

DEUTSCHE TELEKOM AG

Form 6-K

May 07, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2009

Commission file number 001-14540

Deutsche Telekom AG  
(Translation of Registrant's Name into English)

Friedrich-Ebert-Allee 140,  
53113 Bonn,  
Germany  
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

This Report on Form 6-K is incorporated by reference into the registration statement on Form F-3, File No. 333-157796, and the registration statement on Form S-8, File No. 333-106591, and into each respective prospectus that forms a part of those registration statements.



## Defined Terms and Contact Information

The term “Report” refers to this Report on Form 6-K for the three-month period ended March 31, 2009. Deutsche Telekom AG is a stock corporation organized under the laws of the Federal Republic of Germany. As used in this Report, unless the context otherwise requires, the term “Deutsche Telekom” refers to Deutsche Telekom AG and the terms “we,” “us,” “our,” “Group” and “the Company” refer to Deutsche Telekom and, as applicable, Deutsche Telekom and its direct and indirect subsidiaries as a group. Our registered office is at Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, telephone number +49-228-181-0. Our agent for service of process in the United States is Deutsche Telekom, Inc., 14 Wall Street, Suite 6B, New York, NY 10005.

## Forward-Looking Statements

This Report contains forward-looking statements that reflect the current views of our management with respect to future events and results, including statements contained under “Outlook” as well as dividend guidance and other information relating to expectations or targets for revenue or other performance measures. Forward-looking statements generally are identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates,” “aims,” “plans,” “will,” “will seek,” “targets,” “goals,” “outlook,” “should” and similar expressions. Forward-looking statements are based on current plans, estimates and projections, and therefore you should not place too much reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among other factors: the development of demand for our fixed and mobile telecommunications services, particularly for new, higher value service offerings; changes in general economic and business conditions, including the significant economic decline currently underway, in the markets in which we and our subsidiaries and associated companies operate; ongoing instability and volatility in worldwide financial markets; competitive forces, including pricing pressures, technological changes and alternative routing developments; regulatory actions and the outcome of disputes in which the Company is involved or may become involved; the pace and cost of the rollout of new services, which may be affected by the ability of suppliers to deliver equipment and other circumstances beyond our control; public concerns over health risks putatively associated with wireless frequency transmissions; risks associated with integrating our acquisitions; the development of asset values in Germany and elsewhere, the progress of our debt reduction and liquidity improvement initiatives; the development of our cost control and efficiency enhancement initiatives, including the areas of procurement and personnel reductions; risks and uncertainties relating to benefits anticipated from our international expansion, particularly in the United States; the progress of our domestic and international investments, joint ventures and alliances; our ability to gain or retain market share in the face of competition; our ability to secure and retain the licenses needed to offer services; the effects of price reduction measures and our customer acquisition and retention initiatives; the availability, term and deployment of capital, particularly in view of our debt refinancing needs, actions of the rating agencies and the impact of regulatory and competitive developments on our capital outlays; the progress of our workforce adjustment initiatives and outcome of labor negotiations; and changes in currency exchange rates and interest rates. Additionally, we periodically assess our goodwill and other long-term intangibles and tangible assets for indications of impairment by monitoring, among other things, changes in competitive conditions, expectations of growth in the industry, and changes in market and other factors, any of which could result in a risk of additional impairment charges. If these or other risks and uncertainties (including those described in “Forward-Looking Statements,” “Item 3. Key Information – Risk Factors” and elsewhere in our most recent Annual Report on Form 20-F for the year ended December 31, 2008 filed with the U.S. Securities and Exchange Commission) materialize, or if the assumptions underlying any of these statements prove incorrect, our actual results may be materially different from those expressed or implied by such statements.

World Wide Web addresses contained in this Report are for explanatory purposes only and they (and the content contained therein) do not form a part of, and are not incorporated by reference into, this Report.

## Currencies and Exchange Rates

Unless otherwise indicated, all amounts in this Report have been expressed in euros.

As used in this document, “euro,” “EUR” or “€” means the single unified currency that was introduced in the Federal Republic of Germany (the “Federal Republic”) and ten other participating Member States of the European Union on January 1, 1999. “U.S. dollar,” “USD” or “\$” means the lawful currency of the United States. “Pound sterling” means the lawful currency of the United Kingdom.

Amounts appearing in this Report that have been translated into euros from other currencies were translated in accordance with the principles described in the notes to the audited consolidated financial statements contained in our Annual Report on Form 20-F for the year ended December 31, 2008.

## International Financial Reporting Standards (IFRS)

You should read the following discussion, which has been prepared in accordance with the requirements of the International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), in conjunction with the annual consolidated financial statements, including the notes to those financial statements, contained in our Annual Report on Form 20-F for the year ended December 31, 2008 filed with the United States Securities and Exchange Commission.

## Deutsche Telekom at a glance.

	Q1 2009 millions of €	Q1 2008 millions of €	Change %	FY2008 millions of €
Net revenue	15,902	14,978	6.2	61,666
Domestic	6,943	7,254	(4.3)	28,885
International	8,959	7,724	16.0	32,781
Profit from operations	244	2,298	(89.4)	7,040
Profit (loss) from financial activities	(742)	(677)	(9.6)	(3,588)
Profit (loss) before income taxes	(498)	1,621	n.a.	3,452
Depreciation, amortization and impairment losses	(4,698)	(2,657)	(76.8)	(10,975)
Net profit (loss)	(1,124)	924	n.a.	1,483
Earnings per share/ADSa basic/diluted	(€) (0.26)	0.21	n.a.	0.34
Cash capex b	(2,611)	(1,792)	(45.7)	(8,707)
Net cash from operating activities	2,801	3,331	(15.9)	15,368

## Number of employees at balance sheet date

	Mar. 31, 2009	Dec. 31, 2008	Change Mar. 31, 2009/ Dec. 31, 2008 %	Mar. 31, 2008	Change Mar. 31, 2009/ Mar. 31, 2008 %
Deutsche Telekom Group	260,798	227,747	14.5	237,757	9.7
Non-civil servants	228,928	195,634	17.0	202,586	13.0
Civil servants	31,870	32,113	(0.8)	35,171	(9.4)

## Number of fixed-network and mobile customers

	Mar. 31, 2009	Dec. 31, 2008	Change Mar. 31, 2009/ Dec. 31, 2008 %	Mar. 31, 2008	Change Mar. 31, 2009/ Mar. 31, 2008 %
Fixed network access lines c, d (millions)	40.3	41.1	(1.9)	43.6	(7.6)
Broadband access linesd,e (millions)	17.0	16.7	1.8	15.7	8.3

Mobile customers <sup>f</sup>	(millions)	148.4	147.6	0.5	139.0	6.8
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a One ADS (American Depositary Share) corresponds to one ordinary share of Deutsche Telekom AG.

b Investments in property, plant and equipment and intangible assets (excluding goodwill) as shown in the cash flow statement.

c Access lines in operation. Telephone lines excluding internal use and public telecommunications, including wholesale services. Approximately 160,000 business customers have been included in the Broadband/Fixed Network operating segment since January 1, 2009. The presentation of the number of access lines has been adjusted to reflect the business model of the Broadband/Fixed-Network operating segment. For the purposes of equal treatment, internal use by the System Solutions segment is no longer included in the presentation of the number of lines. Prior-year figures have been adjusted accordingly.

d From February 2009, the fixed-network business of OTE Greece and Romtelecom (Romania) is included in the Broadband/Fixed-Network operating segment. Prior-year comparatives have been adjusted on a pro forma basis.

e Broadband access lines in operation, including Germany and Southern and Eastern Europe.

f Number of customers of the fully consolidated mobile communications companies of the Mobile Communications Europe (including customers of Virgin Mobile) and Mobile Communications USA segments. From February 2009, the mobile communications business of COSMOTE (entity of the OTE group) in Greece, Romania, Bulgaria and Albania is included in the Mobile Communications Europe operating segment. Prior-year comparatives have been adjusted on a pro forma basis.



Developments in the Group.

Net revenue for the first quarter of 2009 was EUR 15.9 billion compared with EUR 15.0 billion for the prior-year period.

Domestic net revenue was EUR 6.9 billion compared with EUR 7.3 billion in the first quarter of 2008. International net revenue increased year-on-year from EUR 7.7 billion to EUR 9.0 billion.

The loss in the first quarter of 2009 amounted to EUR 0.9 billion compared with a profit of EUR 1.1 billion for the first quarter of 2008. This was primarily the result of an impairment loss recognized on the goodwill of the cash generating unit T-Mobile UK in the Mobile Communications Europe operating segment.

Corporate governance.

In the Declaration of Conformity released on December 4, 2008 pursuant to § 161 of the German Stock Corporation Act, the Supervisory Board and Board of Management of Deutsche Telekom AG declared that, in the period since submission of the previous declaration of conformity, Deutsche Telekom AG had complied, without exception, with the recommendations of the Government Commission for the German Corporate Governance Code published on July 20, 2007 and, without exception, with the recommendations published on August 8, 2008.

Deutsche Telekom AG shares are listed as American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE). As a result, Deutsche Telekom is subject to NYSE listing rules as well as to U.S. capital market legislation, in particular the Sarbanes-Oxley Act of 2002 and associated regulations of the Securities and Exchange Commission (SEC) for listed foreign entities. A general summary of the main differences between German corporate governance rules and those of the NYSE that apply to listed companies is included in Deutsche Telekom's Annual Report on Form 20-F for the 2008 financial year.

## Highlights.

Events in the first quarter of 2009.

Group.

Impairment of goodwill at T-Mobile UK.

Depreciation, amortization and impairment losses in the Group increased due to an impairment loss of EUR 1.8 billion recognized on the goodwill of the cash generating unit T-Mobile UK in the Mobile Communications Europe operating segment in the first quarter of 2009. Events or circumstances that resulted in this impairment loss primarily include the major economic slowdown and more intense competition in the United Kingdom. Lower roaming revenues and newly introduced regulation of roaming and termination charges had a negative impact on revenue. Increased termination charges for the use of third-party mobile communications networks and high levels of expenditure for customer acquisition and retention resulted in increases in the cost base.

Transfer of approximately 160,000 business customers from the Systems Solutions operating segment in Germany to the Broadband/Fixed Network operating segment.

To implement our "Focus, fix and grow" strategy, we transferred some 160,000 business customers from T-Systems to the Broadband/Fixed Network operating segment under the umbrella of T-Home, Sales & Service with effect from January 1, 2009. By bundling our operations in the new Deutsche Telekom Business Customers business unit, we are striving to boost demand among the 160,000 business customers for mainly standardized telecommunications and business products – around 90 percent of which are already produced by T-Home – by offering a competitive, customer-oriented range of services from a single source. The new Deutsche Telekom Business Customers business unit serves small, medium-sized and larger enterprises, focusing on sales and support of standardized telecommunications products and solutions. The new unit is responsible for all sales functions necessary to serve customers as well as the areas of product management and maintenance, upstream services management, appropriate support functions and the necessary operational basis. As a full service partner for information and communication technology (ICT) solutions.

T-Systems is focusing on business with around 400 national and international corporate customers. The strategic business unit is also the first point of contact for public sector customers and the healthcare sector. At the same time, the Business Customers operating segment was renamed Systems Solutions.

Issuances in the first quarter of 2009.

On January 20, 2009, Deutsche Telekom AG issued a Eurobond with a volume of EUR 2 billion through its financing arm Deutsche Telekom International Finance B.V. The eight-year bond has a coupon of 6 percent. Deutsche Telekom also issued promissory notes in the amount of EUR 0.2 billion with terms of seven to ten years.

OTE: Implementation of the shareholders' agreement on February 6, 2009.

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. Consequently, Deutsche Telekom has taken control of 50 percent plus two voting shares and therefore the company's financial and operating policies. Upon implementation of the shareholders' agreement on February 6, 2009, OTE is no longer included using the equity method, but fully consolidated for the first time.

Three-way approach to human resources planning – hiring, restructuring and reduction.

Deutsche Telekom AG's human resources planning in 2009 will focus more sharply on three elements: hiring, restructuring, and reduction. Socially responsible staff reduction will continue in 2009 on the same scale as in recent years. This will be implemented primarily by means of voluntary redundancies as well as partial and early retirement. Depending on developments in the individual business segments, Deutsche Telekom is planning to create up to 3,500 new jobs in Germany at the same time. The focus will be on technology, science, and business graduates, as well as internally trained junior staff. Around 1,200 new employees were hired permanently in the first quarter of 2009. Deutsche Telekom AG, Germany's largest training provider, will also offer some 3,600 young people the opportunity to begin a vocational training program in the Group in 2009 despite the economically difficult times.

Internationally, the HR structure of the Deutsche Telekom Group will be predominantly influenced by the first-time full consolidation of OTE, whose approximately 33,600 full-time equivalents (FTEs) were integrated into the Group's workforce in February 2009.

2009 collective bargaining at Deutsche Telekom AG and the service companies Deutsche Telekom Netzproduktion, Deutsche Telekom Technischer Service, and Deutsche Telekom Kundenservice.

On March 13, 2009, the negotiating parties reached an agreement in the arbitration proceedings governing 2009 collective bargaining for employees at Deutsche Telekom AG and its service companies that was ratified by the corresponding committees of the unions and employers. Salaries for employees at Deutsche Telekom AG and its service companies will gradually increase over a period of 24 months by a total of 5.5 percent. Pay will increase by 3 percent with retroactive effect as of January 1, 2009 and by an additional 2.5 percent the following year. In addition, protection from compulsory redundancy has been extended by another year. Pay-scale employees at Deutsche Telekom AG are guaranteed jobs up until the end of 2010, while their counterparts in the service companies have job security until the end of 2013. A year's extension has also been agreed for the commitment not to sell the service companies, now until the end of 2011.

Those employees of the service companies who personally contributed to the companies' improved cost efficiency by taking a pay cut negotiated with ver.di in 2007 as part of the process of establishing the service companies will receive an additional salary increase of 3.1 percent, comprising 2 percent initially for 2009, and a further 1.1 percent for 2010. All other pay-scale employees in the service companies will receive a pay rise of 3 percent for 2009 and 2.5 percent for 2010. In cases where the gross increase for 2009 is less than EUR 840, the difference will be offset by a one-time payment. Part-time staff will receive proportionate amounts.

Furthermore, the parties to the negotiations agreed to raise the monthly remuneration for trainees for 2009 and 2010. Pay in technology jobs will rise by EUR 25, in retail and dialogue marketing by EUR 30. In addition, the subsistence allowance for trainees who are not able to commute each day between their homes and work is being increased from EUR 150 to EUR 180.

Arbitration proceedings succeeded in agreeing a differentiated solution that is tailored to the varying needs of employees, while at the same time taking the companies' economic requirements and budget restrictions into account. The two-year term will create certainty and security for customers, employees and the companies alike.

Mobile Communications Europe.

Mobilization of the Internet through the launch of high-performance premium handsets and positioning as an innovative music provider.

In the first quarter of 2009, T-Mobile continued to push ahead with the launch of innovative handsets for the mobile Internet. Following the resounding success of the marketing of the Apple iPhone 3G last year in virtually all T-Mobile countries across Europe, the iPhone 3G was rolled out in Macedonia, Montenegro, Greece and Bulgaria in March 2009. In addition, having already launched the T-Mobile G1, the world's first Android-based mobile phone, in the United States and the United Kingdom, T-Mobile continued to roll it out in other European markets: in Austria, the Czech Republic, and the Netherlands on January 1, 2009, then in Germany and Poland in February. T-Mobile also built up additional expertise in the area of mobile Internet offerings, positioning itself as an additional music provider in Germany in March 2009 when it launched a new music portal.

T-Mobile wins awards in key European markets.

In January 2009, T-Mobile UK ranked first in nine out of thirteen categories in a survey on the use of mobile broadband services conducted by market research institute YouGov. The first place awards included the fastest

web-browsing experience and the best mobile broadband network. T-Mobile's subsidiary PTC was voted Company of the Year 2008 by Mobile Internet magazine and also came first in the two other categories of network quality and quality of service.

New arrangement in Poland strengthens market position.

T-Mobile's subsidiary PTC entered into a marketing arrangement with Biedronka, a leading, fast-growing retail company in Poland. As a result, PTC is now able to market its mobile services in over 1,350 Biedronka stores.

Mobile Communications USA.

T-Mobile USA reclaimed highest rank for wireless customer care.

On February 4, 2009, the Mobile Communications USA operating segment was ranked highest in wireless customer care performance by J.D. Power and Associates. Winning this award in seven of the last eight reporting periods continues to demonstrate the strong and successful focus on customer service at Mobile Communications USA.

#### Broadband/Fixed Network.

Load family leads in the German download market.

The market research company GfK Panel Services studies Germany's download market for its annual GfK Commercial Download Monitor report and identifies the top providers. Gamesload, Softwareload, and Videoload took the

top spots in the ranking of the most successful download portals in 2008: Gamesload is the most successful games download portal, Softwareload the best vendor-neutral provider of software downloads, and Videoload the leading video-on-demand provider for film downloads in Germany. Musicload also held on to its lead. GfK's "communication tracking" in March 2009 once again identified Musicload as Germany's best-known music download portal.

New business products for fast Internet and location networking.

Deutsche Telekom is systematically expanding its offering for connected working among business customers. At CeBIT 2009, new products and services were presented for fast, secure Internet connection, high-performance link-up of local area networks (LANs), and low-cost voice communications. What all these solutions have in common is that they enhance communications with customers and business partners as well as cooperation between locations, and thus significantly improve the competitiveness of companies.

#### Systems Solutions.

Major international contract: Linde AG commissions Deutsche Telekom subsidiary to provide data center and storage services.

T-Systems and Linde AG have signed a contract for the operation of a computing center and storage services supporting Linde AG's operations throughout Europe. This large-scale contract has a three-digit million volume and will run for seven years. It constitutes a further milestone in the international growth strategy of Deutsche Telekom's corporate customers arm. The contract strengthens T-Systems' position in the manufacturing industry. Under the new contract, Linde will procure and pay for its future data center and storage services in a dynamic way that is fully tailored to current needs and its own business processes.

T-Systems links up branches of REWE Group in Germany.

T-Systems is linking up the German operation of the REWE Group with corporate headquarters in Cologne through a virtual private network (VPN). The new network solution will serve almost all companies in this group, which in addition to the REWE supermarkets includes the discount retailer Penny, Pro Markt, toom hypermarkets and beverage stores, as well as the former Extra department stores. Under the contract, T-Systems will also incorporate the tourism arm of the REWE Group with its 900 DER and Atlas travel agencies in the network. The VPN solution will enable the REWE Group to process both receipt and planning data online in the central merchandise management system. The stores connected to the network place all orders online.

T-Systems secures public-sector contracts in the first quarter of 2009.

T-Systems secured public-sector contracts in the first quarter of 2009. Following a Europe-wide invitation to tender, the Ministry of Finance of North Rhine-Westphalia awarded Deutsche Telekom's systems solutions arm the contract for introducing a new budgeting and accounting system. The eight-year contract has a volume in the high double-digit million range. T-Systems also won a contract worth around EUR 0.1 billion in Baden-Württemberg. The Deutsche Telekom subsidiary will install and provide support for new PCs and printers at the office workstations of the Ministry of Justice, the Ministry of Science, public prosecutors' offices, courts, the penal system, and other selected regional public authorities. In March 2009, T-Systems won another contract in North Rhine-Westphalia for operation of the state administration network and the tax office and police special networks. The contract has a volume of over EUR 50 million and a four-year term with options for extensions. In addition, T-Systems is establishing and operating the backbone of future online communication for public administration in Germany. The DOI (Deutschland-Online Infrastruktur) network connects the communications networks of national, regional and local governments across the country, as well as linking them to the European administration network TESTA (Trans-European Services for Telematics between Administrations).

T-Systems and Cognizant manage software applications for Continental AG.

The strategic arrangement between T-Systems and Cognizant continues to be successful: Both companies assumed responsibility for the stable operation of the application landscape in the research and development department of Continental's tire divisions in Hanover at the beginning of 2009. The agreement has a term of three years. Cognizant is providing a considerable proportion of the application management services from India.



Regulatory situation.

Abuse proceedings relating to minimum contract terms discontinued.

On January 6, 2009, the Federal Network Agency decided to discontinue the abuse proceedings filed by HanseNet Telekommunikation GmbH relating to the contract terms of Deutsche Telekom's Call & Surf packages. The Federal Network Agency determined that there were no viable reasons to justify shortening the contract terms.

Order to allow access to cross-connect cabinets.

In a decision on March 3, 2009, the Federal Network Agency ordered Deutsche Telekom to grant its competitors access to the unbundled local loop line also at new cross-connect cabinets, subject to certain conditions.

Draft regulatory order on telephone lines.

The Federal Network Agency published a draft regulatory order on the market for telephone lines on March 18, 2009. One requirement imposed by the draft order is that call-by-call and preselection also be allowed for all-IP lines. A final ruling is expected in the second quarter of 2009.

Federal Network Agency approves rates for unbundled local loop lines.

The Federal Network Agency approved new rates for the unbundled local loop (ULL) line on March 31, 2009. The ULL will now cost EUR 10.20 per month – down from EUR 10.50. A rate of EUR 7.21 was agreed for the ULL to which access is provided in the street cabinet. These rates apply for a period of two years starting on April 1, 2009. The weighted average cost of capital (WACC) used for the regulation of rates was also reduced in the process from 8.07 percent in real terms to 7.19 percent.

Mobile termination rates in Germany.

On March 31, 2009, the Federal Network Agency approved new rates for termination of calls in the four German mobile communications networks. From April 1, 2009, the rates applicable to T-Mobile and Vodafone were thus reduced from 7.92 ct/min to 6.59 ct/min, while the rates applicable to E-Plus and O2 were reduced from 8.8 ct/min to 7.14 ct/min. This narrowed again the gap between the rates for the D and E networks in both absolute and relative terms. The new mobile termination rates have been approved until November 30, 2010, increasing the term compared with the previous rate ruling from 16 to 20 months.

Key elements paper on the digital dividend – auction.

On March 16, 2009, the Federal Network Agency published its key elements paper on awarding usage rights to the spectrum: There are plans to award 6 spectrum blocks of 2.5 MHz each for nationwide use. The spectrum will be auctioned together with frequencies from the 2.6 GHz, 2.1 GHz, and 1.8 GHz bands. The award procedure is expected to start at the end of 2009.

Flexible GSM license (refarming).

The Federal Network Agency conducted a consultation between November 19, 2008 and January 19, 2009. T-Mobile Deutschland's answer contained statements to the effect that starting in 2010 all mobile network operators should uniformly be given the option of refarming (creating a more flexible environment for the use of 900 and 1800 MHz spectrum, also by using technologies other than GSM). Making GSM licenses more flexible is also an important topic for T-Mobile UK at the moment. The UK media regulator Ofcom has already made proposals for this but favors a solution within the industry. Mandatory regulatory action has been announced in the event that this should fail. T-Mobile UK has since made alternative proposals of its own.

Group strategy.

"Focus, fix and grow" – targeted implementation of Group strategy.

Deutsche Telekom's vision of connected life and work takes account of changes in user behavior: Communication is becoming increasingly individualized, products and services can be personalized, media content is being digitized, users are becoming more mobile, and value creation is increasingly carried out at a global level. Deutsche Telekom is acting on these trends and focusing systematically on the changing needs of connected life and work. Long-term success in business can be achieved by developing innovative products and services, improving customer service, investing in broadband infrastructure, becoming an integrated organization, and using opportunities for growing abroad.

With its "Focus, fix and grow" strategy, Deutsche Telekom continues to pursue the four strategic areas of action even in times of economic turmoil:

Improve competitiveness in Germany and in Southern and Eastern Europe

Grow abroad with mobile

Mobilize the Internet

Roll out network-centric ICT

Improve competitiveness.

Deutsche Telekom is meeting the challenges in Germany as well as in the markets of Southeastern Europe decisively and with a forward-looking approach. One of the principal tenets of its strategy is a stronger emphasis on the Group's regional positioning, which is integrated through fixed and mobile communications. This will enable Deutsche Telekom to cement its position in highly competitive areas such as the German DSL market. Here, the Group won the most new DSL customers for the tenth consecutive quarter and increased the number of DSL retail lines to around 11 million. Other bases for strategic success are the targeted investments in state-of-the-art broadband infrastructure, the enhanced pricing and product policy, and ongoing improvement of the cost structure and customer service. Today, Deutsche Telekom already serves up to 1,000 German towns and cities with a high-performance ADSL2+ network and will conclude the roll-out of VDSL in Germany's 50 largest towns and cities by mid-2009. Deutsche Telekom relies on cooperative projects with local authorities and competitors such as M-Net in Augsburg, Vodafone in Würzburg and Heilbronn, or EWE in Bremerhaven and eight other towns in Lower Saxony to continue its development of Germany's broadband infrastructure. Cooperation with NetCologne in Aachen is also planned. Deutsche Telekom is continuing its course with its IPTV packages and intends, for example, to increase the number of Entertain packages marketed in Germany by the end of 2009. In addition to attractive prices, Deutsche Telekom's growth strategy involves continuous expansion of content – new channels such as TNT Serie or the TV-Selection series flat rate – as well as consolidation of its role as a pioneer of HD and networking of a wide variety of different media. Starting in summer 2009, all Entertain customers will be able to read e-mail, listen to music, view personal photos and videos, and share this content with friends and acquaintances – all on their TV. Besides taking advantage of opportunities for growth, maintaining costs at a competitive level and improving customer service are ongoing tasks. Deutsche Telekom has been working on precisely that with its Save for Service program launched in 2006. Deutsche Telekom maintains its target of achieving long-term savings of no less than EUR 4.7 billion a year through 2010. By March 31, 2009, annualized savings totaled approximately EUR 4.4 billion.



Grow abroad with mobile communications.

Mobile communications business outside Germany is a key growth driver for Deutsche Telekom, one with which the Company hopes to leverage international economies of scale and synergies. This will entail both consolidation in existing markets, wherever this is feasible and worthwhile, and involvement in areas where Deutsche Telekom does not currently operate. Deutsche Telekom has steadily increased the proportion of its revenue generated outside of Germany through organic and inorganic growth, especially in the United States and Southern and Eastern Europe. Approximately 56.3 percent of net revenue is currently generated outside Germany, most of which originates from the mobile communications business.

In a difficult competitive market environment created in part by the financial and economic crisis, T-Mobile USA added some 415,000 customers to its customer base in the first quarter of 2009 through organic growth, which corresponds to customer growth of 7.7 percent compared with the prior-year period. This was helped, for example, by outstanding customer service (ranked first in the J.D. Power and Associates 2009 Wireless Customer Care Performance Study), innovative products such as the T-Mobile G1, and systematic expansion of the mobile broadband infrastructure.

T-Mobile USA intends to continue to make investments and almost double its 3G network coverage in 2009 so that it will be able to serve around 200 million U.S. residents by the end of the year. In 2008, Deutsche Telekom reinforced its footprint in Southern and Eastern Europe by acquiring a 25-percent plus one share stake in Greece's largest telecommunications company, the OTE group. As of the end of the first quarter of 2009, OTE had 7.5 million fixed-network lines, 1.7 million broadband customers, and 19.9 mobile customers served by its fully consolidated companies. Its combined footprint covers the whole of Central, Southern, and Eastern Europe. This holds the prospect of future growth for both companies as well as the leveraging of synergy effects and also means that Deutsche Telekom's international growth strategy will be continuously enhanced.

Mobilize the Internet.

Mobile data use remained very popular in the first quarter of 2009. Deutsche Telekom is therefore adhering to its strategy of providing its customers with a mix of innovative as well as exclusive handsets and applications, attractive prices, and a first-class broadband infrastructure. This brought the number of mobile Internet users – with or without subscription - to just under 17 million in the six companies in Western Europe, the Czech Republic and Poland. In addition, having already launched the T-Mobile G1, the world's first Android-based mobile phone, in the United States and the United Kingdom, T-Mobile continued to roll it out in other European markets: in Austria, the Czech Republic, and the Netherlands on January 1, 2009, then in Germany and Poland in February. After the successful launch of the iPhone in Western European markets, T-Mobile now sells the device in a total of twelve countries. Besides the iPhone and the T-Mobile G1, mini-notebooks are key products for pushing the success of the mobile Internet, which is why T-Mobile is systematically building up its portfolio of mini-notebooks. In addition to notebooks from Acer, Samsung, and Sony, T-Mobile offers 700 series HP Compaq mini-notebooks in Germany and the Netherlands. Combined with attractive broadband Internet contracts and market prices, mini-notebooks will further increase revenue from mobile data communications. With web'n'walk, T-Mobile also gives its customers a proprietary platform for accessing the mobile Internet quickly and easily. This taps the intuitive user experience of an iPhone or a T-Mobile G1 for other mobile devices. T-Mobile showcased the new web'n'walk widget platform at the Mobile World Congress in Barcelona in February 2009 which will allow users to directly access their favorite personalized Internet services from the starting screen on their phone. The cooperation announced by T-Mobile and Nokia will make this offering even more appealing. Starting in the second half of 2009, the companies will offer an integrated marketplace that will give users access to a wide selection of widgets, applications, and content from the

T-Mobile Widget Gallery and Nokia's Ovi Store. As a leading broadband provider, Deutsche Telekom benefits significantly from growth in mobile web surfing on mobile phones, smartphones, notebooks, and mini-notebooks. To provide the best possible access for connected life and work on the move any time and any place, Deutsche Telekom is also relying on the continuous acceleration of its mobile communications networks (GPRS/ EDGE, as well as UMTS/ HSDPA and HSUPA) and concluded its first successful tests with fourth-generation mobile communications (LTE).

Roll out network-centric ICT.

T-Systems operates networks and data centers worldwide that form the basis of an integrated portfolio of information and communication technology (ICT) solutions for multinational corporations and public-sector entities. By focusing on the individualized project and solutions business for corporate customers, T-Systems will benefit even more from the dynamic demand for network-centric ICT solutions in the future. T-Systems again secured major contracts in the first quarter of 2009. In addition to an SAP Services contract with The Nuance Group, T-Systems is taking charge of IT services Europe-wide for Linde AG within the scope of a service agreement. This contract has a three-digit million volume and will run for seven years.

T-Systems also benefited considerably from public-sector contracts in the first quarter of 2009. In addition to a contract to manage the IT workstations of various ministries and government agencies in Baden-Württemberg, T-Systems recently won another contract from North Rhine-Westphalia for the operation of the state administration network and the tax office and police special networks.

The partnership entered into by T-Systems and Cognizant in 2008 in the systems integration area is continuing to develop successfully. Since 2009, both partners have been supporting Continental's tire division in Hanover, for example, handling the application management services of the research and development unit.

T-Systems is implementing an efficiency enhancement program to boost its competitiveness and improve its results. T-Systems' current operating performance figures show that this program is already having a positive effect.

## Development of business in the Group.

## Net revenue.

Deutsche Telekom generated revenue of EUR 15.9 billion in the first three months of financial year 2009. This corresponds to an increase of EUR 0.9 billion or 6.2 percent compared with the first three months of 2008. The first-time full consolidation of the OTE group was the primary contributor to the positive development of revenue.

The Mobile Communications Europe operating segment recorded a 1.7-percent increase in revenue to EUR 5.1 billion. This increase was also largely due to the full consolidation of OTE which contributed EUR 0.4 billion to segment revenue. Revenue for the first quarter was negatively affected by exchange rate effects amounting to EUR 0.3 billion, which resulted mainly from the translation of pound sterling and Polish zlotys into euros. General economic conditions and the continuing high level of competitive pressure also had a negative effect on revenue. T-Mobile UK in particular recorded a decrease in average revenue per user.

Revenue generated by the Mobile Communications USA operating segment increased EUR 0.7 billion quarter-on-quarter to EUR 4.1 billion. This revenue growth was primarily the result of positive exchange rate effects totaling EUR 0.5 billion from the translation of U.S. dollars to euros. The first-time full inclusion of SunCom for the full quarter as well as customer growth also contributed to revenue growth compared to the first quarter of 2008. Reflecting the effects of the unfavorable development of the economy in general, average revenue per user declined, however.

Revenue from the Broadband/Fixed Network operating segment increased EUR 0.2 billion year-on-year to EUR 5.9 billion. The positive effects of the first-time full consolidation of OTE amounted to EUR 0.5 billion, which were partly offset by a decrease in revenue of EUR 0.3 billion due to line losses and lower usage-dependent charges in Germany, and intense competition in Eastern Europe.

The Systems Solutions operating segment generated revenue of EUR 2.1 billion. Although international revenue recorded an increase, revenue declined by EUR 0.1 billion year-on-year, however, primarily due to lower intersegment revenue.

	Q1 2009 millions of €	Q1 2008 millions of €	Change millions of €	Change %	FY 2008 millions of €
Net revenue	15,902	14,978	924	6.2	61,666
Mobile Communications Europea, b	5,077	4,992	85	1.7	20,663
Mobile Communications USAa	4,137	3,461	676	19.5	14,957
Broadband/Fixed Networka,b, c	5,882	5,677	205	3.6	22,501
Systems Solutionsa,c	2,106	2,200	(94)	(4.3)	9,343
Group Headquarters & Shared Servicesa,b	878	884	(6)	(0.7)	3,573
Intersegment revenue	(2,178)	(2,236)	58	2.6	(9,371)

a Total revenue (including revenue between operating segments).

b Including first-time full consolidation of OTE from the beginning of February 2009 in the Mobile Communications Europe, Broadband/Fixed Network and Group Headquarters & Shared Services operating segments.



For detailed information, please refer to the interim consolidated financial statements.

- c As of January 1, 2009, approximately 160,000 business customers in Germany were transferred from the Systems Solutions operating segment (until December 31, 2008 called the Business Customers operating segment) to the Broadband/Fixed Network operating segment. Prior-year figures have been adjusted accordingly.
- d Elimination of revenue between operating segments.

Contribution of the operating segments to net revenue (after elimination of revenue between segments)

	Q1 2009	Proportion of net revenue of the Group %	Q1 2008	Proportion of net revenue of the Group %	Change millions of €	Change %	FY 2008 millions of €
Net revenue	15,902	100.0	14,978	100.0	924	6.2	61,666
Mobile Communications							
Europea	4,894	30.8	4,835	32.3	59	12	19,978
Mobile Communications USA	4,133	26.0	3,457	23.1	676	19.6	14,942
Broadband/Fixed Networka, b	5,235	32.9	5,032	33.6	203	4.0	19,779
Systems Solutionsb	1,496	9.4	1,504	10.0	(8)	(0.5)	6,368
Group Headquarters & Shared Servicesa	144	0.9	150	1.0	(6)	(4.0)	599

a Including first-time full consolidation of OTE from the beginning of February 2009 in the Mobile Communications Europe, Broadband/Fixed Network and Group Headquarters & Shared Services operating segments. For detailed information, please refer to the interim consolidated financial statements.

b As of January 1, 2009, approximately 160,000 business customers in Germany were transferred from the Systems Solutions operating segment (until December 31, 2008 called the Business Customers operating segment) to the Broadband/Fixed Network operating segment. Prior-year figures have been adjusted accordingly.

With 32.9 percent, the Broadband/Fixed Network operating segment provided the largest contribution to the net revenue of the Group. While the Mobile Communications USA operating segment increased its proportion of net revenue of the Group year-on-year, those of the operating segments Mobile Communications Europe, Broadband/Fixed Network, despite the inclusion of OTE, and Systems Solutions declined.

Breakdown of revenue by region.

The proportion of net revenue generated outside Germany in the first quarter of 2009 increased by 4.7 percentage points compared with the prior-year period to reach 56.3 percent. This was primarily due to revenue growth in North America and Europe. Revenue in North America was positively affected by exchange rate effects. The increase in revenue in Europe was mainly a result of the first-time full consolidation of OTE.

	Q1 2009	Q1 2008	Change	Change	FY 2008
	millions of €	millions of €	millions of €	%	millions of €
Net revenue	15,902	14,978	924	6,2	61,666
Domestic	6,943	7,254	(311)	(4.3)	28,885
International	8,959	7,724	1,235	16.0	32,781
Proportion generated internationally		(%)	56.3	51.6	53.2

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Europe (excluding Germany)	4,684	4,144	540	13.0	17,324
North America	4,148	3,460	688	19.9	14,931
Other	127	120	7	5.8	526

## Cost of sales.

	Q1 2009 millions of €	Q1 2008 millions of €	Change millions of €	Change %	FY 2008 millions of €
Cost of sales	(8,906)	(8,322)	(584)	(7.0)	(34,592)

The cost of sales increased year-on-year in the first quarter of 2009. The first-time full consolidation of OTE contributed EUR 0.5 billion to this increase. The Mobile Communications USA operating segment recorded an increase of EUR 0.2 billion in the cost of sales. In addition, exchange rate effects of EUR 0.3 billion had a negative impact on this operating segment. By contrast, a decrease of EUR 0.4 billion in the cost of sales was recorded by the operating segments Systems Solutions, Mobile Communications Europe, and Broadband/Fixed Network excluding OTE. The Broadband/Fixed Network segment cut costs in Germany in particular.

## Selling expenses.

	Q1 2009 millions of €	Q1 2008 millions of €	Change millions of €	Change %	FY 2008 millions of €
Selling expenses	(3,996)	(3,709)	(287)	(7.7)	(15,952)

Selling expenses increased by EUR 0.2 billion, mainly as a result of the full consolidation of OTE for the first time. Exchange rate effects totaling EUR 0.1 billion, especially from the translation of U.S. dollars to euros, also impacted selling expenses.

## General and administrative expenses.

	Q1 2009 millions of €	Q1 2008 millions of €	Change millions of €	Change %	FY 2008 millions of €
General and administrative expenses	(1,136)	(1,103)	(33)	(3.0)	(4,821)

The slight increase in general and administrative expenses is mainly attributable to the full consolidation of OTE for the first time.

## Other operating income / expenses.

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	Q1 2009 millions of €	Q1 2008 millions of €	Change millions of €	Change %	FY 2008 millions of €
Other operating income	387	755	(368)	(48.7)	1,971
Other operating expenses	(2,007)	(301)	(1,706)	n.a.	(1,232)
Oth					