)	0	0	0	(21)	0	0	0	(21)	
137	67	0	1	0	69	0	0	127	
11,421	646	3,865	669	0	6,241	9,162	0	21,893	
32,635	605	11,856	714	16,357	3,103	20,640	269	54,404	
31,519	534	10,005	611	17,666	2,703	20,626	872	53,927	

The net carrying amount of the UMTS licenses of EUR 10,005 million mainly comprises EUR 6,150 million for the license of T-Mobile Deutschland (December 31, 2007: EUR 6,662 million) and EUR 3,110 million for the license of T-Mobile UK (December 31, 2007: EUR 4,360 million).

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 0.3 billion as of the reporting date. These are largely related to network expansion at T-Mobile USA and T-Mobile Deutschland.

The **carrying amounts of the goodwill assets** are mainly allocated to the following cash-generating units:

millions of €	Dec. 31, 2008	Dec. 31, 2007
T-Mobile USA	4,604	3,476
Business Customers *	3,720	4,542
T-Home Germany	2,889	2,070
T-Mobile UK	2,073	2,700
PTC	1,580	1,840
T-Mobile Netherlands	1,317	1,263
T-Mobile Austria	1,249	1,377
Other	3,194	3,372
Total	20,626	20,640

* Business Customers – Enterprise Services in the prior year.

The goodwill of the cash-generating unit T-Mobile USA increased, primarily due to the acquisition of SunCom and exchange rate effects from the translation of U.S. dollars. The goodwill of the Business Customers cash-generating unit declined as a result of the transfer of ActiveBilling from the Business Customers operating segment to the Broadband/Fixed Network operating segment. The goodwill allocable to ActiveBilling has now been assigned to the cash-generating unit T-Home Germany. The goodwill of the T-Mobile Netherlands cash-generating unit increased as a result of the reclassification of Online (formerly Orange Breedband) in the second quarter of 2008.

Apart from the impairment losses described below, the remaining changes in goodwill are primarily attributable to exchange rate effects.

Deutsche Telekom performed its annual goodwill impairment tests at September 30, 2008. These tests did not result in the recognition of impairment losses. Macroeconomic assumptions, such as discount rates, were rather volatile in 2008. Against the background of issues that emerged in the fourth quarter of 2008, Deutsche Telekom again carried out all impairment tests at the end of the year which resulted in the recognition of goodwill impairment losses at some cash-generating units.

The **impairments resulting from the impairment tests** as of December 31, 2008 are attributable to the following cash-generating units:

millions of €	Dec. 31, 2008	Assigned to segment
T-Mobile Austria	128	Mobile Communications Europe
T-Mobile Macedonia	97	Mobile Communications Europe
MT fixed-line Hungary	40	Broadband/Fixed Network
T-Mobile Hungary	24	Mobile Communications Europe
Total	289	

Events or circumstances which resulted in an impairment loss to be recognized at the cash-generating unit T-Mobile Austria, primarily include unfavorable regulatory decisions regarding future income from roaming charges in Austria.

Events or circumstances which resulted in an impairment loss to be recognized at the cash-generating unit T-Mobile Macedonia, primarily include higher discount rates in Macedonia.

Events or circumstances which resulted in an impairment loss to be recognized at the cash-generating units MT fixed-line und T-Mobile Hungary, primarily include the granting of two new mobile communication licenses. In the case of one of these licenses, however, providers already operating in the market were excluded from the award process, and this is expected to lead to an overall intensification of competition in Hungary.

The measurements of the cash-generating units are founded on projections that are based on ten-year financial plans that have been approved by management and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. Key assumptions on which management has based its determination of fair value less costs to sell include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, growth rates and discount rates. Any significant future changes in these assumptions could have an adverse effect on the value of the cash-generating units.

On the basis of information available at the balance sheet date and expectations with respect to the market and competitive environment, the figures for all but the aforementioned cash-generating units fall within the general range of acceptable values.

22 Property, plant and equipment.

millions of €	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
Cost					
At December 31, 2006	16,453	91,774	7,141	2,813	118,181
Currency translation	(79)	(1,324)	(141)	(126)	(1,670)
Changes in the composition of the Group	19	(47)	(71)	16	(83)
Additions	114	2,486	544	3,745	6,889
Disposals	967	3,935	703	194	5,799
Reclassifications	291	2,727	24	(3,387)	(345)
At December 31, 2007	15,831	91,681	6,794	2,867	117,173
Currency translation	15	(533)	(65)	(24)	(607)
Changes in the composition of the Group	12	122	(51)	18	101
Additions	112	2,171	566	4,528	7,377
Disposals	88	2,052	876	63	3,079
Held-for-sale changes	62	16	0	(1)	77
Reclassifications	234	2,939	333	(4,133)	(627)
At December 31, 2008	16,178	94,344	6,701	3,192	120,415
Accumulated depreciation					
At December 31, 2006	6,245	61,295	4,723	49	72,312
Currency translation	(36)	(628)	(95)	(1)	(760)
Changes in the composition of the Group	0	(124)	(28)	(2)	(154)
Additions (depreciation)	675	6,400	735	11	7,821
Additions (impairment)	221	54	4	4	283
Disposals	598	3,563	545	52	4,758
Reclassifications	22	127	(220)	(1)	(72)
Reversal of impairment losses	(27)	0	(3)	0	(30)
At December 31, 2007	6,502	63,561	4,571	8	74,642
Currency translation	17	(424)	(30)	0	(437)
Changes in the composition of the Group	23	(5)	(54)	0	(36)
Additions (depreciation)	678	6,031	729	0	7,438
Additions (impairment)	110	5	8	4	127
Disposals	51	1,888	737	3	2,679
Held-for-sale changes	64	(1)	0	(2)	61
Reclassifications	(16)	(118)	10	(2)	(126)
Reversal of impairment losses	(134)	0	0	0	(134)
At December 31, 2008	7,193	67,161	4,497	5	78,856
Net carrying amount					
At December 31, 2007	9,329	28,120	2,223	2,859	42,531
At December 31, 2008	8,985	27,183	2,204	3,187	41,559

Restoration obligations of EUR 168 million were recognized as of December 31, 2008 (December 31, 2007: EUR 168 million).

Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 1.2 billion as of the reporting date. These are largely related to network expansion at T-Mobile UK and T-Mobile USA.

23 Investments accounted for using the equity method.

Significant investments in entities accounted for using the equity method are as follows:

Name	Dec. 31, 2008		Dec. 31, 2007 ^a	
	Deutsche Telekom share %	Net carrying amount millions of €	Deutsche Telekom share %	Net carrying amount millions of €
Hellenic Telecommunications Organization S.A. (OTE) ^b	30.00 ^e	3,407	n.a.	-
HT Mostar ^{c, d}	39.10	49	39.10	47
Toll Collect ^c	45.00	39	45.00	9
Iowa Wireless Services LCC	39.74	14	39.74	10
CTDI Nethouse Services GmbH	49.00	12	49.00	9
DETECON AL SAUDIA CO. Ltd.	46.50	7	46.50	9
SEARCHTEQ GmbH (formerly t-info)	25.10	-	25.10	2
Other		29		32
		3,557		118

^a Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

^b Fair value (share value): EUR 1,750 million.

^c Joint venture.

^d Indirect shareholding via HT-Hrvatske telekomunikacije d.d., Croatia (Deutsche Telekom AG's share: 51.00%).

^e Including the shares of the first put option.

On May 16, 2008, Deutsche Telekom acquired just under 20 percent of the shares in Hellenic Telecommunications Organization S.A., Athens, Greece (OTE) from Marfin Investment Group at a price of EUR 2.6 billion. On May 14, 2008, Deutsche Telekom also entered into a shareholders' agreement with the Hellenic Republic providing for an increase in this holding to 25 percent plus one vote and granting Deutsche Telekom the possibility of controlling OTE's financial and operating policies (as defined by IAS 27) following the completion of all necessary steps of the transaction.

To this end, Deutsche Telekom and the Hellenic Republic entered into a share purchase agreement on May 14, 2008 for the acquisition of an additional 3 percent of the shares at a price of EUR 0.4 billion. Under the share purchase agreement, Deutsche Telekom has additionally granted the Hellenic Republic two put options for an additional 5 percent (first put option) and 10 percent (second put option) of the shares. The first put option can be exercised by the Hellenic Republic at a total price of EUR 0.7 billion for a period of twelve months beginning in October 2008 at the earliest or upon execution of the share purchase agreement. Subsequently, the second put option 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. The second put option also includes shares which were not sold to Deutsche Telekom during the term of the first option. The consummation of the shareholders' agreement and the share purchase agreement was also contingent upon the acquisition of an additional 2 percent of the shares in OTE by Deutsche Telekom from the market, which was executed on July 17, 2008 at a total value of EUR 0.1 billion.

The share purchase agreement became legally valid following full approval given by the responsible national and international supervisory authorities by the beginning of November 2008. Consequently, Deutsche Telekom acquired an additional 3 percent of OTE's shares from the Hellenic Republic on November 5, 2008, thus effecting the legal validity of the shareholders' agreement. Deutsche Telekom holds a stake in OTE of 25 percent plus one vote as a result of the aforementioned transactions.

Furthermore, Deutsche Telekom has assumed present ownership of the shares of the first put option after the share purchase agreement became effective, i.e., it recognized the agreed purchase price of EUR 0.7 billion as costs for the acquisition of an additional 5-percent share. 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. It cannot be ruled out that this resolution by the shareholders may be declared invalid by a court, in the event that other shareholders successfully file rescission suit against this resolution.

Following the developments in the economy overall during the fourth quarter of 2008 and the associated increase in the volatility of the discount rates, Deutsche Telekom tested the OTE investment for impairment at the end of the year. This test resulted in Deutsche Telekom recognizing an impairment loss of EUR 0.5 billion on the carrying amount of OTE. The impairment of the investment is attributable to an increase in discount rates.

Aggregated key financial figures for the associates accounted for using the equity method are shown in the following overview. The data is not based on the portions attributable to the Deutsche Telekom Group, but represents the shareholdings on a 100-percent basis. This table does not include figures for OTE, since OTE as a listed company had not yet published its financial statements as of December 31, 2008 when Deutsche Telekom's consolidated financial statements were prepared.

Aggregated key financial figures for the associates accounted for using the equity method.

billions of €	Dec. 31, 2008	Dec. 31, 2007
Total assets	0.3	0.5
Total liabilities	0.2	0.2
	2008	2007
Net revenue	0.4	0.4
Profit/loss	0.0	0.0

The figures for the OTE group are based on the most recent interim financial statements as of September 30, 2008 and the most recent consolidated financial statements as of December 31, 2007. Net revenue and profit/loss relate to the 12-month period prior to the interim financial statements and the 2007 financial year.

billions of €	Sept. 30, 2008	Dec. 31, 2007
Total assets	11.2	11.5
Total liabilities	9.0	8.5
	10/2007- 9/2008	2007
Net revenue	6.4	6.3
Profit/loss	0.7	0.8

The following table is a summary presentation of aggregated key financial figures – pro-rated according to the relevant percentage of shares held – for the joint ventures of Deutsche Telekom accounted for using the equity method:

Aggregated key financial figures for the joint ventures accounted for using the equity method.

billions of €	Dec. 31, 2008	Dec. 31, 2007*
Total assets	0.5	0.5
Current	0.3	0.3
Non-current	0.2	0.2
Total liabilities	0.4	0.4
Current	0.4	0.2
Non-current	0.0	0.2
	2008	2007*
Net revenue	0.2	0.2
Profit/loss	0.0	0.0

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

24 Other financial assets.

millions of €	Dec. 31, 2008		Dec. 31, 2007	
	Total	Of which: current	Total	Of which: current
Originated loans and receivables	1,267	1,034	1,588	1,348
Available-for-sale financial assets	406	17	276	79
Derivative financial assets	1,601	851	457	305
Miscellaneous assets	281	267	297	287
	3,555	2,169	2,618	2,019

millions of €	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Originated loans and receivables								
as of Dec. 31, 2008								
Due within one year	1,034	1,007	13	3			1	
Due after more than one year	233	232						1
as of Dec. 31, 2007								
Due within one year	1,348	1,330	7	1				1
Due after more than one year	240	240						

With respect to the originated loans and receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Receivables of EUR 28 million (December 31, 2007: EUR 54 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions.

The available-for-sale financial assets include unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 288 million as of December 31, 2008 (December 31, 2007: EUR 182 million).

In the 2008 financial year, EUR 12 million (2007: EUR 19 million) in impairment losses on available-for-sale financial assets were recognized in profit or loss because the impairment was permanent or significant.

At the balance sheet date, T-Mobile Venture Fund GmbH & Co. KG and Deutsche Telekom Asia Pte Ltd were recognized at cost. No market prices were available for the investments. Neither was it possible to derive the respective fair value in the period in question using comparable transactions. The Company did not measure the investments by discounting the expected cash flows because the cash flows could not be reliably determined. At December 31, 2008, the carrying amount of T-Mobile Venture Fund GmbH & Co. KG was EUR 83 million and that of Deutsche Telekom Asia Pte Ltd was EUR 51 million (December 31, 2007: EUR 83 million and EUR 1 million, respectively). At the preparation date of the financial statements, there was no intention to sell the investments.

25 Financial liabilities.

millions of €	Dec. 31, 2008				Dec. 31, 2007			
	Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities								
Non-convertible bonds	23,272	717	13,452	9,103	21,786	2,564	10,571	8,651
Commercial papers, medium-term notes, and similar liabilities	11,030	4,375	2,893	3,762	10,508	1,518	6,509	2,481
Liabilities to banks	4,222	319	1,752	2,151	4,260	1,848	1,522	890
	38,524	5,411	18,097	15,016	36,554	5,930	18,602	12,022
Lease liabilities	2,009	129	436	1,444	2,139	162	422	1,555
Liabilities to non-banks from promissory notes	887	-	50	837	690	-	10	680
Other interest-bearing liabilities	541	196	211	134	527	135	244	148
Other non-interest-bearing liabilities	3,545	3,450	94	1	1,994	1,897	91	6
Derivative financial liabilities	1,088	1,022	50	16	1,002	951	16	35
	8,070	4,797	841	2,432	6,352	3,145	783	2,424
Financial liabilities	46,594	10,208	18,938	17,448	42,906	9,075	19,385	14,446

Bonds and other securitized liabilities are mainly issued by Deutsche Telekom International Finance B.V., a wholly-owned subsidiary of Deutsche Telekom AG. Deutsche Telekom AG provides a full and irrevocable guarantee for all liabilities issued by Deutsche Telekom International Finance B.V.

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. For this purpose, the Company has entered into standardized bilateral credit agreements with 28 banks amounting to a total of EUR 16.8 billion. The Company paid an average commitment fee of 0.092 percent in 2008 (2007: 0.075 percent) for credit lines not drawn and the average Euribor + 0.19 percent (2007: + 0.15 percent) for credit lines drawn. The terms and conditions depend on Deutsche Telekom's credit 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. The financial market crisis is impacting on the extension of bilateral lines. Especially institutions that are being split up, taken over by other banks or do not have sufficient equity are not likely to extend their lines. As a result, the number of facilities available to Deutsche Telekom will decrease over time. Nevertheless, each of these lines will continue to be available to Deutsche Telekom for another two years, from the time they are not extended any further. Of the original 29 bilateral lines only the line provided by the now insolvent Lehman Brothers Commercial Paper Inc. no longer exists.

The following table shows Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

millions of €	Carrying amount Dec. 31, 2008	Cash flows 2009		
		Fixed interest rate	Variable interest rate	Repayment
Non-derivative financial liabilities:				
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(39,411)	(1,860)	(262)	(5,744)
Finance lease liabilities	(1,514)	(119)		(131)
Other interest-bearing liabilities	(1,036)	(35)		(270)
Other non-interest-bearing liabilities	(3,545)			(3,523)
Derivative financial liabilities and assets:				
Derivative financial liabilities:				
- Currency derivatives without a hedging relationship	(277)			(271)
- Currency derivatives in connection with cash flow hedges	(47)			(42)
- Interest rate derivatives without a hedging relationship	(662)	(17)	(78)	(36)
- Interest rate derivatives in connection with cash flow hedges	(67)	(86)	77	
Derivative financial assets:				
- Currency derivatives without a hedging relationship	261			262
- Currency derivatives in connection with cash flow hedges	34			31
- Interest rate derivatives without a hedging relationship	553	75	(27)	58
- Interest rate derivatives in connection with fair value hedges	660	346	(256)	
- Interest rate derivatives in connection with cash flow hedges	90	(26)		

All instruments held at December 31, 2008 and for which payments were already contractually agreed are included. Planning data for future, new liabilities is not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2008. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act – Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities which were outstanding at January 1, 1995. At December 31, 2008, this figure was a nominal EUR 2.1 billion.

Cash flows 2010			Cash flows 2011-2013			Cash flows 2014-2018			Cash flows 2019 and thereafter		
Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
(1,781)	(177)	(5,138)	(3,786)	(360)	(12,852)	(3,072)	(31)	(9,728)	(4,263)		(6,603)
(113)		(91)	(267)		(281)	(314)		(516)	(266)		(496)
(36)		(98)	(109)		(98)	(190)		(526)	(86)		(44)
		(12)			(9)			(1)			(1)
					(2)						
		(2)									
(30)	(53)	(128)	15	(176)	(276)	43	(162)	(39)	121	(366)	(46)
(46)	55		(170)	118		(24)	5				
		1									
91	(9)	3	(16)	80	184		26	242			
318	(244)		775	(632)		459	(334)		473	(289)	
18		94									

26 Trade and other payables.

millions of €	Dec. 31, 2008	Dec. 31, 2007
Trade payables	7,055	6,811
Liabilities from construction contracts	18	12
	7,073	6,823

Of the total of trade and other payables, EUR 7,064 million (December 31, 2007: EUR 6,810 million) is due within one year.

27 Additional disclosures on financial instruments.

Carrying amounts, amounts recognized, and fair values by measurement category.

millions of €	Category in accordance with IAS 39	Carrying amount Dec. 31, 2008	Amounts recognized in balance sheet according to IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
Assets						
Cash and cash equivalents	LaR	3,026	3,026			
Trade receivables	LaR	7,224	7,224			
Other receivables	LaR/n.a.	1,267	984			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	281	281			
Available-for-sale financial assets	AfS	406		288	118	
Derivative financial assets						
Derivatives without a hedging relationship	FAHFT	814				814
Derivatives with a hedging relationship	n.a.	787			127	660
Liabilities						
Trade payables	FLAC	7,055	7,055			
Bonds and other securitized liabilities	FLAC	34,302	34,302			
Liabilities to banks	FLAC	4,222	4,222			
Liabilities to non-banks from promissory notes	FLAC	887	887			
Other interest-bearing liabilities	FLAC	1,036	1,036			
Other non-interest-bearing liabilities	FLAC	3,545	3,545			
Finance lease liabilities	n.a.	1,514				
Derivative financial liabilities						
Derivatives without a hedging relationship (held for trading)	FLHFT	974				974
Derivatives with a hedging relationship (hedge accounting)	n.a.	114			114	
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables (LaR)		11,234	11,234			
Held-to-maturity investments (HtM)		281	281			
Available-for-sale financial assets (AFS)		406		288	118	
Financial assets held for trading (FAHFT)		814				814
Financial liabilities measured at amortized cost (FLAC)		51,047	51,047			
Financial liabilities held for trading (FLHFT)		974				974

* For details, please refer to Note 24.

Cash and cash equivalents and trade and other receivables mainly have short-term maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair values of other non-current receivables and held-to-maturity financial investments due after more than one year correspond to the present values of the payments related to the assets, taking into account the current interest rate parameters that reflect market- and partner-based changes to terms and conditions, and expectations.

Amounts recognized in balance sheet according to IAS 17	Fair value Dec. 31, 2008	Category in accordance with IAS 39	Carrying amount Dec. 31, 2007	Amounts recognized in balance sheet according to IAS 39				Amounts recognized in balance sheet according to IAS 17	Fair value Dec. 31, 2007
				Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
	3,026	LaR	2,200	2,200				2,200	
	7,224	LaR	7,530	7,530				7,530	
283	1,267	LaR/n.a.	1,588	1,318			270	1,588	
	281	HtM	297	297				297	
	118*	AfS	276		182	94		94*	
	814	FAHFT	277				277	277	
	787	n.a.	180			49	131	180	
	7,055	FLAC	6,811	6,811				6,811	
	35,657	FLAC	32,294	32,294				33,644	
	4,155	FLAC	4,260	4,260				4,336	
	919	FLAC	690	690				743	
	1,042	FLAC	1,030	1,030				1,046	
	3,545	FLAC	1,994	1,994				1,994	
1,514	1,616	n.a.	1,636				1,636	1,821	
	974	FLHFT	861				861	861	
	114	n.a.	141			92	49	141	
	11,234		11,048	11,048				11,048	
	281		297	297				297	
	118*		276		182	94		94*	
	814		277				277	277	
	52,372		47,079	47,079				48,574	
	974		861				861	861	

Trade and other payables, as well as other liabilities, generally have short times to maturity; the values reported approximate the fair values.

The fair values of the quoted bonds and other securitized liabilities equal the nominal amounts multiplied by the price quotations at the reporting date.

The fair values of unquoted bonds, liabilities to banks, liabilities to non-banks from promissory notes, and other financial liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Net gain/loss by measurement category.

millions of €	From interest, dividends	From subsequent measurement			From derecognition	Net gain (loss)	
		At fair value	Currency translation	Impairment/ reversal of impairment		2008	2007
Loans and receivables (LaR)	162	n.a.	(956)	(782)	(1)	(1,577)	(2,083)
Held-to-maturity investments (HtM)	23	n.a.		(18)		5	9
Available-for-sale financial assets (AFS)	76			(11)	3	68	65
Financial instruments held for trading (FAHfT and FLHfT)	n.a.	383	n.a.	n.a.		383	(393)
Financial liabilities measured at amortized cost (FLAC)	(2,757)		374	n.a.	(4)	(2,387)	(746)
	(2,496)	383	(582)	(811)	(2)	(3,508)	(3,148)

Interest from financial instruments is recognized in finance costs, dividends in other financial income (please refer to Notes 7 and 9). Deutsche Telekom recognizes the other components of net gain/loss in other financial income/expense, except for impairments/reversal of impairments of trade receivables (please refer to Note 18) that are classified as loans and receivables which are reported under selling expenses. The net gain from the subsequent measurement for financial instruments held for trading (EUR 383 million) also includes interest and currency translation effects. The net currency translation losses on financial assets classified as loans and receivables (EUR 956 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom's financing company, Deutsche Telekom International Finance B.V., on the capital market. These were offset by corresponding currency translation gains on capital market liabilities of EUR 374 million. Finance costs from financial liabilities measured at amortized cost (EUR 2,757 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from interest added back and interest income from interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting period to hedge the fair value risk of financial liabilities (please refer to Note 7).

28 Other liabilities.

millions of €	Dec. 31, 2008	Dec. 31, 2007
Deferred revenues	1,910	1,909
Other liabilities	4,765	4,112
	6,675	6,021

Other liabilities increased by EUR 0.7 billion to EUR 6.7 billion. This is primarily attributable to increased liabilities in connection with the early retirement scheme for civil servants and higher liabilities for voluntary redundancy and severance payments for salaried employees.

In addition, other liabilities encompass liabilities from other taxes and social security liabilities.

29 Provisions for pensions and other employee benefits.

The company pension scheme can generally be divided into defined benefit and defined contribution plans.

Defined benefit plans.

In addition to the Group's pension obligations for non-civil servants based on direct and indirect pension commitments, there are further obligations under Article 131 of the Basic Law (Grundgesetz – GG). Deutsche Telekom's indirect pension commitments were made to its employees via Versorgungsanstalt der Deutschen Bundespost (VAP) and Deutsche Telekom Betriebsrenten-Service e.V. (DTBS).

VAP provides pension services for pensioners who were employed by Deutsche Telekom. The VAP benefits, which supplement statutory pension benefits up to the level specified by the pension benefits formula, are generally calculated on the basis of the level of employee compensation during specific periods of their employment. Within the scope of negotiations on the realignment of the company pension plan, the employer and the trade unions agreed in 1997 on arrangements 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 converted into a pension. If these employees have not yet reached the age of 35 and had been insured for less than ten years, their benefit obligations are due directly from Deutsche Telekom. The DTBS was founded for processing the remaining obligations.

A new regulation of VAP benefits was made by collective agreement in the year 2000 without affecting obligations. Since November 2000, the pensioners covered by this collective agreement no longer receive their pension payments from VAP as the indirect provider of pension services, but directly and with a legal claim from Deutsche Telekom. VAP's obligations are therefore suspended (parallel obligation). Those pensioners remaining in VAP continue to receive their benefits directly from VAP as the provider of pension services. Pursuant to VAP's business plan, Deutsche Telekom will, to a certain extent, continue to be assigned additional obligations and the corresponding assets on a pro rata basis.

Pursuant to the change to the articles of association of VAP in 2004, the future annual adjustments to pensions has been defined in percentage points, in accordance with the articles of association of VAP.

As a result of the harmonization of the company pension plan in 2005 within the Deutsche Telekom Group, as of October 2005 obligations (primarily employment relationships existing at Deutsche Telekom AG as of October 1, 2005) that were previously processed through DTBS have been handled directly by Deutsche Telekom AG and with a legal claim on the part of the employees.

Benefits relating to other direct pension plans are generally determined on the basis of salary levels and years of service; these benefit obligations are also usually determined by the amounts credited by Deutsche Telekom to its capital accounts.

Calculation of net defined benefit liability (+)/defined benefit asset (-):

millions of €	Dec. 31, 2008	Dec. 31, 2007
Present value of funded obligations	1,270	1,368
Plan assets at fair value	(952)	(986)
Defined benefit obligations in excess of plan assets	318	382
Present value of non-funded obligations	4,831	4,959
Unrecognized past service cost	(8)	(3)
Defined benefit liability (+)/defined benefit asset (-) according to IAS 19.54	5,141	5,338
Additional provision recognized due to a minimum funding requirement	3	0
Net defined benefit liability (+)/defined benefit asset (-)	5,144	5,338

Pension provisions break down into defined benefit liability and defined benefit asset as follows:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Defined benefit asset presented on the balance sheet	(13)	(16)
Defined benefit liability presented on the balance sheet	5,157	5,354
Net defined benefit liability (+)/ defined benefit asset (-)	5,144	5,338

The defined benefit asset is recognized under other assets in the consolidated balance sheet.

The following table shows the composition of pension obligations:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Pension obligations		
– Direct	4,826	4,955
– Indirect	315	380
Obligations in accordance with Article 131 GG	3	3
Net defined benefit liability (+)/ defined benefit asset (-)	5,144	5,338

The amount of the pension obligations was determined using actuarial principles that are consistent with IAS 19.

The calculations were based on the following assumptions at the respective balance sheet dates:

Assumptions for the measurement of defined benefit obligations as of December 31:

%	2008	2007
Discount rate	5.80 ^a	5.50 ^a
	3.00 ^b	3.25 ^b
	5.80 ^c	5.40 ^c
Projected salary increase	3.50 ^a	2.50 ^a
	4.25 ^d	3.25 ^d
	1.50 ^b	1.50 ^b
	4.20 ^c	4.20 ^c
Projected pension increase	1.00 ^a	1.00 ^a
	2.00 ^a	1.70 ^a
	0.30 ^b	0.60 ^b
	3.20 ^c	3.20 ^c

^a Germany.

^b Switzerland (T-Systems).

^c United Kingdom (T-Mobile UK).

^d For non-civil servants in Germany not covered by collective agreements.

For calculating the present value of pension obligations in Germany, taking into account future salary increases (defined benefit obligation), Deutsche Telekom used a rate of 5.8 percent as of December 31, 2008. This interest rate was determined based on a weighted average term of the obligation of approximately 14.6 years. As the obligations are denominated in euros, the discount rate is based on the rate of return of high-quality European corporate bonds with AA rating for which a yield curve is prepared based on spot rates. The discount rate is determined in the same way for the entire Group.

Assumptions for determining the pension expense for years ending December 31:

%	2008	2007	2006
Discount rate	5.50 ^a	4.45 ^a	4.10 ^a
	3.25 ^b	3.25 ^b	3.25 ^b
	5.40 ^c	4.80 ^c	4.75 ^c
Projected salary increase	2.50 ^a	2.50 ^a	2.75 ^a
	3.25 ^d	3.25 ^d	3.50 ^d
	1.50 ^b	1.50 ^b	1.00 ^b
	4.20 ^c	4.00 ^c	3.90 ^c
Return on plan assets	4.30 ^a	4.00 ^a	4.00 ^a
	4.50 ^b	4.50 ^b	4.50 ^b
	7.00 ^c	6.47 ^c	6.60 ^c
Projected pension increase	1.00 ^a	1.00 ^a	1.00 ^a
	1.70 ^a	1.50 ^a	1.50 ^a
	0.60 ^b	0.60 ^b	1.00 ^b
	3.20 ^c	3.00 ^c	2.90 ^c

^a Germany.

^b Switzerland (T-Systems).

^c United Kingdom (T-Mobile UK).

^d For non-civil servants in Germany not covered by collective agreements.

Development of defined benefit obligations in the reporting year:

millions of €	2008	2007
Present value of the defined benefit obligations as of January 1	6,327	7,134
Current service cost	204	217
Interest cost	331	307
Contributions by plan participants	4	4
Change in obligations	(132)	(5)
Curtailments	0	(1)
Settlements	0	(34)
Actuarial (gains) losses	(232)	(947)
Total benefits actually paid	(301)	(296)
Plan amendments	4	2
Exchange rate fluctuations for foreign-currency plans	(104)	(54)
Present value of the defined benefit obligations as of December 31	6,101	6,327

Taking the plan assets into consideration, the pension obligations were accounted for in full.

Development of plan assets at fair value in the respective reporting year:

millions of €	2008	2007
Plan assets at fair value as of January 1	986	966
Expected return on plan assets	52	50
Actuarial (losses) gains	(2)	(24)
Contributions by employer	54	43
Contributions by plan participants	4	4
Benefits actually paid through pension funds	(57)	(56)
Change in obligations	3	44
Curtailments	0	0
Settlements	0	(3)
Exchange rate fluctuations for foreign-currency plans	(88)	(38)
Plan assets at fair value as of December 31	952	986

Breakdown of plan assets at fair value by investment category:

%	Dec. 31, 2008	Dec. 31, 2007
Equity securities	24	35
Debt securities	40	48
Real estate	7	10
Other	29*	7

* Of which T-Mobile UK holds a 70-% share which breaks down as follows: interest rate swaps (56%), money market securities (33%) and cash and cash equivalents (11%).

The investment structure is defined, managed and regularly reviewed using asset/liability studies. The resulting target allocations for the plan assets of the respective pension plans therefore reflect the duration of the obligations, the defined benefit obligation, the minimum requirements for the policy reserve, and other factors. To improve the financing status of the plans to the best possible extent, a certain portion of the funds has been invested in investment categories the return of which exceeds that of fixed-rate investments. The remaining target allocation risk is monitored and managed on a regular basis using downside risk management.

At December 31, 2008, the plan assets include shares amounting to EUR 1.7 million (December 31, 2007: no shares) issued by Deutsche Telekom. No other own financial instruments were included in the years shown.

Determination of the expected return on essential plan assets:

The expected return on essential plan assets for 2009 is 3.5 percent in Germany (DTBS and VAP), 4.5 percent (T-Systems Switzerland) and 6.9 percent (T-Mobile UK).

These expectations are based on consensus forecasts for each asset class as well as on banks' estimates. The forecasts are based on historical figures, economic data, interest rate forecasts, and anticipated stock market developments.

The pension expense for each period is composed of the following items and is reported in the indicated accounts of the income statement:

millions of €	Presentation in the income statement	2008	2007	2006
Current service cost	Functional costs *	204	217	389
Interest cost	Other financial income (expense)	331	307	285
Expected return on plan assets	Other financial income (expense)	(52)	(50)	(46)
Past service cost	Functional costs *	0	0	(18)
Pension expense before curtailments/settlements		483	474	610
Curtailments	Functional costs *	0	1	0
Settlements	Functional costs *	0	32	12
Pension expense		483	507	622
Actual return on plan assets		50	26	57

* Including other operating expenses.

The statement of income and expenses recognized directly in equity includes the following amounts:

millions of €	2008	2007	2006
Cumulative (gains) losses recognized directly in equity as of January 1	342	1,265	1,579
Change due to business combinations/disposals	3	0	0
Actuarial (gains) losses as shown in the statement of recognized income and expense	(227)	(923)	(314)
Of which: recognition directly in equity of actuarial (gains) losses in the reporting period	(230)	(923)	(314)
Of which: change in the additional provision recognized due to a minimum funding requirement	3	0	0
Cumulative (gains) losses recognized directly in equity as of December 31	118	342	1,265

Expected employer contributions for the subsequent year are estimated as follows:

millions of €	2009
Expected contributions by employer	46

Amounts for the current year and four preceding years of pension obligations, plan assets, benefit obligations in excess of the assets, and experience-based adjustments:

millions of € as of Dec. 31	2008	2007	2006	2005	2004
Defined benefit obligations	6,101	6,327	7,134	7,016	5,311
Plan assets at fair value	(952)	(986)	(966)	(901)	(623)
Defined benefit obligations in excess of plan assets (funded status)	5,149	5,341	6,168	6,115	4,688

Adjustment in %	2008	2007	2006
Experience-based increase (decrease) of pension obligations	(0.1)	(0.8)	(0.4)
Experience-based increase (decrease) of plan assets	(0.2)	(2.5)	1.1

Defined contribution plans.

Individual Group entities grant defined contribution plans to their employees. Under defined contribution plans, the employer does not assume any other obligations above and beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. Current contributions are reported as an expense in the consolidated income statement of the respective year. In 2008, they amounted to EUR 160 million (2007: EUR 103 million). Of this amount, EUR 3 million (2007: EUR 1 million) were pledged to commitments to members of staff in key positions.

Civil-servant retirement arrangements.

In accordance with the provisions of the German Posts and Telecommunications Reorganization Act (Postneuordnungsgesetz), the Federal Pension Service for Post and Telecommunications (Bundes-Pensions-Service für Post und Telekommunikation e.V. for current and former employees with civil servant status – 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. The level of Deutsche Telekom's payment obligations to its special pension fund is defined under § 16 of the German Act Concerning the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz – PostPersRG). Since 2000, Deutsche Telekom AG has been legally obliged to make an annual contribution to the special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. This contribution of EUR 762 million was recognized as an ongoing expense in 2008 (2007: EUR 772 million; 2006: EUR 842 million). The present value to the total obligation arising from payment obligations to this special pension fund was EUR 6.9 billion as of the balance sheet date (December 31, 2007: EUR 7.3 billion).

30 Other provisions.

millions of €	Personnel	Restoration obligations	Litigation risks	Reimbursements	Other	Total
At December 31, 2006	3,889	713	330	155	1,180	6,267
Of which: current	1,954	6	113	149	871	3,093
Changes in the composition of the Group	(2)	19	0	0	2	19
Currency translation adjustments	(25)	(11)	0	(2)	(21)	(59)
Addition	3,708	45	148	148	1,319	5,368
Use	(2,836)	(95)	(71)	(123)	(698)	(3,823)
Reversal	(302)	(14)	(61)	(37)	(188)	(602)
Interest effect	94	27	0	0	2	123
Other changes	84	(20)	5	12	(344)	(263)
At December 31, 2007	4,610	664	351	153	1,252	7,030
Of which: current	2,167	10	165	138	885	3,365
Changes in the composition of the Group	(59)	3	1	0	25	(30)
Currency translation adjustments	(24)	(24)	(1)	0	(18)	(67)
Addition	2,424	113	202	164	1,028	3,931
Use	(2,714)	(49)	(63)	(113)	(696)	(3,635)
Reversal	(261)	(26)	(22)	(26)	(245)	(580)
Interest effect	135	19	0	0	3	157
Other changes	15	0	4	2	(86)	(65)
At December 31, 2008	4,126	700	472	180	1,263	6,741
Of which: current	2,161	26	170	167	913	3,437

Provisions for personnel costs include a variety of individual issues such as provisions for deferred compensation and allowances, as well as for anniversary gifts. Moreover, the expenses associated with staff restructuring measures are also included here. The expenses are allocated to functional costs or to other operating expenses based on actual cost generation.

Provisions for staff restructuring included in provisions for personnel developed as follows in 2008:

billions of €	Jan. 1, 2008	Addition	Use	Reversal	Other changes	Dec. 31, 2008
Early retirement	1.6	0.3	(0.7)	(0.1)	0.1	1.2
Severance and voluntary redundancy models	0.6	0.5	(0.4)	(0.1)	0.1	0.7
Partial retirement	0.3	0.0	(0.1)	0.0	0.0	0.2
Total	2.5	0.8	(1.2)	(0.2)	0.2	2.1
Of which: current	0.7					0.6

Deutsche Telekom continued its staff restructuring program. Part of this program in Germany is socially responsible staff adjustment on a voluntary basis and largely without the need for compulsory redundancies. Socially responsible HR tools such as severance and redundancy models as well as partial and early retirement arrangements contribute substantially to the achievement of this aim. Some of these HR measures are covered by law and will apply beyond 2009. The deadline for civil servants to apply for early retirement, for example, was originally the end of 2010. For civil servants employed at Deutsche Telekom, the law provides the opportunity under certain conditions to retire early from the age of 55. When the reform of civil-service law came into effect, the provisions for early retirement for civil servants was extended until December 31, 2012. Exercise of the early retirement option in 2011 and 2012 will be subject to a decision by the Board of Management, however. In the reporting year, provisions totaling EUR 0.1 billion were recognized for compulsory redundancies that have not been ruled out. The underlying measures for these provisions relate to the 2010 and 2011 financial years.

Restoration obligations include the estimated costs for dismantling and removing an asset, and restoring the site on which it is located. The estimated costs are included in the costs of the relevant asset.

The provisions for litigation risks include possible settlements attributable to pending lawsuits.

Provisions for reimbursements are established for discounts that are to be granted but had not yet been granted as of the reporting date.

Other provisions include provisions for environmental damage and risks, other taxes, warranties, advertising cost allowances, premiums and commissions as well as a variety of other items for which the individually recognized amounts are largely not material.

31 Shareholders' equity.

Statement of changes in shareholders' equity from January 1, 2006 to December 31, 2008:

Changes in shareholders' equity	Equity attributable to equity holders of the parent				
	Equity contributed			Consolidated shareholders' equity generated *	
	Number of shares thousands	Issued capital millions of €	Capital reserves millions of €	Retained earnings incl. carryforwards millions of €	Net profit (loss) millions of €
Balance at January 1, 2006	4,198,078	10,747	49,561	(19,748)	5,589
Changes in the composition of the Group					
Profit after income taxes					3,173
Unappropriated net profit (loss) carried forward				5,589	(5,589)
Dividends				(3,005)	
Mandatory convertible bond	162,988	417	1,793	(71)	
T-Online merger	62,730	161	631		
Share buy-back/retirement	(62,730)	(161)	(548)		
Sale of treasury shares			(1)		
Proceeds from the exercise of stock options	53		62		
Actuarial gains and losses				187	
Change in other comprehensive income (not recognized in income statement)				71	
Recognition of other comprehensive income in income statement					
Balance at December 31, 2006	4,361,119	11,164	51,498	(16,977)	3,173
Balance at January 1, 2007	4,361,119	11,164	51,498	(16,977)	3,173
Changes in the composition of the Group				(5)	
Profit after income taxes					571
Unappropriated net profit (loss) carried forward				3,173	(3,173)
Dividends				(3,124)	
Proceeds from the exercise of stock options	179	1	26		
Actuarial gains and losses				559	
Change in other comprehensive income (not recognized in income statement)				156	
Recognition of other comprehensive income in income statement					
Balance at December 31, 2007	4,361,298	11,165	51,524	(16,218)	571
Balance at January 1, 2008	4,361,298	11,165	51,524	(16,218)	571
Changes in the composition of the Group					
Profit after income taxes					1,483
Unappropriated net profit (loss) carried forward				571	(571)
Dividends				(3,386)	
Proceeds from the exercise of stock options	22		2		
Actuarial gains and losses				166	
Change in other comprehensive income (not recognized in income statement)				106	
Recognition of other comprehensive income in income statement					
Balance at December 31, 2008	4,361,320	11,165	51,526	(18,761)	1,483

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Other comprehensive income	Treasury shares	Total (equity attributable to equity holders of the parent)	Minority interests			Total (consolidated shareholders' equity)
			Minority interest capital	Other comprehensive income	Total (minority interests)	
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
(1,055)	(6)	45,088	3,408	103	3,511	48,599
		0	(44)		(44)	(44)
		3,173	409		409	3,582
		0			0	0
		(3,005)	(277)		(277)	(3,282)
		2,139			0	2,139
		792	(607)		(607)	185
		(709)			0	(709)
	1	0			0	0
		62			0	62
		187	(3)		(3)	184
(1,214)		(1,143)	9	102	111	(1,032)
(6)		(6)			0	(6)
(2,275)	(5)	46,578	2,895	205	3,100	49,678
(2,275)	(5)	46,578	2,895	205	3,100	49,678
		(5)			0	(5)
		571	509		509	1,080
		0			0	0
		(3,124)	(497)		(497)	(3,621)
		27			0	27
		559			0	559
(2,632)		(2,476)	4	(1)	3	(2,473)
		0			0	0
(4,907)	(5)	42,130	2,911	204	3,115	45,245
(4,907)	(5)	42,130	2,911	204	3,115	45,245
		0	(2)		(2)	(2)
		1,483	541		541	2,024
		0			0	0
		(3,386)	(545)		(545)	(3,931)
		2			0	2
		166	1		1	167
(400)		(294)	12	(7)	5	(289)
(104)		(104)			0	(104)
(5,411)	(5)	39,997	2,918	197	3,115	43,112

32 Issued capital.

As of December 31, 2008, the **share capital** of Deutsche Telekom totaled approximately EUR 11.2 billion. The share capital is divided into 4,361,319,993 no par value registered shares.

	2008		2007	
	thousands	%	thousands	%
Federal Republic of Germany	646,575	14.8	646,575	14.8
KfW Bankengruppe	735,662	16.9	735,667	16.9
Free float	2,979,083	68.3	2,979,056	68.3
Of which: Blackstone Group	191,700	4.4	192,000	4.4
Total	4,361,320	100.0	4,361,298	100.0

Each share entitles the holder to one vote. The voting rights are nevertheless restricted in relation to the treasury shares (around 2 million as of December 31, 2008) and the trust shares (around 19 million as of December 31, 2008). The trust shares are connected with the acquisitions of VoiceStream and Powertel in 2001. As part of these acquisitions, Deutsche Telekom 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. As of December 31, 2008, the number of Deutsche Telekom shares reserved for the stock options still outstanding was 6,060,293.

Authorized capital and contingent capital. Authorized capital and contingent capital comprised the following components as of December 31, 2008:

	Amount (€)	No par value shares	Purpose
2004 Authorized capital *	2,399,410,734.08	937,269,818	Increasing share capital (until May 17, 2009)
2006 Authorized capital *	38,400,000.00	15,000,000	Employee shares (through May 2, 2011)
Contingent capital II	31,813,089.28	12,426,988	Meeting preemptive rights to shares from stock options under the 2001 Stock Option Plan
Contingent capital IV	600,000,000.00	234,375,000	Servicing guaranteed convertible bonds or bonds with warrants issued on or before April 25, 2010

* The Supervisory Board's approval is required.

33 Capital reserves.

The capital reserves of the Group primarily encompass the capital reserves of Deutsche Telekom AG. Differences to the capital reserves of Deutsche Telekom AG result from the recognition at fair value of the Deutsche Telekom AG shares newly issued in the course of the acquisition of T-Mobile USA Inc., Bellevue (United States)/Powertel Inc., Bellevue (United States) instead of at their par value, which is permissible in the consolidated financial statements, and from the related treatment of the issuing costs, which are deducted from capital reserves.

34 Retained earnings including carryforwards.

Retained earnings were impacted in particular by Deutsche Telekom AG's payment of EUR 3.4 billion in dividends for the 2007 financial year, the appropriation of an amount of EUR 0.6 billion in net profit for the prior year, and the 2008 actuarial gains and losses of EUR 0.2 billion.

35 Other comprehensive income.

Other comprehensive income declined year-on-year by EUR 0.5 billion to EUR - 5.4 billion, impacted in particular by negative exchange rate effects from the currency translation of financial statements prepared in foreign currencies totaling EUR 0.4 billion.

36 Treasury shares.

The shareholders' meeting on May 15, 2008 authorized the Board of Management to purchase up to 436,131,999 no par value shares in the Company by November 14, 2009, with the amount of share capital 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 share capital.

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 as defined in § 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 pursuant to § 17 AktG are also entitled to purchase the shares. The purchase may take 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 May 15, 2008, 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 total of 1,881,508 treasury shares remained unchanged year-on-year. These are carried at cost of EUR 5 million and correspond to 0.04 percent of the Company's share capital. All treasury shares are held by Deutsche Telekom AG.

37 Minority interests.

Minority interests remained at the prior-year level as a result of offsetting effects. While pro rata profit after income taxes had a positive effect, minority interests decreased due to the payment of dividends.

Other disclosures.

38 Notes to the consolidated cash flow statement.

Net cash from operating activities. Net cash from operating activities amounted to EUR 15.4 billion in the reporting period, compared with EUR 13.7 billion in the prior year. The increase was primarily attributable to favorable changes in working capital and lower interest payments. Income tax payments had an offsetting effect; payments of EUR 0.5 billion were recorded in 2008, and receipts of EUR 0.2 billion in the prior year.

Net cash used in investing activities. Net cash used in investing activities totaled EUR 11.4 billion in 2008 as compared with EUR 8.1 billion in the previous year. The main factors contributing to this change were outflows for the acquisition of SunCom in the amount of EUR 1.0 billion and for the acquisition of shares in OTE in the amount of EUR 3.1 billion as compared with outflows totaling EUR 1.5 billion for Orange Nederland and Immobilien Scout in the prior year. In addition, cash outflows for intangible assets and property, plant and equipment increased by EUR 0.7 billion, primarily as a result of the 2G and 3G network roll-out in the United States, while inflows for property, plant and equipment decreased by EUR 0.4 billion, in particular as a result of lower real estate disposals.

Net cash used in financing activities. Net cash used in financing activities in 2008 totaled EUR 3.1 billion, compared with EUR 6.1 billion in 2007.

This change was mostly attributable to higher proceeds from the issue of non-current financial liabilities of EUR 4.9 billion, while repayments decreased by EUR 0.9 billion. Current financial liabilities, on the other hand, included a year-on-year net increase in repayments amounting to EUR 2.6 billion. In addition, dividend payments increased by EUR 0.2 billion year-on-year, mainly as a result of an increase in dividend payments of Deutsche Telekom AG.

The issue of financial liabilities in 2008 was largely the result of the issue of medium-term notes totaling EUR 1.8 billion, the issue of a Eurobond totaling EUR 1.5 billion, the issue of a U.S. dollar bond totaling EUR 1.0 billion, and the issue of a Samurai bond totaling EUR 0.3 billion. In addition, promissory notes (shown as liabilities to banks) were issued for an amount of EUR 1.4 billion, commercial papers were taken out for a net amount of EUR 0.6 billion, and a loan of EUR 0.5 billion was taken out with the European Investment Bank. A benchmark bond in the amount of EUR 2.0 billion, medium-term notes for an amount of EUR 1.5 billion, a U.S. dollar bond amounting to EUR 0.5 billion, as well as bonds issued and credit lines drawn by SunCom amounting to EUR 0.7 billion were repaid during the same period. Net repayments of drawdowns under short-term credit lines amounting to EUR 1.4 billion were also made, and a loan of EUR 0.2 billion from Kreditanstalt für Wiederaufbau was repaid.

39 Segment reporting.

Deutsche Telekom reports on five operating segments, which are independently managed by bodies responsible for the respective segments depending on the nature of products and services offered, brands, sales channels, and customer profiles. The identification of Company components as business segments is based in particular on the existence of segment managers who report directly to the Board of Management of Deutsche Telekom AG and who are responsible for the performance of the segment under their charge.

Information on the Group's segments is presented below.

The **Mobile Communications Europe** operating segment bundles all activities of T-Mobile International AG in Germany, the United Kingdom, the Netherlands, Austria, Poland, and the Czech Republic, as well as Deutsche Telekom's other mobile communications activities in Slovakia, Croatia, Macedonia, Montenegro, and Hungary.

The **Mobile Communications USA** operating segment combines all activities of T-Mobile International AG in the U.S. market.

All entities in the two Mobile Communications segments Europe and USA offer mobile voice and data services to consumers and business customers. The T-Mobile subsidiaries also market mobile devices and other hardware 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 (mobile virtual network operators, or MVNOs).

The **Broadband/Fixed Network** operating segment offers consumers and small business customers traditional fixed-network services, broadband Internet access, and multimedia services on the basis of a state-of-the-art telecommunications infrastructure. This segment also conducts business with national and international network operators and with resellers (wholesale including resale). In addition, it provides wholesale telecommunications services for Deutsche Telekom's other operating segments. Outside Germany, the Broadband/Fixed Network operating segment has a presence in Central and Eastern Europe, namely in Hungary, Croatia, Slovakia, Macedonia, Bulgaria, Romania, and Montenegro.

At the start of 2008, Deutsche Telekom realigned the business model for its **Business Customers** operating segment to create a clear, functional structure. A key element of the current business model is the separation of the sales and production functions, each assuming global responsibility. One area will provide ICT products and solutions for large multinational enterprises (corporate customers), the other will resell telecommunications and IT products to around 160,000 medium-sized enterprises (business customers). The production function is subdivided into the two core areas of ICT Operations (ICTO) and Systems Integration (SI). Deutsche Telekom has considerably expanded its offshore resources through the partnership concluded with Cognizant in March 2008. T-Systems is represented by subsidiaries in more than 20 countries, with a particular focus on the European countries of Austria, Belgium, France, Germany, Italy, Spain, Switzerland, the Netherlands and the United Kingdom. Outside Europe, T-Systems grew above all in the United States, Brazil and South Africa in 2008. The service provider offers its customers a full range of information and communication technology from a single source. T-Systems realizes integrated ICT solutions on the basis of its extensive expertise in these two technological areas. It develops and operates infrastructure and industry solutions for its corporate customers. Products and services offered to medium-sized enterprises range from low-cost standard products and high-performance networks based on the Internet Protocol (IP) to complete ICT solutions.

The **Group Headquarters & Shared Services** operating segment comprises all Group units and subsidiaries that cannot be allocated directly to one of the four aforementioned operating segments. Group Headquarters is responsible for strategic and cross-segment management functions. The Shared Services unit is responsible for all other operating functions not directly related to the aforementioned segments' core business. These include Vivento, which is responsible for providing employees with new employment opportunities as part of the workforce restructuring program, as well as Real Estate Services, whose activities include the management of Deutsche Telekom AG's real estate portfolio, and DeTeFleetServices GmbH, a full-service provider of fleet management and mobility services.

Shared Services primarily has activities in Germany. Real Estate Services also had operations offering facility management services in Hungary and in Slovakia. These stakes were sold to Strabag SE on September 30, 2008. The main Shared Services subsidiaries include DeTe Immobilien, Deutsche Telekom Immobilien und Service GmbH (sold to Strabag SE as of September 30, 2008), GMG Generalmietgesellschaft mbH, DFMG Deutsche Funkturm GmbH, PASM Power and Air Condition Solution Management GmbH & Co. KG, DeTeFleetServices GmbH, and Vivento Customer Services GmbH. In addition, Group Headquarters & Shared Services includes the shared services and headquarters functions of Magyar Telekom.

The reconciliation summarizes the elimination of intersegment transactions.

The measurement principles for Deutsche Telekom's segment reporting structure are based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on their profit/loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices.

Segment assets and liabilities include all assets and liabilities that are attributable to operations and whose positive or negative results determine profit/loss from operations (EBIT). Segment assets include in particular intangible assets; property, plant and equipment; trade and other receivables; and inventories. Segment liabilities include in particular trade and other payables, and significant provisions. Segment investments include additions to intangible assets and property, plant and equipment.

Where entities accounted for using the equity method are directly allocable to a segment, their share of profit/loss after income taxes and their carrying amount is reported in this segment's accounts.

The Group's non-current assets and net revenue are shown by region. These are the regions in which Deutsche Telekom is active: Germany, Europe (excluding Germany), North America and Other countries. The Europe (excluding Germany) region covers the entire European Union (excluding Germany) and the other countries in Europe. The North America region comprises the United States and Canada. The "Other countries" region

includes all countries that are not Germany or in Europe (excluding Germany) or North America. Non-current assets are allocated to the regions according to the location of the assets in question. Non-current assets encompass intangible assets; property, plant and equipment; investments accounted for using the equity method as well as other non-current assets. Net revenue is allocated according to the location of the respective customers' operations.

millions of €		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method*	Income taxes*
Mobile Communications Europe	2008	19,978	685	20,663	3,188	435	(500)	0	(146)
	2007	20,000	713	20,713	2,436	208	(495)	0	635
	2006	17,700	755	18,455	2,746	168	(514)	77	13
Mobile Communications USA	2008	14,942	15	14,957	2,299	81	(577)	6	(694)
	2007	14,050	25	14,075	2,017	99	(457)	6	(518)
	2006	13,608	20	13,628	1,756	68	(408)	3	651
Broadband/Fixed Network	2008	17,691	3,640	21,331	2,914	643	(57)	6	(48)
	2007	19,072	3,618	22,690	3,250	522	(62)	46	(84)
	2006	20,366	4,149	24,515	3,356	256	(41)	31	(241)
Business Customers	2008	8,456	2,554	11,010	(6)	117	(60)	41	(10)
	2007	8,971	3,016	11,987	(323)	91	(99)	1	(47)
	2006	9,301	3,568	12,869	(835)	61	(99)	(78)	(50)
Group Headquarters & Shared Services	2008	599	2,974	3,573	(1,198)	1,341	(3,833)	(441)	(574)
	2007	423	3,445	3,868	(1,973)	1,015	(3,309)	2	(1,361)
	2006	372	3,386	3,758	(2,138)	1,055	(3,043)	(2)	342
Total	2008	61,666	9,868	71,534	7,197	2,617	(5,027)	(388)	(1,472)
	2007	62,516	10,817	73,333	5,407	1,935	(4,422)	55	(1,375)
	2006	61,347	11,878	73,225	4,885	1,608	(4,105)	31	715
Reconciliation	2008	-	(9,868)	(9,868)	(157)	(2,209)	2,132	0	44
	2007	-	(10,817)	(10,817)	(121)	(1,674)	1,647	0	2
	2006	-	(11,878)	(11,878)	402	(1,311)	1,268	1	255
Group	2008	61,666	-	61,666	7,040	408	(2,895)	(388)	(1,428)
	2007	62,516	-	62,516	5,286	261	(2,775)	55	(1,373)
	2006	61,347	-	61,347	5,287	297	(2,837)	32	970

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

		Segment assets	Segment liabilities	Segment investments	Investments accounted for using the equity method*	Depreciation and amortization	Impairment losses	Employees (average)
		millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	
Mobile Communications Europe	2008	30,441	4,879	1,882	3	(3,626)	(249)	29,237
	2007	35,151	5,263	2,249	0	(3,903)	(338)	30,802
	2006	36,950	5,187	3,231	0	(3,342)	(25)	25,345
Mobile Communications USA	2008	34,302	4,001	3,615	14	(1,863)	(21)	36,076
	2007	30,146	3,441	2,203	10	(1,883)	(9)	31,655
	2006	33,162	3,070	5,200	6	(1,958)	(33)	28,779
Broadband/Fixed Network	2008	25,939	7,943	3,390	83	(3,545)	(67)	94,287
	2007	25,668	7,235	3,176	86	(3,605)	(70)	97,690
	2006	26,913	8,106	3,251	157	(3,744)	(95)	107,006
Business Customers	2008	7,860	4,799	866	46	(789)	(16)	52,479
	2007	9,352	4,699	987	18	(882)	(25)	56,566
	2006	9,333	4,869	1,223	31	(939)	(7)	56,595
Group Headquarters & Shared Services	2008	11,676	7,994	603	3,411	(704)	(127)	22,808
	2007	11,946	8,536	565	4	(708)	(259)	27,023
	2006	11,882	7,608	594	2	(710)	(237)	30,755
Total	2008	110,218	29,616	10,356	3,557	(10,527)	(480)	234,887
	2007	112,263	29,174	9,180	118	(10,981)	(701)	243,736
	2006	118,240	28,840	13,499	196	(10,693)	(397)	248,480
Reconciliation	2008	(3,551)	(3,719)	(239)	0	32	0	-
	2007	(3,201)	(3,619)	(103)	0	48	23	-
	2006	(2,963)	(3,142)	(84)	1	69	(13)	-
Group	2008	106,667	25,897	10,117	3,557	(10,495)	(480)	234,887
	2007	109,062	25,555	9,077	118	(10,933)	(678)	243,736
	2006	115,277	25,698	13,415	197	(10,624)	(410)	248,480

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

millions of €		Net cash from (used in) operating activities	Net cash (used in) from investing activities	Of which: cash capex *	Net cash (used in) from financing activities
Mobile Communications Europe	2008	6,711	(2,313)	(1,897)	(6,193)
	2007	6,494	(3,537)	(1,938)	447
	2006	4,882	(3,166)	(1,950)	(3,049)
Mobile Communications USA	2008	3,740	(2,892)	(2,540)	(852)
	2007	3,622	(2,714)	(1,958)	(831)
	2006	3,388	(5,291)	(5,297)	1,904
Broadband/ Fixed Network	2008	7,847	(2,405)	(3,134)	(3,350)
	2007	6,673	909	(2,805)	(2,895)
	2006	8,812	(2,575)	(3,250)	(4,802)
Business Customers	2008	782	(10)	(839)	(955)
	2007	553	(854)	(921)	1,191
	2006	816	(1,523)	(795)	475
Group Headquarters & Shared Services	2008	6,096	(3,337)	(435)	(1,397)
	2007	854	(3,766)	(471)	(6,933)
	2006	3,208	(3,952)	(508)	(1,866)
Total	2008	25,176	(10,957)	(8,845)	(12,747)
	2007	18,196	(9,962)	(8,093)	(9,021)
	2006	21,106	(16,507)	(11,800)	(7,338)
Reconciliation	2008	(9,808)	(427)	138	9,650
	2007	(4,482)	1,908	78	2,896
	2006	(6,884)	2,202	(6)	5,277
Group	2008	15,368	(11,384)	(8,707)	(3,097)
	2007	13,714	(8,054)	(8,015)	(6,125)
	2006	14,222	(14,305)	(11,806)	(2,061)

* Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, as shown in the cash flow statement.

Reconciliation of the total of the segments' profit or loss to profit after income taxes.

millions of €	2008	2007*	2006*
Total profit (loss) of reportable segments	7,197	5,407	4,885
Reconciliation to the Group	(157)	(121)	402
Profit from operations (EBIT) of the Group	7,040	5,286	5,287
Profit (loss) from financial activities	(3,588)	(2,833)	(2,675)
Income taxes	(1,428)	(1,373)	970
Profit after income taxes	2,024	1,080	3,582

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Reconciliation of segment assets and segment liabilities.

millions of €	Dec. 31, 2008	Dec. 31, 2007*	Dec. 31, 2006*
Total assets of reportable segments	110,218	112,263	118,240
Reconciliation to the Group	(3,551)	(3,201)	(2,963)
Segment assets of the Group	106,667	109,062	115,277
Cash and cash equivalents	3,026	2,200	2,765
Current recoverable income taxes	273	222	643
Other current financial assets (excluding receivables from suppliers)	1,997	1,862	1,677
Investments accounted for using the equity method	3,557	118	197
Other non-current financial assets (excluding receivables from suppliers)	1,386	599	657
Deferred tax assets	6,234	6,610	8,952
Assets in accordance with the consolidated balance sheet	123,140	120,673	130,168
Total liabilities of reportable segments	29,616	29,174	28,840
Reconciliation to the Group	(3,719)	(3,619)	(3,142)
Segment liabilities of the Group	25,897	25,555	25,698
Current financial liabilities (excluding liabilities to customers)	10,052	8,930	7,374
Income tax liabilities	585	437	536
Non-current financial liabilities	36,386	33,831	38,799
Deferred tax liabilities	7,108	6,675	8,083
Other liabilities	-	-	-
Liabilities in accordance with the consolidated balance sheet	80,028	75,428	80,490

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

Information by geographic area.

millions of €	Non-current assets			Net revenue		
	Dec. 31, 2008	Dec. 31, 2007*	Dec. 31, 2006*	2008	2007	2006
Germany	44,385	44,817	47,457	28,885	30,694	32,460
International	55,227	52,702	57,151	32,781	31,822	28,887
Of which:						
Europe (excluding Germany)	23,854	25,238	26,786	17,324	17,264	14,823
North America	31,298	27,407	30,344	14,931	14,159	13,700
Other countries	75	57	21	526	399	364
Group	99,612	97,519	104,608	61,666	62,516	61,347

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

40 Contingencies.

millions of €	Dec. 31, 2008	Dec. 31, 2007
Contingent liabilities relating to lawsuits and other proceedings	565	350
Other contingent liabilities	26	25
	591	375

Contingent liabilities relating to lawsuits and other proceedings include liabilities that on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities in the balance sheet. Deutsche Telekom is involved in a number of court and arbitration proceedings in connection with its regular business activities. Litigation provisions include legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group.

Toll Collect. 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 operating 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 15, 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 arbitration court, each party submitted 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 has the opportunity to submit a further written response to the relevant statement from the other party, by April 3, 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 16, 2008, the asserted claims for payment total around EUR 560 million plus interest.

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 230 million granted to Toll Collect GmbH; this amount corresponds to Deutsche Telekom's 50-percent stake in Toll Collect GmbH's borrowing volume guaranteed by shareholders.
- **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.

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 (PostPersRG), which abolished 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 ruled to refer the question as to whether § 10 PostPersRG is constitutional to the Federal Constitutional Court for a judicial review pursuant to Article 100 of the Basic Law. The Federal Administrative Court has not yet drafted its written submission to the Federal Constitutional Court. It is therefore uncertain when the Federal Constitutional Court will announce its ruling. If the Court rules that all civil servants who are or were active at Deutsche Telekom between 2004 and 2008 are entitled to receive year-end bonus payments for the relevant years, this could result in expenses of up to EUR 0.2 billion.

41 Disclosures on leases.

Deutsche Telekom as lessee.

Finance leases. When a lease transfers substantially all risks and rewards to Deutsche Telekom, Deutsche Telekom initially recognizes the leased assets in the balance sheet at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the balance sheet as part of a finance lease relate to long-term rental and lease agreements for office buildings with a typical lease term of up to 25 years. The agreements include extension and purchase options. The following table shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the balance sheet date:

millions of €	Dec. 31, 2008	Of which: sale and leaseback transactions	Dec. 31, 2007	Of which: sale and leaseback transactions
Land and buildings	1,116	649	1,207	692
Technical equipment and machinery	57	–	102	–
Other	24	1	35	2
Net carrying amounts of leased assets capitalized	1,197	650	1,344	694

At the commencement of the lease term, Deutsche Telekom recognizes a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognized in the income statement.

The following table provides a breakdown of these amounts:

millions of €	Minimum lease payments		Interest component		Present values	
	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback	Total	Of which: sale and leaseback
December 31, 2008						
Maturity						
Within 1 year	236	116	116	68	120	48
In 1 to 3 years	404	210	215	128	189	82
In 3 to 5 years	367	212	170	113	197	99
After 5 years	1,586	967	578	384	1,008	583
	2,593	1,505	1,079	693	1,514	812
December 31, 2007						
Maturity						
Within 1 year	275	117	121	71	154	46
In 1 to 3 years	431	206	229	131	202	75
In 3 to 5 years	372	209	196	119	176	90
After 5 years	1,765	1,069	661	436	1,104	633
	2,843	1,601	1,207	757	1,636	844

Operating leases. Beneficial ownership of a lease is attributed to the lessor if this is the party to which all the substantial risks and rewards incidental to ownership of the asset are transferred. The lessor recognizes the leased asset in their balance sheet. Deutsche Telekom recognizes the lease payments made during the term of the operating lease in profit or loss. Deutsche Telekom's obligations arising from non-cancelable operating leases are mainly related to long-term rental or lease agreements for network infrastructure, radio towers and real estate. Some leases include extension options and provide for stepped rents. The operating lease expenses recognized in profit or loss amounted to EUR 2.0 billion as of the end of 2008 (2007: EUR 1.8 billion; 2006: EUR 1.6 billion).

The following table provides a breakdown of future obligations arising from operating leases:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Maturity		
Within 1 year	2,414	2,285
In 1 to 3 years	3,864	3,702
In 3 to 5 years	2,988	2,729
After 5 years	13,407	11,560
	22,673	20,276

Deutsche Telekom as lessor.

Finance leases. Deutsche Telekom acts as lessor in connection with finance leases. Essentially, these relate to the leasing of routers which Deutsche Telekom provides to its customers for data and telephone network solutions. Deutsche Telekom recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly. The amount of the net investment in a finance lease is determined as shown in the following table:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Minimum lease payments	334	321
Unguaranteed residual value	-	-
Gross investment	334	321
Unearned finance income	(51)	(51)
Net investment (= present value of the minimum lease payments)	283	270

The gross investment amount and the present value of payable minimum lease payments are shown in the following table:

millions of €	Dec. 31, 2008		Dec. 31, 2007	
	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
Maturity				
Within 1 year	128	108	113	95
In 1 to 3 years	122	102	124	104
In 3 to 5 years	52	43	42	33
After 5 years	32	30	42	38
	334	283	321	270

Operating leases. Deutsche Telekom acts as a lessor in connection with operating leases and continues to recognize the leased assets in its balance sheet. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of building space and radio towers and have an average term of ten years. The future minimum lease payments arising from non-cancelable operating leases are shown in the following table:

millions of €	Dec. 31, 2008	Dec. 31, 2007
Maturity		
Within 1 year	330	229
In 1 to 3 years	354	185
In 3 to 5 years	281	120
After 5 years	614	312
	1,579	846

Agreements that are not leases in substance. In 2002, T-Mobile Deutschland GmbH concluded so-called lease-in/lease-out agreements (QTE lease agreements) for substantial parts of its GSM mobile communications network (amounting to USD 0.8 billion). These agreements were concluded with a total of seven U.S. trusts, each backed by U.S. investors. Under the terms of the principal lease agreements, T-Mobile Deutschland is obliged to grant the respective U.S. trust unhindered use of the leased objects for a period of 30 years. After expiry of the principal lease agreements, the U.S. trusts have the right to acquire the network components for a purchase price of USD 1.00 each. In return, T-Mobile has leased the network components back for 16 years by means of sub-lease agreements. After around 13 years, T-Mobile has the option of acquiring the rights of the respective U.S. trust arising from the principal lease agreements (call option). Upon exercise of this call option, all the rights of the U.S. trust in question to the leased objects arising from the principal lease agreement are transferred to T-Mobile Deutschland. In this case, T-Mobile would be the only party to the principal lease agreement, meaning that this agreement would be extinguished as a result of the fusion of rights and obligations under the agreement.

42 Stock-based compensation plans.

Stock option plans.

The following table provides an overview of all existing stock option plans (SOPs) of Deutsche Telekom AG, T-Online International AG (prior to merger) and T-Mobile USA:

Entity	Plan	Year of issuance	Stock options granted (thousands)	Vesting period (years)	Contractual term (years)	Weighted exercise price	Share price at grant date	Maximum price for SARs	Comments	Classification/ accounting treatment
Deutsche Telekom AG	2001 SOP	2001	8,221	2 - 3	10	€ 30.00	€ 19.10			Equity-settled
		2002	3,928	2 - 3	10	€ 12.36	€ 10.30			Equity-settled
	SARs	2001	165	2 - 3	10	€ 30.00	€ 19.10	€ 50.00		Cash-settled
		2002	3	2 - 3	10	€ 12.36	€ 10.30	€ 20.60		Cash-settled
T-Online International AG	2001 SOP	2001	2,369	2 - 3	10	€ 10.35	€ 8.28			Cash-settled
		2002	2,067	2 - 6	10	€ 10.26	€ 8.21			Cash-settled
T-Mobile USA	Acquired SOPs	2001	24,278	up to 4	max. 10	USD 15.36				Equity-settled
		2002	5,964	up to 4	max. 10	USD 13.35				Equity-settled
		2003	1,715	up to 4	max. 10	USD 12.86				Equity-settled
	Powertel	2001	5,323	up to 4	max. 10	USD 20.04				Equity-settled
	T-Mobile USA/ Powertel	2004	230	up to 4	max. 10	USD 19.64			Plans merged	Equity-settled

Supplemental information on the stock option plans.

Deutsche Telekom AG. In May 2001, the shareholders' meeting approved the introduction of the 2001 Stock Option Plan, resulting in the granting of stock options in August 2001 and July 2002. Furthermore, in 2001 and

2002, Deutsche Telekom also granted stock appreciation rights (SARs) to employees in countries where it was not legally possible to issue stock options.

The table below shows the changes in outstanding options issued by Deutsche Telekom AG:

Deutsche Telekom AG	2001 SOP		SARs	
	Stock options (thousands)	Weighted average exercise price (€)	SARs (thousands)	Weighted average exercise price (€)
Stock options outstanding/exercisable at January 1, 2008	9,746	24.47	142	29.76
Granted	0	-	0	-
Exercised	22	12.36	0	-
Forfeited	718	25.95	4	23.55
Stock options outstanding/exercisable at December 31, 2008	9,006	24.38	138	29.93
Supplemental information for 2008				
Remaining contractual life of options outstanding at end of period (years, weighted)	2.9		2.6	

The characteristics of the options outstanding/exercisable as of the reporting date (December 31, 2008) are as follows:

Deutsche Telekom AG			
Options outstanding/exercisable as of Dec. 31, 2008			
Range of exercise prices	Number	Weighted average remaining contractual life	Weighted average exercise price
(€)	(thousands)	(years)	(€)
10 – 20	2,867	3.5	12.36
21 – 40	6,139	2.6	30.00
	9,006	2.9	

T-Online International AG (prior to merger). In May 2001, the shareholders' meeting 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. When exercising a stock option, the holders of such rights receive 0.52 shares in Deutsche Telekom 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:

T-Online International AG (prior to merger)		
2001 SOP		
	Stock options	Weighted average exercise price
	(thousands)	(€)
Stock options outstanding/exercisable at January 1, 2008	3,085	10.30
Of which: exercisable	3,067	10.30
Granted	0	-
Exercised	0	-
Forfeited	245	10.30
Stock options outstanding/exercisable at December 31, 2008	2,840	10.30
Supplemental information for 2008		
Remaining contractual life of options outstanding at end of period (years, weighted)	3.1	

T-Mobile USA. The table below shows the changes in outstanding options issued by T-Mobile USA:

T-Mobile USA	Stock options	Weighted average exercise price
	(thousands)	(USD)
Stock options outstanding/exercisable at January 1, 2008	7,079	22.75
Granted	0	-
Exercised	360	9.92
Forfeited	659	27.47
Expired	0	-
Stock options outstanding/exercisable at December 31, 2008	6,060	23.00
Supplemental information for 2008		
Remaining contractual life of options outstanding at end of period (years, weighted)	2.1	

The characteristics of the options outstanding/exercisable as of the reporting date (December 31, 2008) are as follows:

T-Mobile USA			
Options outstanding/exercisable as of Dec. 31, 2008			
Range of exercise prices	Number	Weighted average remaining contractual life	Weighted average exercise price
(USD)	(thousands)	(years)	(USD)
0.02 – 15.19	1,516	3.1	12.12
15.20 – 30.39	3,915	1.8	25.81
30.40 – 34.19	556	1.4	31.02
34.20 – 38.00	73	1.1	37.05
	6,060	2.1	

Mid-Term Incentive Plans (MTIPs)/Phantom Share Plan.

Deutsche Telekom has introduced Mid-Term Incentive Plans (MTIPs) and a Phantom Share Plan (PSP) to ensure competitive total compensation for members of the Board of Management, senior executives, and other beneficiaries of the Deutsche Telekom Group.

Mid-Term Incentive Plans. In the 2004 financial year, Deutsche Telekom introduced an MTIP to ensure competitive total compensation for members of the Board of Management, senior executives, and other beneficiaries of the Deutsche Telekom Group. The MTIP is a global, Group-wide compensation instrument for Deutsche Telekom AG and other participating Group entities that promotes mid- and long-term value creation in the Group, and therefore aligns 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 to the beneficiaries by the respective employers 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.

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 Deutsche Telekom shares 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 the Deutsche Telekom share 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 Xetra closing prices of Deutsche Telekom shares) plus the value of dividends paid and reinvested in Deutsche Telekom shares, bonus shares etc., and the non-weighted average of the Dow Jones EURO STOXX® Total Return Index during the last 20 trading days prior to the beginning and end of the plan.

MTIP plan year	Maximum budget (millions of €)	Term of plan (years)	Share price at start of plan (€)	Absolute performance target (€)	Starting value of the index
2004	80	3	14.08	18.30	317.95
2005	83	3	16.43	21.36	358.99
2006	86	3	14.00	18.20	452.02
2007	83	3	13.64	17.73	551.91
2008	83	3	15.11	19.64	601.59

The proportionate amount to be expensed is calculated based on a Monte Carlo simulation.

The MTIP of Magyar Telekom is based on the same terms and conditions as the MTIP described above, except that the assessment benchmark is the performance of Magyar Telekom shares and the Dow Jones EURO STOXX® Total Return Index. In addition, the absolute performance target is achieved if, at the end of the individual plans, Magyar Telekom's share price has risen by at least 35 percent compared with Magyar Telekom's share price at the beginning of the plan.

The MTIP of T-Mobile UK is also based on the same terms and conditions applicable to the MTIP described above. In addition to the two aforementioned performance targets, however, these plans are subject to a third performance target for a defined group of participants, which is based on the cash contribution (EBITDA less investments in intangible assets (excluding goodwill) and property, plant and equipment). The third performance target can only be achieved after the two other performance targets have been met.

PTC has established a performance cash plan program with long-term incentive plans (LTIPs). The program provides for additional pay in the form of deferred compensation under the terms and conditions of the LTIP and is aimed at employees whose performance is of outstanding significance for the company's shareholder value. The LTIP is generally open to high-performers at specific management levels. Participants in the plans are selected individually by the management of PTC. Each plan encompasses three consecutive cycles, each running from January 1 through December 31. Participants receive payments from the plan after three years, provided the defined EBITDA target has been achieved (EBITDA hurdle). In addition, a bonus is paid at the end of each cycle. The amount of the bonus is determined for each cycle individually and depends on the level of target achievement. The plans for 2006 through 2008 and 2007 through 2009 are currently running.

Phantom Share Plan (PSP). T-Mobile USA has established a Phantom Share Plan (PSP) as Long-Term Incentive Plan (LTIP) on a revolving basis for the years 2004 through 2008, providing benefits for the top management. Under the PSP, T-Mobile USA grants performance-based cash bonus awards. These awards are earned (in full or in part) based upon the customer growth on a sliding scale from 60 to 150 percent of the original number of phantom shares granted. The value of a phantom share appreciates or depreciates from its USD 10 per share face value proportionate to the change in the appraised enterprise value of the subsidiary over the performance period. The value of an award is determined by multiplying the number of phantom share awards earned by the appraised value of a phantom share. Awards are earned and paid out ratably over a performance period of two to three years.

Impact of all share-based compensation systems. The expense incurred for share-based compensation systems totaled EUR 96 million in the reporting year (2007: EUR 79 million; 2006: EUR 15 million). Provisions total EUR 138 million as of the balance sheet date (December 31, 2007: EUR 99 million).

43 Risk management, financial derivatives, and other disclosures on capital management.

Principles of risk management. Deutsche Telekom is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments are used for this purpose, depending on the risk assessment. However, Deutsche Telekom only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the credit risk, hedging transactions are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk of financial instruments with a positive fair value is minimized by way of limit management, which sets individualized relative and absolute figures for risk exposure depending on the counterparty's rating.

The fundamentals of Deutsche Telekom's financial policy are established each year by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the finance policy and for ongoing risk management. Certain transactions require the prior approval of the Board of Management, which is also regularly briefed on the severity and amount of the current risk exposure.

Treasury regards effective management of the market risk as one of its main tasks. The department performs simulation calculations using different worst-case and market scenarios so that it can estimate the effects of different conditions on the market.

Currency risks. Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. Foreign-currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of statements of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies. Deutsche Telekom hedges these risks. If the risk position exceeds EUR 100 million, the Board of Management must make a special decision on how the risk shall be hedged. If the risk position is below EUR 100 million, Group Treasury performs the currency hedging itself. At the reporting date, Deutsche Telekom was not exposed to any significant risks from foreign-currency transactions in the field of investments.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies.

At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds and medium-term notes in Japanese yen, sterling, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

The individual Group entities predominantly execute their operating activities in their respective functional currencies. This is why the assessment of Deutsche Telekom's exchange rate risk from ongoing operations is low. Some Group entities, however, are exposed to foreign-currency risks in connection with scheduled payments in currencies that are not their functional currency. These are mainly payments to international carriers for the processing of international calls placed by Deutsche Telekom's customers in Germany, plus payments for the procurement of handsets and payments for international roaming. Deutsche Telekom uses currency derivatives or currency options to hedge these payments up to a maximum of one year in advance. On account of these hedging activities, Deutsche Telekom was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. In addition to currency risks, Deutsche Telekom is exposed to interest rate risks and price risks in its investments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Deutsche Telekom has financial instruments.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing securities and/or debt instruments held, interest-bearing liabilities, finance lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.

Non-interest-bearing securities or equity instruments held are of a non-monetary nature and therefore are not exposed to currency risk as defined by IFRS 7.

Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency by using derivatives. For this reason, there can be no effects on the variables considered in this connection.

In the case of fair value hedges designed for hedging currency risks, the changes in the fair values of the hedged item and the hedging instruments attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

Cross-currency swaps are always assigned to non-derivative hedged items, so these instruments do not have any currency effects, either.

Deutsche Telekom is therefore only exposed to currency risks from specific currency derivatives. Some of these are currency derivatives that are part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Others are currency derivatives that are neither part of one of the hedges defined in IAS 39 nor part of a natural hedge. These derivatives are used to hedge planned transactions. Exchange rate fluctuations of the currencies, on which such financial instruments are based, affect other financial income or expense (net gain/loss from remeasurement of financial assets to fair value).

If the euro had gained (lost) 10 percent against the U.S. dollar and the pound sterling at December 31, 2008, the hedging reserve in shareholders' equity and the fair value of the hedging transactions would have been EUR 45 million lower (higher) (December 31, 2007: EUR 82 million lower (higher)). The hypothetical effect of EUR – 45 million on profit or loss results from the currency sensitivities EUR/USD: EUR – 31 million; EUR/GBP: EUR – 14 million.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2008, other financial income and the fair value of the hedging transactions would have been EUR 5 million lower (higher) (December 31, 2007: EUR 11 million lower (higher)). The hypothetical effect on profit or loss of EUR – 5 million results from the currency sensitivities EUR/USD: EUR – 31 million; EUR/GBP: EUR + 14 million; EUR/PLN: EUR + 13 million; EUR/HUF: EUR – 1 million.

Interest rate risks. Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone, in the United Kingdom, and in the United States of America. To minimize the effects of interest rate fluctuations in these regions, Deutsche Telekom manages the interest rate risk for net financial liabilities denominated in euros, sterling, and U.S. dollars separately. Once a year, the Board of Management stipulates the desired mix of fixed- and variable-interest net financial liabilities for a future period of three years. Taking account of the Group's existing and planned debt structure, Treasury uses interest rate derivatives to adjust the interest structure for the net financial liabilities of the composition specified by the Board of Management.

Due to the derivative hedges, an average of 64 percent (2007: 63 percent) of the net financial liabilities in 2008 denominated in euros, 61 percent (2007: 55 percent) of those denominated in sterling, and 58 percent (2007: 65 percent) of those denominated in U.S. dollars had a fixed rate of interest. The average value is representative for the year as a whole.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to interest rate risk, either.

Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in shareholders' equity and are therefore taken into consideration in the equity-related sensitivity calculations.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

Changes in the market interest rate of interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense (net gain/loss from remeasurement of the financial assets to fair value) and are therefore taken into consideration in the income-related sensitivity calculations.

Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2008, profit or loss would have been EUR 173 million (December 31, 2007: EUR 170 million) lower (higher). The hypothetical effect of EUR – 173 million on income results from the potential effects of EUR – 106 million from interest rate derivatives and EUR – 67 million from non-derivative, variable-interest financial liabilities. If the market interest rates had been 100 basis points higher (lower) at December 31, 2008, shareholders' equity would have been EUR 57 million (December 31, 2007: EUR 50 million) higher (lower).

Other price risks. As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes.

As of December 31, 2008, Deutsche Telekom did not hold any material investments to be classified as available for sale.

Credit risks. Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. With regard to financing activities, transactions are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally. Credit risks must be taken into account through individual and collective allowances.

The solvency of the business with corporate customers, especially international carriers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are carried in the balance sheet, including derivatives with positive market values. Except for the collateral agreements mentioned in Notes 17 and 24, no significant agreements reducing the maximum exposure to credit risk (such as contractual netting) had been concluded as of the reporting date. In addition, Deutsche Telekom is exposed to a credit risk through the granting of financial guarantees. Guarantees amounting to a nominal total of EUR 181 million had been pledged as of the reporting date (December 31, 2007: EUR 206 million).

Liquidity risks. Please refer to Note 25.

Hedge accounting.

Fair value hedges. To hedge the fair value risk of fixed-interest liabilities, Deutsche Telekom used interest rate swaps and forward interest rate swaps (receive fixed, pay variable) denominated in EUR, GBP, and USD in the 2008 and 2007 financial years. Fixed-income bonds denominated in EUR, USD, and GBP were designated as hedged items. The changes in the fair values of the hedged items resulting from changes in the Euribor, USDLibor, or GBPLibor swap rate are offset against the changes in the value of the interest rate swaps. The aim of this hedging is to transform the fixed-income bonds into variable-interest debt, thus hedging the fair value of the financial liabilities. Credit risks are not part of the hedging.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date using statistical methods in the form of a regression analysis. This involves defining the performance of the hedged item as the independent variable and the performance of the hedging transaction as the dependent variable. A hedging relationship is classified as effective when $R^2 > 0.96$ and, depending on the actual realization of R^2 , factor b has a value between -0.85 and -1.17. All hedging relationships, with their effectiveness having been tested using statistical methods, were effective at the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had interest rate derivatives in a net amount of EUR +660 million (2007: EUR +82 million) designated as fair value hedges at December 31, 2008. The remeasurement of the hedged items resulted in losses of EUR 695 million being recorded in other financial income in the 2008 financial year (2007: losses of EUR 115 million); the changes in the fair values of the hedging transactions resulted in gains of EUR 684 million (2007: gains of EUR 112 million) being recorded in other financial income/expense.

Cash flow hedges – interest rate risks. Deutsche Telekom entered into payer interest rate swaps and forward payer interest rate swaps (receive variable, pay fixed) to hedge the cash flow risk of variable-interest debt. The changes in the cash flows of the hedged items resulting from changes in the Euribor and Libor rates are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. Credit risks are not part of the hedging.

The following table shows the contractual maturities of the payments, i.e., when those hedged items newly incorporated into a hedging relationship in 2008 will be recognized in profit or loss:

Start	End	Nominal volume	Reference rate
January 29, 2010	January 29, 2014	EUR 500 million	3-month Euribor

The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. This involves defining the performance of the hedged item as the independent variable and the performance of the hedging transaction as the dependent variable. The hedged item used is a hypothetical derivative in accordance with IAS 39.IG F.5.5. A hedging relationship is classified as effective when $R^2 > 0.96$ and, depending on the actual realization of R^2 , factor b has a value between -0.85 and -1.17. All hedging relationships of this nature were effective as of the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had interest rate derivatives of EUR – 67 million (2007: net total of EUR + 22 million) designated as hedging instruments for cash flow hedges at December 31, 2008. The recognition directly in equity of the change in the fair value of the hedging transactions resulted in losses of EUR 86 million being recorded in the revaluation reserve in the 2008 financial year (2007: gains of EUR 21 million). Gains amounting to EUR 7 million recognized in shareholders' equity were transferred to other financial income/expense in the 2008 financial year (2007: gains of EUR 7 million).

Cash flow hedges – currency risks. Deutsche Telekom entered into USD/EUR currency derivatives in 2008 to hedge the EUR equivalent of nominal receivables from a USD loan granted to a subsidiary. USD 1.61 billion are swapped against EUR 1.25 billion as nominal values. The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. This involves defining the performance of the hedged item as the independent variable and the performance of the hedging transaction as the dependent variable. The hedged item used is a hypothetical derivative in accordance with IAS 39.IG F.5.5. A hedging relationship is classified as effective when $R^2 > 0.96$ and, depending on the actual realization of R^2 , factor b has a value between – 0.85 and – 1.17. In addition, an F-test was carried out to test the hedge effectiveness. The hedging relationship was effective as of the balance sheet date.

In the 2008 financial year, gains totaling EUR 146 million (2007: losses of EUR 140 million) resulting from the change in the fair values of currency derivatives were taken directly to equity (hedging reserve). These changes constitute the effective portion of the hedging relationship. Gains amounting to EUR 89 million recognized in shareholders' equity were transferred to other financial income/expense in the 2008 financial year (2007: losses of EUR 4 million). Deutsche Telekom expects that, within the next twelve months, gains recognized in equity (hedging reserve) in the amount of EUR 6 million will be transferred to the income statement when payments are made. There was no material ineffectiveness of these hedges recorded as of the balance sheet date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had currency forwards in the net amount of EUR – 13 million (2007: EUR – 90 million) and cross-currency swaps of EUR +90 million designated as hedging instruments for cash flow hedges as of December 31, 2008.

Derivatives. The following table shows the fair values of the various derivatives carried. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IAS 39 (fair value hedge, cash flow hedge) or not. Other derivatives can also be embedded (i.e., a component of a composite instrument that contains a non-derivative host contract).

millions of €	Net carrying amounts Dec. 31, 2008	Net carrying amounts Dec. 31, 2007
Assets		
Interest rate swaps		
– Held for trading	99	81
– In connection with fair value hedges	660	131
– In connection with cash flow hedges	0	24
Currency forwards/currency swaps		
– Held for trading	261	68
– In connection with cash flow hedges	34	0
Cross-currency swaps		
– Held for trading	454	128
– In connection with cash flow hedges	90	0
Other derivatives in connection with cash flow hedges	3	25
Liabilities and shareholders' equity		
Interest rate swaps		
– Held for trading	108	81
– In connection with fair value hedges	0	49
– In connection with cash flow hedges	67	2
Currency forwards/currency swaps		
– Held for trading	277	51
– In connection with cash flow hedges	47	90
Cross-currency swaps held for trading	554	704
Embedded derivatives	35	25

Disclosures on capital management. The overriding aim of the Group's capital management is to ensure that it will continue to be able to repay its debt and remain financially sound.

An important indicator of capital management is the gearing ratio of net debt to shareholders' equity as shown in the consolidated balance sheet. Deutsche Telekom considers net debt to be an important measure for investors, analysts, and rating agencies. It is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. The gearing remained almost constant year-on-year at 0.9 as of December 31, 2008. The target corridor for this indicator is between 0.8 and 1.2.

Calculation of net debt; shareholders' equity.

millions of €	Dec. 31, 2008	Dec. 31, 2007
Bonds	34,302	32,294
Liabilities to banks	4,222	4,260
Liabilities to non-banks from promissory notes	887	690
Derivative financial liabilities	1,053	977
Lease liabilities	2,009	2,139
Other financial liabilities	974	502
Gross debt	43,447	40,862
Cash and cash equivalents	3,026	2,200
Available-for-sale/held-for-trading financial assets	101	75
Derivative financial assets	1,598	433
Other financial assets	564	918
Net debt	38,158	37,236
Shareholders' equity in accordance with consolidated balance sheet *	43,112	45,245

* Prior-year figures adjusted. Accounting change in accordance with IFRIC 12. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

44 Related party disclosures.

The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds 31.70 percent (December 31, 2007: 31.70 percent) of the share capital of Deutsche Telekom AG. As the Federal Republic represents a solid majority at the shareholders' meeting despite its minority shareholding due to the average attendance at the shareholders' meeting, Deutsche Telekom is a dependent company of the Federal Republic. Therefore, the Federal Republic and the companies controlled by the Federal Republic are classified as related parties of Deutsche Telekom.

Federal Republic of Germany. 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. For the 2008 financial year, Deutsche Telekom made payments in the amount of EUR 55 million (2007: EUR 52 million; 2006: EUR 53 million). Payments are made according to the provisions of the Posts and Telecommunications Reorganization Act (please refer to Note 29).

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 Company's Dutch financing subsidiary, Deutsche Telekom International Finance, has taken out a loan of GBP 150 million with KfW Bankengruppe. The loan was extended at the normal market rate of interest which is based on Deutsche Telekom's current rating. The loan has a remaining life of under two years.

Joint ventures and associates. Deutsche Telekom has business relationships with numerous associates and joint ventures.

In 2008, Deutsche Telekom generated revenues from its joint venture Toll Collect amounting to EUR 0.1 billion (2007: EUR 0.1 billion; 2006: EUR 0.1 billion).

At December 31, 2008, the total amount of trade receivables from related companies was EUR 0.1 billion (December 31, 2007: EUR 0.0 billion). As of the same balance sheet date, the total amount of trade payables due to related companies decreased year-on-year and is immaterial from Deutsche Telekom's point of view (2007: EUR 0.1 billion).

Related individuals. No major transaction took place.

45 Compensation of the Board of Management and the Supervisory Board in accordance with § 314 HGB.

Compensation of the Board of Management.

The following information concerning the compensation of the Board of Management comprises the notes required by law under the German Commercial Code (please refer to § 314 HGB) as well as the information specified in the guidelines set out in the German Corporate Governance Code. Reporting on compensation of Board of Management members is based on German Accounting Standard (GAS) No. 17.

The Board of Management of Deutsche Telekom AG is currently comprised of seven members.

Dr. Manfred Balz was appointed to the Board of Management effective October 22, 2008. Dr. Karl-Gerhard Eick will leave the Company at his own request effective February 28, 2009, before his service contract expires. The Supervisory Board agreed to Dr. Eick's request to resign on that date at its meeting on December 2, 2008.

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 incentive-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 General Committee of 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 adjusted for special factors, free cash flow and customer satisfaction. The level of target achievement is determined by the General Committee of 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.

According to 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 being reimbursed in connection with business trips and maintaining a second household.

Sideline employment generally requires prior approval. No additional compensation is paid for being a member of the Board of 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 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 2008 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, or 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 is not covered by the Board of Management pension entitlements described above. Dr. Manfred Balz's pension arrangements under his previous employment relationship (Deutsche Telekom AG capital account plan) remain in place.

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 42). Hamid Akhavan and Timotheus Höttges participate in the 2006 tranche as a result of their prior activities as members of the Board of Management of T-Mobile International AG.

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 will be paid out in 2009.

Incentive-based compensation from the MTIP.

€ ^a	2008 MTIP Maximum award amount	2008 MTIP Fair value at grant date	Total expense for share-based payments 2008	2007 MTIP Maximum award amount	Total expense for share-based payments 2007
René Obermann	750,000	116,738	444,591	750,000	97,580
Dr. Karl-Gerhard Eick	630,000	98,060	439,520	596,250	84,737
Hamid Akhavan	480,000	74,712	275,023	480,000	61,626
Dr. Manfred Balz ^b	168,000	26,149	122,830	0	0
Reinhard Clemens	420,000	65,373	44,580	0	0
Timotheus Höttges	450,000	70,043	240,435	450,000	56,264
Thomas Sattelberger	515,000	80,160	152,452	457,778	35,529
	3,413,000	531,235	1,719,431	2,734,028	335,736

^a Fair value calculated using the so-called Monte Carlo model.

^b Dr. Manfred Balz still participated in the 2007 and 2008 tranches of the MTIP due to his previous position as General Counsel of Deutsche Telekom AG.

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 Group 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 still participates in the Stock Option Plan as a result of his previous position as General Counsel of Deutsche Telekom AG.

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 2008 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 2001 SOP 2001 tranche	Value of options on issue (2001) (€)	Number of options 2001 SOP 2002 tranche	Value of options on issue (2002) (€)	Weighted average exercise price of stock options (€)
René Obermann	2008	48,195	4.87	28,830	3.79	23.40
	2007	48,195		28,830		
Dr. Karl-Gerhard Eick	2008	163,891	4.87	0	0.00	30.00
	2007	163,891		0		
Hamid Akhavan	2008	0	0.00	19,840	3.79	12.36
	2007	0		19,840		
Dr. Manfred Balz	2008	32,130	4.87	17,360	3.79	23.81
	2007	32,130		17,360		
Reinhard Clemens	2008	0	0.00	0	0.00	0.00
	2007	0		0		
Timotheus Höttges	2008	0	0.00	17,050	3.79	12.36
	2007	0		17,050		
Thomas Sattelberger	2008	0	0.00	0	0.00	0.00
	2007	0		0		
Total *	2008	244,216		83,080		
	2007	244,216		83,080		

* Dr. Manfred Balz still participated in the Stock Option Plan before being appointed to the Board of Management due to his previous position as General Counsel of Deutsche Telekom AG. His inclusion in the above table led to a year-on-year increase in the number of options issued for members of the Board of Management, as Dr. Balz was not a member of the Board of Management in 2007.

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, 2008 is 2.9 years.

Please also refer to the explanations regarding stock option plans under Note 42.

Board of Management compensation for the 2008 financial year. In reliance on legal requirements and other guidelines, a total of EUR 14,910,486 (2007: EUR 11,549,061) is reported in the following table as compensation for the 2008 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 2008 financial year and the fair value of the 2008 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.

When comparing figures year-on-year, it should be noted that Reinhard Clemens and Thomas Sattelberger are included as members of the Board of Management for a full twelve months for the first time in 2008 and that the number of members of the Board of Management has increased from six to seven. Moreover, regarding the figures for the prior year it should be noted that the members of the Board of Management active in 2007 waived part of their remuneration in connection with the spin-off of the T-Service companies, whereby ordinary members of the Board of Management waived one month's fixed basic remuneration and the Chairman of the Board of Management, in view of his particular responsibility, waived two months' basic remuneration.

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
	2008	1,250,000	86,262	1,762,500	116,738	3,215,500	495,302
	2007	1,041,667	224,480	1,375,000	16,981	2,658,128	745,770
Dr. Karl-Gerhard Eick	2008	1,054,375	49,290	1,513,028	98,060	2,714,753	704,526
	2007	915,625	56,529	1,098,281	13,500	2,083,935	819,060
Hamid Akhavan	2008	800,000	613,588 ^a	1,178,400	74,712	2,666,700	0
	2007	733,333	608,693	934,000	10,868	2,286,894	0
Dr. Manfred Balz (from Oct. 22, 2008)	2008	127,742	4,641	122,485	26,149	281,017	117,570
	2007	0	0	0	0	0	0
Reinhard Clemens	2008	650,000	33,463	1,106,250	65,373	1,855,086	261,469
	2007	54,167	0	68,750	0	122,917	32,881
Timotheus Höttges	2008	750,000	24,506	1,116,000	70,043	1,960,549	204,936
	2007	687,500	20,482	825,000	10,189	1,543,171	345,366
Thomas Sattelberger	2008	800,000	44,221	1,292,500	80,160	2,216,881	948,713
	2007	484,588	1,328,742	671,302	10,365	2,494,997	2,095,720
Total	2008	5,432,117	855,971	8,091,163	531,235	14,910,486	2,732,516
	2007^b	3,916,880	2,238,926	4,972,333	61,903	11,190,042	4,038,797

^a 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.

^b Compensation of Board of Management members who left the Company in the course of 2007 is no longer included in the table.

The additions to provisions for pensions recognized in 2008 amounted to EUR 3,236,348 (2007: EUR 4,887,064). This amount includes service costs of EUR 2,732,516 (2007: EUR 4,483,266) and interest costs of EUR 503,832 (2007: EUR 403,798).

At December 31, 2008, there was a legal obligation to pay Lothar Pauly, a member of the Board of Management who left the Company in the previous year, the sum of EUR 2,242,188.

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 4,140,947 (2007: EUR 15,014,605) was recorded for payments to and entitlements for former members of the Board of Management and their surviving dependents.

Provisions totaling EUR 78,477,282 (December 31, 2007: EUR 72,675,181) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents in accordance with IFRS.

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 profit per share.

The short-term performance-related remuneration amounts to EUR 300.00 per full EUR 0.01 by which the net profit 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 4.0 percent by which the net profit per no par value share in the second financial year following the financial year in question (reference year) exceeds the net profit 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 4.0 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 2008 amounted to EUR 1,124,226.64 (plus VAT).

No loans were granted to the members of the Supervisory Board.

The **compensation of the individual members of the Supervisory Board** for 2008 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 (since July 1, 2008)	16,000.00	0.00	16,000.00	9,000.00
Becker, Hermann Josef (since Jan. 1, 2008)	43,600.00	0.00	43,600.00	24,000.00
Brandl, Monika	22,000.00	0.00	22,000.00	12,000.00
Bury, Hans Martin (since May 15, 2008)	28,666.66	0.00	28,666.66	16,000.00
Falbisoner, Josef	21,800.00	0.00	21,800.00	12,000.00
Dr. von Grünberg, Hubertus	31,600.00	0.00	31,600.00	18,000.00
Guffey, Lawrence H.	43,200.00	0.00	43,200.00	24,000.00
Hocker, Ulrich	21,800.00	0.00	21,800.00	12,000.00
Holzwarth, Lothar ^b	23,400.00	0.00	23,400.00	12,960.00
Kallmeier, Hans-Jürgen (since Oct. 15, 2008)	5,400.00	0.00	5,400.00	3,000.00
Kühnast, Sylvia	22,000.00	0.00	22,000.00	12,000.00
Prof. Dr. Lehner, Ulrich (since Apr. 17, 2008, Chairman since Apr. 25, 2008)	55,900.00	0.00	55,900.00	31,500.00
Litzenberger, Waltraud	33,200.00	0.00	33,200.00	18,000.00
Löffler, Michael	22,000.00	0.00	22,000.00	12,000.00
Matthäus-Maier, Ingrid (until Sept. 30, 2008)	16,200.00	0.00	16,200.00	9,000.00
Dr. Mirow, Thomas (until June 30, 2008)	16,600.00	0.00	16,600.00	9,000.00
Dr. Overlack, Arndt (from Mar. 6, 2008 until Apr. 16, 2008)	3,333.33	0.00	3,333.33	2,000.00
Prof. Dr. Reitzle, Wolfgang	21,200.00	0.00	21,200.00	12,000.00
Prof. Dr. von Schimmelmann, Wulf	21,200.00	0.00	21,200.00	12,000.00
Dr. Schlede, Klaus G. (until May 15, 2008)	31,449.99	0.00	31,449.99	18,150.00
Schröder, Lothar (Deputy Chairman) ^c	75,400.00	0.00	75,400.00	42,000.00
Dr. Schröder, Ulrich (since Oct. 1, 2008)	5,600.00	0.00	5,600.00	3,000.00
Sommer, Michael	21,200.00	0.00	21,200.00	12,000.00
Walter, Bernhard	58,200.00	0.00	58,200.00	33,000.00
Wegner, Wilhelm (until Sept. 30, 2008)	48,400.00	0.00	48,400.00	27,000.00
Dr. Zumwinkel, Klaus (Chairman until Feb. 27, 2008)	12,266.66	0.00	12,266.66	7,000.00
	721,616.64	0.00	721,616.64	402,610.00

^a In determining the amount to be recognized as provision it was assumed that net profit per no par value share in 2010 would equal that in 2008. Based on this assumption, each ordinary member is entitled to EUR 12,000.00 for the total year for the period 2007 to 2010. Upon application of the multiplying factor, the provision amount totals EUR 402,610,00.

^b Lothar Holzwarth received compensation of EUR 8,000.00 from T-Systems Business Services GmbH, Bonn, a wholly-owned subsidiary of Deutsche Telekom AG, for the 2008 financial year for a mandate as member of the supervisory board of this company.

^c Lothar Schröder received compensation of EUR 17,600.00 from T-Mobile Deutschland GmbH, Bonn, a wholly-owned subsidiary of Deutsche Telekom AG, for the 2008 financial year for a mandate as member of the supervisory board of this company.

46 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 of Deutsche Telekom AG have submitted the mandatory declaration of conformity and made it available to shareholders on Deutsche Telekom AG's website.

47 Events after the balance sheet date.

OTE shareholders' meeting. 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. It cannot be ruled out that this resolution by the shareholders may be declared invalid by a court, in the event that other shareholders successfully file rescission suit against this resolution. For further details on the acquisition of OTE, please refer to Note 23 "Investments accounted for using the equity method."

Deutsche Telekom issues an eight-year bond of EUR 2 billion. In January 2009, Deutsche Telekom issued a bond of EUR 2 billion via its financing subsidiary, Deutsche Telekom International Finance B.V., Amsterdam. It has a coupon of 6 percent p.a. At an issue rate of 99.808 percent, this corresponds to a mark-up of 2.65 percent above the eight-year interbank rate (mid-swap). The transaction was very successful with orders for more than EUR 5 billion. With more than 400 orders, it was possible to place the bond with a wide range of investors.

48 Auditors' fees and services in accordance with § 314 HGB.

The following table provides a breakdown of auditing fees recognized as expenses in the 2008 financial year:

PricewaterhouseCoopers Aktiengesellschaft.

millions of €	2008
Professional fees for audits	9
Professional fees for other accounting services	7
Tax consulting fees	0
Other professional fees	6
	22

Ernst & Young AG.

millions of €	2008
Professional fees for audits	6
Professional fees for other accounting services	15
Tax consulting fees	1
Other professional fees	0
	22

Professional fees for audits include in particular fees for the statutory auditing of annual and consolidated financial statements as well as fees for other auditing services provided, in particular in connection with the audit of internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Professional fees for other accounting services primarily relate to fees for the review of the interim financial statements as well as auditing activities in connection with the documentation of the internal control system for financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Tax consulting fees primarily include professional fees for tax consulting services performed as part of current or planned transactions.

Other professional fees mainly relate to consulting services and assistance in connection with the Company's compliance with requirements stipulated by the Federal Network Agency and other authorities.

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, February 9, 2009

Deutsche Telekom AG
Board of Management

René Obermann

Dr. Karl-Gerhard Eick

Hamid Akhavan

Dr. Manfred Balz

Reinhard Clemens

Timotheus Höttges

Thomas Sattelberger

Auditors' report.

We have audited the consolidated financial statements prepared by Deutsche Telekom AG, Bonn, comprising the income statement, balance sheet, cash flow statement, statement of recognized income and expense, and the notes to the consolidated financial statements, together with the Group management report for the financial year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements comply with IFRS as issued by the IASB.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) and additionally observed 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and IFRS as issued by the IASB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Frankfurt (Main), February 9, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Prof. Dr. Wollmert)
Wirtschaftsprüfer

(Forst)
Wirtschaftsprüfer

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Kämpfer)
Wirtschaftsprüfer

(Menke)
Wirtschaftsprüfer



Further information

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VII	Key data of the Group's operating segments

Deutsche Telekom has one of the highest sustainability levels worldwide as was confirmed by SAM Sustainable Asset Management when it included Deutsche Telekom in its Sustainability Yearbook published each year on the occasion of the Davos World Economic Forum.

Glossary.

ADSL, ADSL2+. See DSL.

All-IP. An all-IP network makes services such as VoIP, IPTV (Internet Protocol Television), data transfer, etc., available to all users anywhere at all times. The data is transmitted in switched packets using the Internet Protocol (IP).

Android. Android is a platform developed by the Open Handset Alliance for devices such as smartphones or cell phones. It is based on the Linux operating system and is partly free and open source. By reducing development costs, Android is intended to make handsets cheaper and improve the range of functions and user convenience while increasing the extent to which handsets can be individually configured.

ARPU – Average Revenue Per User. Predominantly used in the mobile communications industry to describe the revenue generated per customer per month.

ASP – Application Service Providing. Service that enables enterprises to lease IT applications. The advantage: Customers can always use the latest version that the provider maintains centrally (e.g., in a computer center) and do not have to worry about buying and maintaining software applications (licenses, updates) themselves.

Bandwidth. Denotes the width of the frequency band used to transmit data. The broader the bandwidth, the faster the connection.

Call center. A company, or department of a company, that offers operator-supported voice services. A large number of operators handle inbound calls via a hotline and/or outbound calls as part of a direct marketing campaign.

Carriers' carrier. A network operator providing network services to other telecommunications companies.

Connected life and work. The convenient management of all personal data and Internet services on any screen, whether PC, cell phone or television, based on the secure storage of data in the network which can then be accessed by all devices via broadband networks.

Desktop Services. Global Desktop Services involve a variety of support services, including the outsourcing of entire IT networks. In this context Deutsche Telekom offers a full portfolio of corporate IT services, from server infrastructure and PC workstations through to application management and call center services that provide user support.

DSL – Digital Subscriber Line. In Deutsche Telekom's service portfolio as: ADSL (Asymmetrical Digital Subscriber Line) for private end-customer lines: Technology used to transmit data at fast rates (between 16 kbit/s and 640 kbit/s upstream; up to 8 Mbit/s downstream) via standard copper wire pairs in the local loop within a radius of approximately three kilometers.

ADSL2+: Successor product to ADSL that raises the maximum data rate to 16 Mbit/s (downstream) or 1 Mbit/s (upstream).

VDSL (Very high bit rate Digital Subscriber Line) is a new technology used to transmit exceptionally high data rates (10 Mbit/s upstream, 50 Mbit/s downstream) via a fiber-optic network.

EDGE – Enhanced Data Rates for GSM Evolution. Modulation on the air interface to enhance data rates in GSM (Global System for Mobile Communications) and TDMA (Time Division Multiple Access) networks.

Flat rate. Flat rate for network access with unlimited online time and data volumes.

GSM – Global System for Mobile Communications. Global digital mobile communication standard.

HDTV – High Definition Television. Generic term describing a range of television standards that differ from conventional television through increased vertical, horizontal and/or temporal resolution.

Hosting. Provision of storage capacity via the Internet. An Internet service provider's most important services in relation to hosting are registering and operating domains, leasing Web servers (in full or in part) and leasing space in a computer center – including Internet connections, regular and emergency power supply, etc.

HotSpot. HotSpot is the name of a public area where customers can access the Internet using wireless local area networks (WLAN). The HotSpots are realized jointly by T-Home and T-Mobile.

HSDPA – High Speed Downlink Packet Access. Packet-based protocol that enhances data rates in UMTS networks and lifts transmission speeds into the megabit range.

HSUPA – High Speed Uplink Packet Access. The technology accelerates data upstreaming from mobile devices into the network and significantly reduces transfer durations (ping time). This makes HSUPA the ideal complement to HSDPA on T-Mobile's network. Together, HSDPA and HSUPA ensure that users can surf the Internet or work in the intranet while on the move, experiencing a similar level of user comfort as with fixed-network DSL.

ICT – Information and Communication Technology.

Interconnection. Term used to denote the connections between networks run by various providers, as regulated by the German Telecommunications Act.

Internet/intranet. The Internet is a worldwide Internet Protocol (IP)-based computer network that has no central network management. By contrast, intranets are managed IP networks that can be accessed only by specific user groups.

IP – Internet Protocol. Non-proprietary transport protocol in layer 3 of the OSI reference model for inter-network communications.

IP address. Each computer that is connected to the Internet has a clearly identifiable, numeric address, the IP address, comprising four sequences of digits that are separated by periods, e.g.: 217.247.84.89 (example: T-Online). Static IP addresses enable the same computer to be contacted under the same address at any time (e.g., by a Web server). Dynamic IP addresses are allocated for instance to T-Online customers dialing up to the Internet. They receive an unoccupied IP address which will not be the same every time.

IPTV – Internet Protocol Television. A system whereby a digital television service is delivered using the Internet Protocol.

ISDN – Integrated Services Digital Network. ISDN integrates telecommunications services such as telephone, fax and data communication in a single network. Contrary to the standard analog transmission system, ISDN digitizes the data, which improves transmission quality, enhances transmission speed, and enables packet-switched transmission.

ISP – Internet Service Provider. An Internet service provider offers various technical services that are required to use or operate Internet services, usually in return for a fee.

LTE – Long Term Evolution. A technology that may be used for the next-generation mobile communications network. LTE supports speeds of over 100 Mbit/s downstream and 50 Mbit/s upstream.

Mbit/s – Megabits per second. Unit of data transmission speed.

Multimedia. Term used to denote the real-time integration of text with still images and graphics, video, and sound.

NGN – Next Generation Network. In the traditional architecture of modern telephone networks, voice and data transmissions are routed via different technical platforms. The aim of a next generation network is to combine both functions to provide integrated voice-data services. NGNs are based entirely on IP technology.

OHA – Open Handset Alliance. The Open Handset Alliance brings together more than 30 leading companies including cell phone manufacturers HTC and Motorola, software heavyweights such as Google and Ebay, and telecommunications companies such as T-Mobile. The declared goal of the OHA is to develop a common, open and free standard for a new category of mobile handsets. The first device to be launched on the market with the Android operating system was the T-Mobile G1.

Optical fiber. Channel for optical data transmission.

Prepay. In contrast to postpay contracts, prepay communication services are services for which credit has been purchased in advance with no fixed-term contractual obligations.

Preselection. Preselection of a telephone company. A procedure where customers select a certain provider – known as a long-distance carrier – for all of their long-distance and international calls.

Resale. Resale of products to competitors (see also Wholesale).

Roaming. A feature of cellular mobile communications networks that ensures that activated mobile stations remain accessible, regardless of location, in all radio cells of the entire area served by the network. Roaming can also include similar networks run by different operators, as is the case with international roaming within the pan-European GSM system.

SIM card. Chip card that is inserted into a cell phone and which contains all the data of the subscriber.

SMS and MMS. The Short Message Service (SMS) is a telecommunications service for the transmission of text messages. It was initially developed for GSM mobile communications and is now also available in the fixed network. The further development of SMS is the Multimedia Messaging Service (MMS) which allows the transmission of various media such as text, images, animations, video and audio clips in a single message. SMS and MMS in particular refer not only to the services, but also to the messages themselves.

Stakeholder. The stakeholder approach is an extension of the shareholder value approach used extensively in business management. In contrast to the shareholder value principle, which focuses on the needs and expectations of a company's shareholders, the stakeholder approach attempts to appreciate the company against its overall social background and reconcile the needs of the different stakeholders. In addition to shareholders, stakeholders include staff, customers, suppliers, the government, and the public at large.

Triple play. Refers to the interaction between voice and data communication and interactive media.

UMTS – Universal Mobile Telecommunications System. Third-generation international mobile communications standard that unites mobile multimedia and telematics services in the frequency spectrum of 2 GHz.

VDSL. See DSL.

Video on demand. A service that allows subscribers to retrieve and watch a selection of movies (on video) at any time. Videos are either broadcast to subscribers over the broadband cable network or over DSL and the telephone network. The back channel used to send movie selection information to the broadcasting center is available with DSL, but not with the broadband cable network. For VoD over broadband cable, a back channel can be established over the telephone network.

VoIP – Voice over Internet Protocol. Technology used to make telephone calls via the Internet. Three methods are available: PC to PC, PC to fixed-network lines, and telephone calls via IP-based internal networks.

Wholesale. The business of selling services to third parties who in turn sell them to their own end customers either directly or after further processing (see also Resale).

WiMAX – Worldwide Interoperability for Microwave Access. Technology that uses fixed, local radio cells to provide high-speed Internet access via the air interface.

WLAN – Wireless Local Area Network. Wireless networks for mobile Internet access. The network can also connect multiple computers to each other or to a central information system, a printer, or a scanner.

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Deutsche Telekom AG
Corporate Communications
Postfach 2000, 53105 Bonn, Germany
Phone +49 (0) 228 181 4949
Fax +49 (0) 228 181 94004

www.telekom.com

Investor Relations:
Phone +49 (0) 228 181 88880
Fax +49 (0) 228 181 88899
E-Mail: investor.relations@telekom.de

New York Office:
Deutsche Telekom, Inc.
Investor Relations
14 Wall Street, Suite 6B
New York, NY 10005, USA
Phone +1-212-424-2959
Phone +1-877-DT-SHARE (TOLL-FREE)
Fax +1-212-424-2977
E-Mail: investor.relations@usa.telekom.de

Deutsche Telekom's Annual Report is available on the Internet at:
www.telekom.com/annualreport2008

Additional copies of this report are available at:

Phone +49 (0) 228 181 88333
Fax +49 (0) 228 181 88339
E-Mail: forum-taktie@telekom.de

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2009 financial calendar

Shareholders' meeting of Deutsche Telekom AG	April 30, 2009
Group report Jan. 1 to Mar. 31, 2009	May 7, 2009*
Group report Jan. 1 to June 30, 2009	August 6, 2009*
Group report Jan. 1 to Sept. 30, 2009	November 5, 2009*

* Planned.



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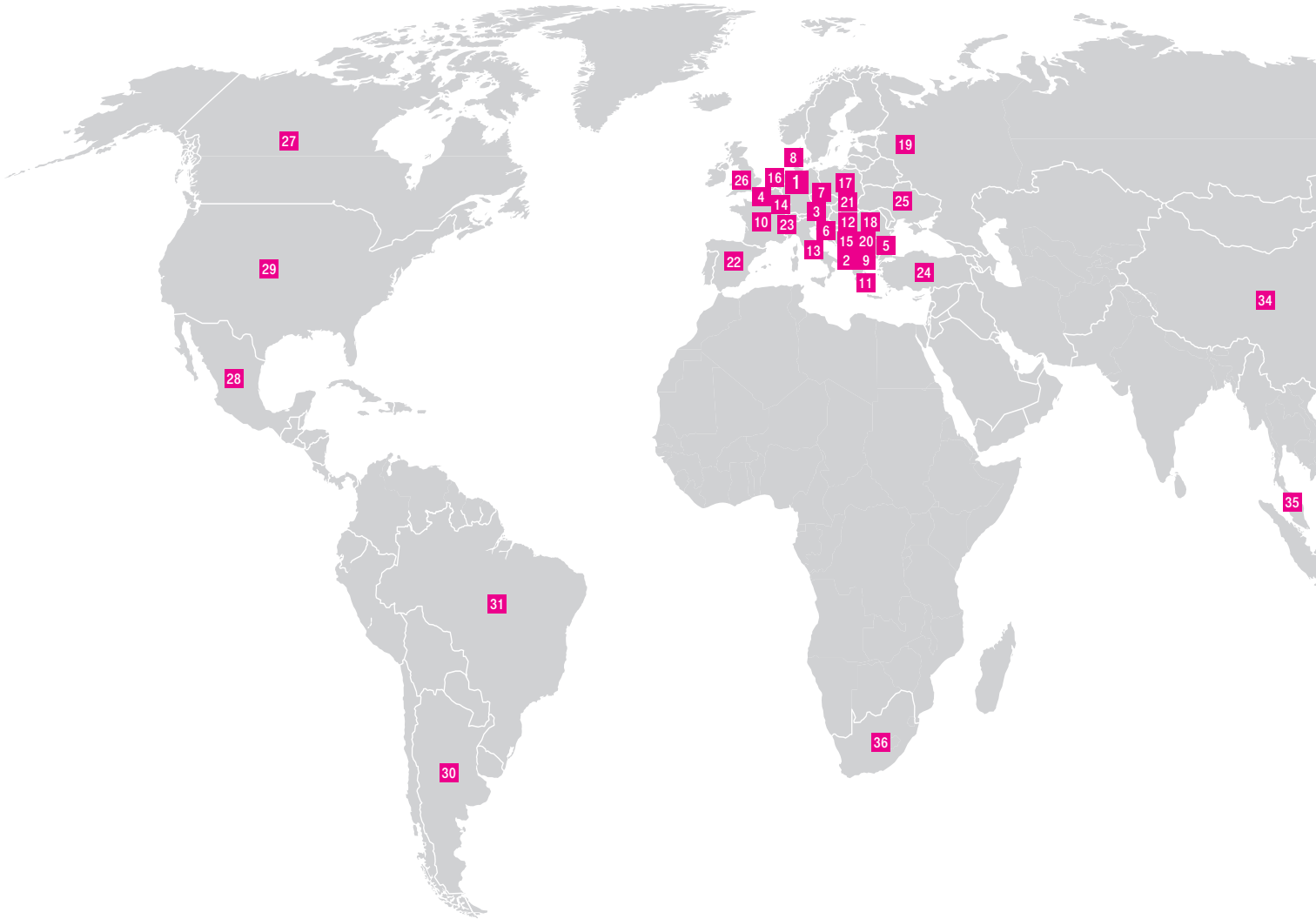
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Disclaimer.

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, adjusted EBITDA 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 figures prepared in accordance with IFRS, Deutsche Telekom presents non-GAAP financial performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net profit, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the chapter on "Development of business in the Group" in this Report, which is also posted on Deutsche Telekom's Investor Relations Web site at www.telekom.com.

Deutsche Telekom worldwide.



1 Bonn

Selected international subsidiaries and associates

		Stake (directly/indirectly) held by Deutsche Telekom
Europe		
2	Albania	AMC (Albanian Mobile Communications Sh.a) 82.00 % of shares held by Cosmote
3	Austria	Software Daten Service Gesellschaft m.b.H. 100.00 %
		T-Mobile Austria GmbH 100.00 %
		Deutsche Telekom Value Added Services Austria GmbH 100.00 %
		T-Systems Austria GmbH 100.00 %
4	Belgium	T-Systems Belgium NV 100.00 %
5	Bulgaria	Globul (Cosmo Bulgaria Mobile EAD) 100.00 % of shares held by Cosmote
		Orbitel EAD 100.00 % of shares held by Magyar Telekom
		Novatel EOOD 100.00 % of shares held by Magyar Telekom
6	Croatia	T-Hrvatski Telekom (HT-Hrvatske Telekomunikacije d.d.) 51.00 %
		T-Mobile Croatia (T-Mobile Hrvatska d.o.o.) 100.00 % of shares held by T-Hrvatski Telekom
		T-Systems Czech Republic a.s. 60.77 %
7	Czech Republic	T-Systems Czech Republic a.s. 100.00 %
8	Denmark	T-Systems Nordic TC Services A/S 100.00 %
9	Former Yugoslav Republic of Macedonia	Cosmofon Mobile Telecommunications Services AD 100.00 % of shares held by Cosmote
		Makedonski Telekom AD 51.00 % of shares held by Magyar Telekom
		T-Mobile Macedonia 100.00 % of shares held by Makedonski Telekom
10	France	T-Systems France SAS 100.00 %
11	Greece	OTE (Hellenic Telecommunications Organization S.A.) 25.00 % plus one share
		Cosmote (Cosmote Mobile Telecommunications S.A.) 100.00 % of shares held by OTE
		Magyar Telekom Nyrt. ^a 59.21 %
12	Hungary	IQSYS Zrt. (IQSYS Computing Limited by Shares) 100.00 % of shares held by Magyar Telekom
13	Italy	T-Systems Italia S.p.A. 100.00 %
14	Luxembourg	T-Systems Luxembourg S.A. 100.00 %
15	Montenegro	Telekom Montenegro (Crnogorski Telekom a.d.) 76.53 % of shares held by Magyar Telekom
		T-Mobile Montenegro (T-Mobile Crna Gora d.o.o.) 100.00 % of shares held by Telekom Montenegro
16	Netherlands	T-Mobile Netherlands B.V. 100.00 %
		T-Systems Nederland B.V. 100.00 %
17	Poland	PTC (Polska Telefonía Cyfrowa Sp.z o.o.) 97.00 %
		T-Systems Polska Sp.z o.o. 100.00 %
18	Romania	Combridge S.R.L. 100.00 % of shares held by Magyar Telekom
		Cosmote Romania (S.C. Cosmote Romanian Mobile Telecommunications S.A.) 70.00 % of shares held by OTE
		Romtelecom S.A. 54.00 % of shares held by OTE
19	Russia	T-Systems CIS 100.00 %
20	Serbia	Telecom Srbija 20.00 % of shares held by OTE
21	Slovakia	Slovak Telekom, a.s. 51.00 %
		T-Mobile Slovensko, a.s. 100.00 % of shares held by Slovak Telekom
		T-Systems Slovakia s.r.o. 100.00 %
22	Spain	T-Systems ITC Iberia, S.A. 100.00 %
23	Switzerland	T-Systems Schweiz AG 100.00 %
24	Turkey	T SYSTEMS TELEKOMÜNİKASYON LIMITED SİRKETİ 100.00 %
25	Ukraine	Novatel Ukraine LLC. 99.90 % of shares held by Magyar Telekom
26	United Kingdom	T-Mobile (UK) Limited 100.00 %
		T-Systems Limited 100.00 %
North America		
27	Canada	T-Systems Canada, Inc. 100.00 %
28	Mexico	T-Systems Mexico S.A. de C.V. 100.00 %
29	USA	T-Mobile USA, Inc. 100.00 %
		T-Systems North America, Inc. 100.00 %
South America		
30	Argentina	T-Systems Argentina S.A. 100.00 %
31	Brazil	T-Systems do Brasil Ltda. 100.00 %
Asia		
32	Hong Kong	T-Systems China Limited 100.00 %
33	Japan	T-Systems Japan K.K. 100.00 %
34	People's Republic of China	T-Systems P.R. China Ltd. 100.00 %
35	Singapore	T-Systems Singapore Pte. Ltd. 100.00 %
Africa		
36	South Africa	T-Systems South Africa (Pty) Limited 70.00 %

^a Magyar Telekom provides mobile communications services under the T-Mobile brand.

Key data of the Group's operating segments.

	2008	2007	2006	2005	2004
Broadband/Fixed Network (millions)*					
Broadband					
Lines (total) ^{a, b}	15.0	13.9	11.7	8.6	6.1
Of which: retail	12.1	10.2	8.3	6.9	5.8
Domestic ^a	13.3	12.5	10.3	7.9	5.8
Of which: retail	10.6	9.0	7.1	6.3	5.5
International ^{a, b}	1.7	1.4	1.4	0.6	0.3
Of which: Magyar Telekom	0.9	0.8	0.6	0.4	0.2
Of which: Slovak Telekom	0.3	0.3	0.2	0.1	0.0
Of which: T-Hrvatski Telekom	0.5	0.3	0.2	0.1	0.0
Fixed Network					
Lines (total) ^{a, b}	33.8	36.6	39.0	41.2	42.8
Domestic ^a	28.6	31.1	33.2	35.2	36.8
Of which: standard analog lines	20.3	22.4	24.2	25.5	26.4
Of which: ISDN lines	8.3	8.6	9.0	9.8	10.4
International ^{a, b}	5.3	5.5	5.8	6.0	6.1
Wholesale/resale					
Resale/IP-BSA lines ^c	2.8	3.7	3.4	1.7	0.2
Of which: domestic	2.5	3.5	3.2	1.6	0.2
ULLs ^d	8.4	6.4	4.7	3.3	2.0
Of which: domestic	8.3	6.4	4.7	3.3	2.0
IP-BSA SA lines ^e	0.2	-	-	-	-
Of which: domestic	0.2	-	-	-	-
Mobile Communications Europe and Mobile Communications USA (millions) *					
Mobile customers of fully consolidated subsidiaries ^f	128.3	119.6	106.4	86.6	77.4
Mobile Communications Europe	95.6	90.9	81.4	64.9	60.1
T-Mobile Deutschland ^g	39.1	36.0	31.4	29.5	27.5
T-Mobile UK ^h	16.8	17.3	16.9	17.2	15.7
Polska Telefonia Cyfrowa (PTC)	13.3	13.0	12.2	-	-
T-Mobile Netherlands ⁱ	5.3	4.9	2.6	2.3	2.3
T-Mobile Austria	3.4	3.3	3.2	2.1	2.0
T-Mobile Czech Republic	5.4	5.3	5.0	4.6	4.4
T-Mobile Hungary	5.4	4.9	4.4	4.2	4.0
T-Mobile Croatia	2.7	2.4	2.2	1.9	1.5
T-Mobile Slovensko	2.3	2.4	2.2	2.0	1.9
Other ^j	1.9	1.6	1.3	1.1	0.8
Mobile Communications USA ^k	32.8	28.7	25.0	21.7	17.3
T-Systems					
Computing & Desktop Services					
Number of servers managed and serviced (units)	56,734	39,419	33,037	38,392	35,418
Number of workstations managed and serviced (millions)	1.51	1.46	1.36	1.35	1.22
Systems Integration ^l					
Hours billed ^m (millions)	10.7	11.4	10.9	11.5	11.7
Utilization rate ⁿ (%)	80.9	80.2	80.4	79.1	77.8

a Telephone lines in operation excluding internal use and public telecommunications, including wholesale services.

b International includes Eastern Europe with T-Hrvatski Telekom, Slovak Telekom and Magyar Telekom together with their subsidiaries Makedonski Telekom and Crnogorski Telekom. T-Online France and T-Online Spain were deconsolidated in 2007 and are not included here. Prior-year comparatives have not been adjusted.

c Definition of resale/bundled IP-BSA: Sale of broadband lines based on DSL technology to alternative providers outside of the Deutsche Telekom Group including bundled IP-Bitstream Access. In the case of IP-BSA, Deutsche Telekom leases DSL lines to the competitor and transports the datastream carried over the lines via its concentrator network to the associated broadband point-of-presence where the datastream is handed over to the competitor.

d Unbundled local loop lines: Deutsche Telekom wholesale service that can be leased by other telecommunications operators without upstream technical equipment in order to offer their own customers a telephone or DSL line.

e Definition of IP-BSA stand alone: A wholesale product not bundled with a Deutsche Telekom PSTN line. Allows competitors to offer an all-IP product range.

f One mobile communications card corresponds to one customer.

g On the basis of different rulings on the expiry of prepaid credit and the limited validity of prepaid cards, T-Mobile Deutschland changed its terms of contract and thus also its deactivation policy in the first quarter of 2007 in favor of its prepay customers. These customers can now use their prepaid credit longer than before. As a result of the change in the terms of contract, prepaid contracts no longer end automatically, but run for an unlimited duration and can be terminated by the customer at any time and by T-Mobile with one month's notice. T-Mobile Deutschland reserves the right to make use of this right of termination and to deactivate cards in the systems.

h Including Virgin Mobile.

i Orange Nederland included for the first time in the fourth quarter of 2007. The consolidation of Online (formerly Orange Nederland Breedband B.V.) in the second quarter of 2008 has no effect on the number of customers of the T-Mobile Netherlands group, as only mobile communications customers are shown.

j "Other" includes T-Mobile Macedonia and T-Mobile Crna Gora (Montenegro).

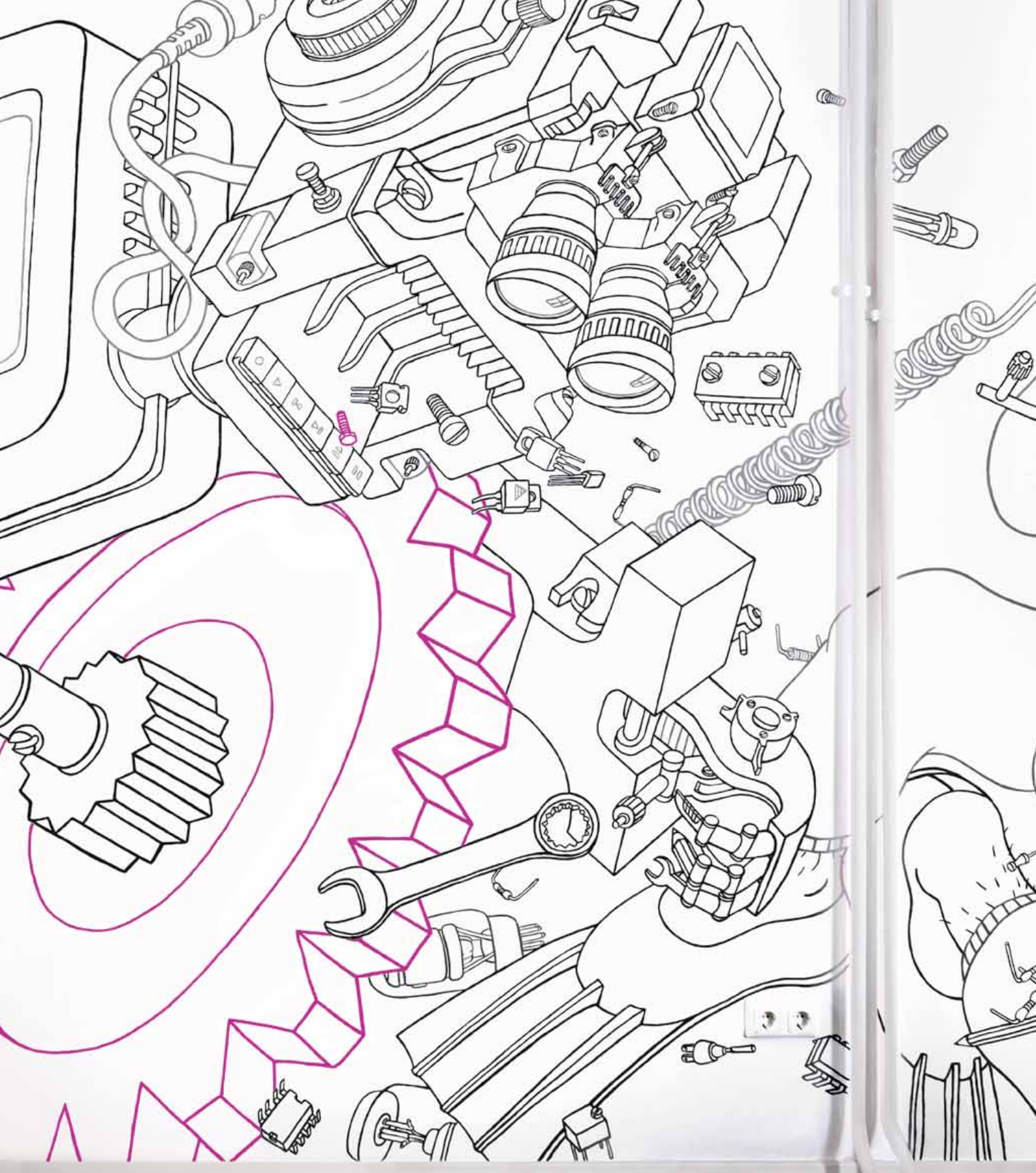
k SunCom included for the first time as of February 22, 2008.

l Domestic: excluding changes in the composition of the Group.

m Cumulative figures at the balance sheet date.

n Ratio of average number of hours billed to maximum possible hours billed per period.

* The total was calculated on the basis of precise figures and rounded to millions.



Wall painting by Thomas Manig in the "4010 concept store - the Deutsche Telekom shop in central Berlin."

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
D-53113 Bonn, Germany

www.telekom.com