

# Interim Group management report.

## Highlights.

### Events in the second quarter of 2009.

#### Group.

##### Deutsche Telekom specifies details of new structure.

- On April 29, 2009, the Supervisory Board of Deutsche Telekom AG approved the more regional and integrated structure of the Company for the initiated restructuring of its business in Germany, the continuation of the course established in the fall of 2006 with integrated sales and customer service in Germany. Subject to approval by the shareholders and financial authorities, the new structure will be achieved in two stages:
  - T-Mobile International AG was merged into Deutsche Telekom AG effective July 6, 2009. T-Mobile Deutschland GmbH has thus become a direct subsidiary of Deutsche Telekom AG.
  - T-Home and T-Mobile Deutschland GmbH are then to be merged to form a single company which will be a wholly-owned subsidiary of Deutsche Telekom AG.
- An extraordinary shareholders' meeting will be called in late fall of this year in order to gain the approval of shareholders, after which the new structure will be quickly implemented. The three service companies (Deutsche Telekom Kundenservice GmbH, Deutsche Telekom Technischer Service GmbH, and Deutsche Telekom Netzproduktion GmbH) and Telekom Shop Vertriebsgesellschaft mbH will then become wholly-owned subsidiaries of the new company for German operations.

##### Issuances in the second quarter of 2009.

- Deutsche Telekom again issued a benchmark bond through its financing arm Deutsche Telekom International Finance B.V. in the second quarter of 2009 - a U.S. dollar bond for USD 1.5 billion on June 22, 2009. The five-year tranche has a coupon of 4.875 percent, the ten-year tranche a coupon of 6 percent.
- In addition, several medium-term notes were issued in the second quarter of 2009. On April 9, 2009, Deutsche Telekom issued a 13-year medium-term note in the amount of GBP 700 million (pounds sterling) with a coupon of 6.5 percent through Deutsche Telekom International Finance B.V. On April 22, 2009, Deutsche Telekom AG also issued a five-year medium-term note in the amount of CHF 400 million (Swiss francs) with a coupon of 3.75 percent. Furthermore, euro medium-term notes with a total volume of EUR 600 million and terms of five to eight years were issued through Deutsche Telekom International Finance B.V.

##### Rating change by Fitch.

- On April 23, 2009, Fitch Ratings lowered Deutsche Telekom's long-term rating by one notch from A- to BBB+. The outlook changed from negative to stable. The short-term rating was confirmed at F-2.

##### Staff reduction, restructuring and recruitment to make the workforce competitive.

- In the Group's domestic companies, socially responsible measures were used to reduce staff numbers further in the first half of 2009, 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. 1,900 staff have already been recruited as part of the 3,500 or so planned new hires, of which 740 are professionals and 1,160 junior staff.

##### 2009 collective negotiations for Telekom Shop Vertriebsgesellschaft.

- In the fourth round of negotiations Telekom Shop Vertriebsgesellschaft (TSG) and the service trade union ver.di reached an accord on a collective agreement for the 5,000 or so employees of TSG on June 9, 2009. After a three-month salary freeze, salaries for all employees subject to collective agreements will increase by 2.5 percent from August 2009 and by another 1.8 percent from May 2010. For May to July 2009, the percentage increases will be realized through a one-time payment calculated from each individual's annual target salary. The new collective agreement has a term of 24 months. Junior sales assistants will receive an additional 1 percent raise from August 2009, i.e., 3.5 percent overall. From May 2010, they will also receive approximately 1 percent on top of the 1.8 percent raise. The specific provision for junior sales assistants sends out a clear signal for TSG employees in the entry-level wage group, which now accounts for almost one third of the sales force.

##### Deutsche Telekom leads the table.

- In a readers' survey by Europe's largest trade journal, connect, Deutsche Telekom came out on top in seven categories: mobile network operator, triple play, DSL and telephone, mobile data flat rate, mobile portals, mobile discount and prepaid cards. T-Mobile, for instance, was rated the best network for the tenth time in a row. Deutsche Telekom's IPTV service came out winner in comparative tests by Computer Bild magazine and Stiftung Warentest, the German consumer testing organization, for example. A survey by the Internet portal www.pcwelt.de of around 1,600 users found that T-Home has the best customer service of all DSL providers. The criteria included telephone hotline quality, e-mail support, fault clearance service, and cost. T-Home was awarded a score of 2.2, the best mark received by any provider, for its customer service (1 being the highest mark possible).

## Mobile Communications Europe.

### **COSMOTE takes over Zapp in Romania.**

- The COSMOTE group has signed an agreement in Bucharest for the take-over of Telemobil S.A (Zapp). The enterprise value, and therefore the value of the Zapp shares, is estimated at around EUR 61 million. COSMOTE will also take over the financial and other liabilities of Zapp, estimated at EUR 146 million and mainly relating to the roll-out of the 3G and CDMA networks. Zapp is the oldest mobile communications provider in the Romanian market. The 3G network currently covers 23 cities in Romania. Zapp generated revenue of EUR 61 million in 2008 with over 374,000 contract customers. The takeover is subject to approval from the relevant Romanian authorities.

### **Integrative product innovations help Deutsche Telekom maintain its claim to be the leading provider of products for connected life and work.**

- The Family calling plan launched on the German market in May 2009 is the first to integrate mobile communications and fixed network. It is ideally tailored to families as a target group and offers a good value flat rate. Family members with up to four cell phones and a fixed-network line can make unlimited calls to each other.
- In Croatia, T-Mobile and T-Com jointly launched the Full Internet Tariff product in May 2009, which integrates fixed-network DSL and access to the mobile Internet through HotSpots, giving customers unlimited access to the Internet.

### **Systematic and necessary expansion and modernization of the network infrastructure as a guarantee for the success of innovative products.**

- Having acquired a UMTS license in December 2008, T-Mobile Macedonia began to offer its customers 3G applications in June 2009. In the first phase, larger cities have access to the 3G network.
- T-Mobile Austria was the first Austrian mobile communications operator to test the next-generation mobile network (NGMN) in a showcase using Long-Term Evolution (LTE), in cooperation with Huawei.

### **High-performance and intelligent terminal equipment make connected life and work an experience.**

- In June 2009, T-Mobile exclusively launched the successor model of the thriving Apple iPhone 3G – the iPhone 3G S – in Germany, the Netherlands and Austria. The iPhone 3G S is expected to go on sale in other countries, including countries in which COSMOTE mobile communications companies operate, in the third quarter of 2009.
- Since the beginning of June 2009 the T-Mobile Jukebox has given music lovers in Germany and Austria access to around two million songs. The removal of all copy protection means T-Mobile customers can now download the songs without worrying about digital rights management. T-Mobile reached agreements to this effect with virtually all major record companies and key independent labels.

## Broadband/Fixed Network.

### Super-fast Internet connection for business customers.

- With CompanyConnect 10M, Deutsche Telekom is providing its business customers throughout Germany with a professional Internet link over existing copper lines that features symmetrical transmission rates of up to 10 Mbit/s. This is around five times faster than the fastest previous CompanyConnect connection using copper lines. CompanyConnect 10M is ideal for business customers in regions that are not served by fiber networks, for example.

### Successful launch of the terminal equipment service package.

- The service package, which was launched in April 2009, has been well received by customers. For a low monthly flat rate customers receive the latest terminal equipment and a comprehensive service package, including software updates, remote maintenance and installation support. Deutsche Kundenservice GmbH (DTKS), the Telekom shops and the Telekom online shop have recorded more than 20,000 bookings per week.

### Deutsche Telekom greatly expands content range.

- Videoload has been offering VideoloadFree since the beginning of June 2009, a free service that is financed by automated, dynamically integrated advertising.
- The market leader Softwareload has been available to customers in Switzerland and Austria since April 2009.
- The Internet portal wer-kennt-wen.de, one of the largest social networking sites on the German-speaking Internet, began offering its more than six million community members music to download in cooperation with Musicload in June 2009.

## Systems Solutions.

### MAN concludes service agreement with T-Systems.

- MAN AG signed a seven-year agreement with T-Systems in June 2009 to transfer IT services from MAN IT Services GmbH to T-Systems from July 1, 2009. T-Systems will be responsible for central services, such as networks and computing centers. T-Systems will operate the MAN group's computing centers and the corporate network. The wide area network connects 400 sites in 23 countries. Deutsche Telekom's corporate customer subsidiary has been engaged to consolidate the IT infrastructure. To this end, T-Systems is transferring all services into two separate high-security computing centers in Munich, which will from now on provide the MAN group with all IT services, as required. T-Systems' Dynamic Services will adjust bandwidths, computing power and data storage capacity to MAN's business development.

### T-Systems wins contract from Brenntag Asia Pacific.

- Brenntag, one of the world's leading chemical distribution enterprises, has commissioned T-Systems to develop its international network. To expand its footprint, Brenntag will use information and communication technology services from the Deutsche Telekom subsidiary in Singapore, Thailand, India, Australia, Taiwan, Malaysia, Indonesia, Vietnam and the Philippines for the next three years. The IT-based corporate network will manage Brenntag's communication activities in the Asia-Pacific region. Under the new agreement, Brenntag Asia Pacific is also procuring SAP services dynamically and on demand. T-Systems will also operate Brenntag's software systems, in line with its core business.

### T-Systems takes over the Spanish IT service provider Metrolico.

- T-Systems is boosting its business in Spain and Portugal with its acquisition of the Spanish IT service provider Metrolico from Lico Corporation. Deutsche Telekom's systems arm is planning to reach third place among the ICT service providers on the Iberian peninsula by 2010. The acquisition is a milestone along that path. Metrolico has an excellent position in the Iberian market in the fields of infrastructure management, maintenance and technical support. A major focus of Metrolico's business activities lies in the Spanish financial sector.