

# Highlights in the 2010 financial year.

## Development of the Group's strategy.

**Board of Management develops Group strategy further.** As part of our enhanced Fix – Transform – Innovate strategy, we are aiming to refocus our business with investments in intelligent networks and with IT, Internet, and network services. Our aim is to drive up revenues in growth areas.

■ For more information about the further development of our strategy, please refer to the section “Group strategy and Group management.”

## Developments at management level.

**New five-year contract for René Obermann.** At its meeting on December 16, 2010, the Supervisory Board of Deutsche Telekom AG resolved ahead of time to extend René Obermann's contract as Chairman of our Board of Management by five years. His current contract expires on October 31, 2011. The new contract will run until the end of October 2016.

**Edward R. Kozel appointed to the Board of Management of Deutsche Telekom AG.** At its meeting on May 2, 2010, the Supervisory Board appointed Edward R. Kozel as a new member of Deutsche Telekom AG's Board of Management effective May 3, 2010. As member of the Board of Management for Technology and Innovation/Chief Technology and Innovation Officer (CTIO), he is responsible for Technology, IT, Procurement, and Products & Innovation for standard business (consumers and business customers).

**Changes in management at T-Mobile USA and OTE.** Philipp Humm succeeded Robert Dotson as CEO of T-Mobile USA effective November 1, 2010. Robert Dotson remains with the company as Vice Chairman. Michael Tsamaz was appointed successor to Panagis Vourloumis as Chairman and Chief Executive Officer (CEO) of OTE effective November 3, 2010. Panagis Vourloumis left the company effective the same date. Michael Tsamaz will also continue as CEO of Cosmote Mobile Communications.

## Investors/Shareholder remuneration policy.

**Shareholder remuneration policy\* for the 2010 to 2012 financial years approved.** The Board of Management and Supervisory Board have decided to pursue a shareholder remuneration policy for the 2010 to 2012 financial years, consisting of an annual dividend of at least EUR 0.70 per share and the buy-back of the Company's own shares with the remaining amount, up to a total shareholder remuneration of around EUR 3.4 billion. This policy is subject to the requisite unappropriated net income being posted in the annual financial statements of Deutsche Telekom AG for the financial year in question and the ability to form the necessary reserves for the share buy-back. It is also contingent upon the executive bodies adopting resolutions to this effect taking account of the Company's situation at the time.

**Share buy-back and capital decrease completed in 2010.** Deutsche Telekom AG purchased shares for a total price of EUR 400 million (excluding transaction costs) in 2010. The Company then retired the approximately 40 million shares purchased and reduced Deutsche Telekom AG's share capital accordingly by EUR 102 million. ■ For more information, please refer to the notes to the consolidated financial statements.

**Deutsche Telekom included in Dow Jones Sustainability Index (DJSI) again.** In 2010, we again qualified for the Dow Jones Sustainability Index World and Dow Jones Sustainability Index Europe, the most renowned sustainability indexes.

## Corporate transactions/Changes in the segment structure.

**Everything Everywhere joint venture successfully established in the United Kingdom.** On April 1, 2010, together with France Télécom S.A., we merged T-Mobile UK and Orange UK to create a joint venture called Everything Everywhere in which the two shareholders hold equal shares of 50 percent. Following the establishment of the joint venture, the assets and liabilities of T-Mobile UK have no longer been shown in the consolidated statement of financial position since April 1, 2010. Also T-Mobile UK's income statement has no longer been included in the consolidated income statement since the same date. Instead, the joint venture is included in the consolidated statement of financial position under investments accounted for using the equity method, while the share in the joint venture's profit/loss is reported in the consolidated income statement under profit/loss from financial activities.


\* ■ Please refer to footnote 2, page 129.

**Merger of the Europe and Southern and Eastern Europe operating segments.** On February 24, 2010, the Supervisory Board resolved to realign the management structure of the two operating segments Southern and Eastern Europe, and Europe. These two operating segments were merged on April 1, 2010 to form the new Europe operating segment that encompasses the fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as the UK joint venture. It also includes the International Carrier Sales and Services unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. Since April 1, 2010, we therefore report on the four operating segments Germany, Europe, United States, and Systems Solutions, as well as on Group Headquarters & Shared Services.

**Acquisition of STRATO and ClickandBuy.** We fully consolidated STRATO AG and STRATO Rechenzentrum AG (STRATO) as of January 1, 2010. The transaction makes us a leading provider of Web hosting products, especially for consumers and small business customers in Germany. We also acquired the remaining shares in the Internet payment service provider Firstgate effective April 1, 2010. Via our venture capital company, T-Venture, we have held shares in Firstgate, best known for the Clickand-Buy brand, since 2006.

## Litigation settlements.

**T-Online appraisal rights proceedings.** In the proceedings concerning the review of the appropriateness of the exchange ratio in the merger of T-Online into Deutsche Telekom, the Frankfurt/Main Higher Regional Court ruled on September 3, 2010 that Deutsche Telekom must make a supplementary cash payment of EUR 1.15 per share plus interest to former T-Online shareholders. The ruling only applies to those shareholders who exchanged their T-Online shares for Deutsche Telekom shares as part of the merger. As approximately 120 million shares were exchanged in this manner, a supplementary cash payment of around EUR 138 million plus interest had to be made.

**Polska Telefonia Cyfrowa Sp.z o.o. (PTC).** In December 2010, we reached an agreement with the French media company Vivendi and the Polish-based Elektrim as well as Elektrim's creditors that has secured us full, undisputed ownership of PTC. Deutsche Telekom and its subsidiaries paid approximately EUR 1.4 billion to Elektrim and Vivendi in January 2011 under the terms of the agreement. Settlement of all legal disputes between the parties was also agreed.  For more information, please refer to the notes to the consolidated financial statements.

## One Company.

**Official launch of Telekom Deutschland GmbH.** The spin-off of the T-Home unit into T-Mobile Deutschland GmbH became effective upon entry in the commercial register on March 30, 2010, and with it the merger of German fixed-network and mobile operations within a single entity. At the same time, T-Mobile Deutschland GmbH was renamed Telekom Deutschland GmbH – a step which also became effective upon entry in the commercial register on March 30, 2010.

**Fixed-network and mobile operations now also merged in Slovakia.** Following the mergers of mobile and fixed-network operations in Hungary, Montenegro and – in early 2010 – in Croatia, Slovak Telekom and T-Mobile Slovakia have also merged to form one company. Consequently, the national companies in Slovakia are following the path that we have already successfully taken in Germany.

## Delisting.

**Deutsche Telekom delisted from the New York Stock Exchange (NYSE) and the Tokyo stock exchange.** Deutsche Telekom AG's shares have been traded on the U.S. over-the-counter (OTC) market since June 21, 2010. Also, Deutsche Telekom AG has deregistered from the U.S. Securities and Exchange Commission (SEC). Deutsche Telekom shares have been delisted from the Tokyo stock exchange since July 15, 2010.

**OTE and Magyar Telekom withdraw from the NYSE.** OTE delisted its American Depositary Shares (ADSs) from the NYSE on September 17, 2010, followed by Magyar Telekom on November 12, 2010. Both companies also intend to deregister and thus discontinue their reporting obligations to the SEC.

## Employees.

**Deutsche Telekom is the first DAX 30 company to introduce a women's quota for management positions.** In March 2010, we became the first DAX 30 company to introduce a women's quota for upper and middle management positions. Women are to be appointed to 30 percent of these positions by 2015.

## Investments in networks and new spectrum.

**Telekom Deutschland GmbH successfully participated in the LTE spectrum auction.** In May 2010, Telekom Deutschland GmbH purchased spectrum in the 0.8 GHz, 1.8 GHz, and 2.6 GHz frequency ranges at auction, for which it paid around EUR 1.3 billion. We are using this spectrum to supply rural areas with broadband and make a rapid start on filling in some of the gaps on the map. We were the first network operator to put a 4G base station into operation in Kyritz (Brandenburg) in August 2010. Pilot operation started at selected customers' sites in Baden-Württemberg and Brandenburg in December 2010.

**Fiber roll-out in Germany/Fiber-to-the-home.** We maintained our position as an innovation leader last year with our broadband roll-out. In addition to extending the roll-out of fiber-optic cables in our trunk network, we began laying fiber right to the homes of our customers in 2010 (fiber-to-the-home, FTTH). Hennigsdorf and Braunschweig were the first cities to pilot this roll-out.

**T-Mobile USA offers fastest network in the United States.** T-Mobile USA now offers mobile communications users a 4G experience with HSPA+ technology, including speeds comparable with other 4G networks currently offered to mobile communications users in the United States. The roll-out of this new technology allowed T-Mobile USA to cover 200 million people by the end of the year.

**3G/UMTS network build-out in Europe pushed ahead.** In Austria, the Czech Republic, Romania, and Greece, we have significantly advanced our 3G/UMTS network build-out. T-Mobile Austria, for example, replaced its entire 3G network in collaboration with network equipment supplier Nokia Siemens Networks, upgrading it with state-of-the-art technology. In the Czech Republic, T-Mobile now provides 39 towns and cities with UMTS services and is currently testing HSPA+ technology with speeds of up to 21 Mbit/s. In Romania, we have already put a 3G network with speeds of up to 21.6 Mbit/s into operation in several large urban areas. Our mobile subsidiary Cosmote in Greece is the first provider in the country to achieve mobile broadband download speeds of up to 42.2 Mbit/s.

**T-Mobile Netherlands and T-Mobile Austria both purchase licenses in the 2.6 GHz range.** T-Mobile Netherlands purchased two-part 10 MHz bandwidths in the 2.6 GHz range for EUR 109,000 at the mobile spectrum auction. T-Mobile Austria paid EUR 11 million for a total of 2 x 20 MHz in the 2.6 GHz range. The spectrum purchased makes it possible to use the full range of features of the new 4G technology. In mid-October 2010, T-Mobile Austria went live with 4G, connecting Innsbruck as the first city in Austria to the new network.

**Cosmote Bulgaria (GLOBUL) acquired additional spectrum for the UMTS network.** We have purchased spectrum through Cosmote Bulgaria, which is part of the OTE group, to expand the UMTS network in Bulgaria. We will use this spectrum to further expand the 3G network of GLOBUL, Cosmote Bulgaria's mobile communications brand. GLOBUL paid a one-time fee of BGN 17 million plus an annual fee of BGN 1 million, equivalent in total to approximately EUR 9 million, for the spectrum issued by the Bulgarian communications supervisory authority (CRC).

## New products/Connected life and work.

**DeutschlandLAN.** We have launched an innovative complete package for connected work including broadband connection and Web-based applications for voice and data communication via fixed-network and mobile channels. An integrated communication center makes connected work at the office and on the go simple and convenient.

**T-Systems demonstrates new solutions for a connected working environment.** At CeBIT 2010, T-Systems and Continental presented an open, flexible, and future-proof infotainment concept that runs on the AutoLinQ communications network. Similar to a modern smartphone app, this solution enables mobile connection of vehicles anytime and any place.

**HomeNetwork 2.0 in T-City.** The HomeNetwork 2.0 pilot project was launched in July 2010. This network solution can connect different electrical household devices, track and control them centrally from wherever the homeowners are.

**LIGA total! goes interactive.** We presented a personalized soccer live coverage function in time for the 2010/2011 Bundesliga season. LIGA total! subscribers can now choose between standard coverage with live reports from all matches taking place at the same time and personalized coverage.

**Innovative devices.** In 2010, we began selling the iPhone 4 in Germany and in all countries of our Europe operating segment. We took individual user behavior and different technical prerequisites in each country into consideration when setting the corresponding rate plans. As a strategic partner to Microsoft, we have additionally been marketing two exclusive, high-end phones featuring the new, innovative Windows Phone 7 operating system – the HTC 7 Mozart and the Samsung Omnia 7 – since the fourth quarter of 2010. In the United States, we have launched the new T-Mobile G2 with Google technology, which delivers downloads and Web browsing in 4G quality and integration with Google services. We are breaking new ground with the G2, the first smartphone specifically designed for T-Mobile USA's HSPA+ network. T-Mobile USA also revealed the first mobile tablet in the Android portfolio, the Samsung Galaxy Tab.

## Connections of the future/Wireless Internet connections.

**Entertain news.** At the Internationale Funkausstellung (IFA) held in Berlin in September 2010, we showcased for the first time 3D content that all Entertain customers can retrieve from the online video library at any time provided they have the right television set and 3D glasses. In 2010, we included a large number of HD channels in the range such as Das Erste HD, ZDF HD, TNT Film HD, SyFy, Sport1+ HD. In addition, we expanded our online video library to include 15,000 titles and 1,500 in HD.

**De-Mail.** Since October 22, 2010, future De-Mail users have been able to register a personal address of their choice with us for secure, legally binding online communication.

**Broadband Internet access in the air.** On November 30, 2010, we extended our range of over 8,000 access points (HotSpots) throughout Germany to include on-board broadband Internet access in Deutsche Lufthansa aircraft. The alliance with Deutsche Lufthansa gives our customers unlimited Internet access on intercontinental flights.

## T-Systems strengthened through expansion of cloud services and forward-looking projects for corporate customers.

More and more energy providers are demanding services relating to smart electricity grids in addition to traditional ICT services. In 2010, we closed several new deals in this sector concerning the recording, transmission, and processing of energy data.

Our focus on corporate customers' systems business translated into successful large-scale orders in and outside Germany in 2010, with **Deutsche Post DHL** and **DekaBank** both signing up to purchase key ICT services from T-Systems for at least five years. The energy utility **E.ON** is also outsourcing some of its IT services that up until now were performed in-house. Its partners for this are T-Systems and Hewlett-Packard. The contract will run for a minimum of five and a maximum of seven years. The deal has a total volume of up to EUR 1 billion.

T-Systems also posted success with its cross-border business, as evidenced by a number of major deals abroad. For example, T-Systems will set up a pan-European telecommunications network linking the corporate sites of the tourism group **TUI Travel**. **Swiss Federal Railways (SBB)** also continued its strategic partnership with T-Systems, extending existing agreements until 2015. SBB has been using T-Systems' services for more than ten years.