



U.S. Department of Justice

Criminal Division, Fraud Section

*Bond Building  
1400 New York Avenue, N.W.  
Washington, D.C. 20530*

December 29, 2011

Mary Jo White, Esq.  
Jonathan R. Tuttle, Esq.  
Debevoise & Plimpton LLP  
919 Third Avenue  
New York, New York 10022

Re: Deutsche Telekom AG

Dear Ms. White and Mr. Tuttle:

On the understandings specified below, the United States Department of Justice, Criminal Division, Fraud Section, and the United States Attorney's Office for the Eastern District of Virginia (the "Department") will not criminally prosecute Deutsche Telekom AG ("DT" or the "Company"), a corporation organized under the laws of Germany and whose American Depository Receipts traded on the New York Stock Exchange, for any crimes (except for criminal tax violations, as to which the Department does not make any agreement) related to the offering or making of improper payments by employees of Magyar Telekom, Plc. ("Magyar"), to foreign officials, foreign political parties, and officials of foreign political parties in Macedonia and the accounting and record-keeping associated with these improper payments in violation of the books and records provisions of the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff(a), as described in Appendix A attached hereto, which is incorporated herein by reference. The Department enters into this non-prosecution agreement based, in part, on the following factors: (a) DT's timely, voluntary, and complete disclosure of the facts described in Appendix A; (b) DT's thorough cooperation with the Department and the U.S. Securities and Exchange Commission ("SEC"); and (c) DT's remedial efforts already undertaken and to be undertaken, including enhancements to its compliance program as described in Appendix B.

It is understood that DT admits, accepts, and acknowledges responsibility for its conduct set forth in Appendix A, and agrees not to make any public statement contradicting Appendix A.

This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to DT and not to any other entities or to any individuals. DT expressly understands that the protections provided under this Agreement shall not apply to any acquirer or successor entity unless and until such acquirer or successor formally adopts and executes this Agreement.

This Agreement shall have a term of two (2) years from the date that this Agreement is executed, except as specifically provided in the following paragraph. It is understood that for the

two-year term of this Agreement, DT shall: (a) commit no criminal violation of United States law; (b) truthfully and completely disclose non-privileged information with respect to the activities of DT, its officers, directors, employees, and others concerning all matters about which the Department inquires of it, which information can be used for any purpose, except as otherwise limited in this Agreement; and (c) bring to the Department's attention all conduct by DT, any of its senior managerial employees that violates United States law, or any investigation of any such conduct, that comes to the attention of DT's senior management, as well as any administrative proceeding or civil action brought by any governmental authority against DT that alleges fraud or corruption by DT.

Until the date upon which all investigations and any prosecution arising out of the conduct described in this Agreement are concluded, whether or not they are concluded within the term of this Agreement, DT shall in any such investigations or prosecution: (a) cooperate fully with the Department, the Federal Bureau of Investigation, and any other law enforcement agency designated by the Department; (b) assist the Department by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (c) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, director, agent, or employee of DT at any meeting or interview or before the grand jury or at any trial or other court proceeding; and (d) provide the Department, upon request, all non-privileged information, documents, records, or other tangible evidence about which the Department or any designated law enforcement agency inquires.

It is understood that DT has agreed to pay a monetary penalty of \$4,360,000. DT agrees to pay this sum to the United States Treasury within ten days of executing this Agreement. DT acknowledges that no tax deduction may be sought in connection with this payment.

It is understood that DT will maintain or, as necessary, strengthen its compliance, bookkeeping, and internal control standards and procedures, as set forth in Appendix B.

It is understood that, if the Department in its sole discretion determines that DT has committed any criminal violation of United States law after signing this Agreement, that DT has given false, incomplete, or misleading testimony or information at any time, or DT otherwise has violated any provision of this Agreement, DT shall thereafter be subject to prosecution for any violation of federal law which the Department has knowledge, including perjury and obstruction of justice. Any such prosecution that is not time-barred by the applicable statute of limitations on the date that this Agreement is executed may be commenced against DT, notwithstanding the expiration of the statute of limitations during the term of this Agreement plus one year. Thus, by signing this agreement, DT agrees that the statute of limitations with respect to any prosecution that is not time-barred as of the date of this Agreement is executed shall be tolled for the term of this Agreement plus one year.

It is understood that, if the Department in its sole discretion determines that DT has committed any criminal violation of United States law after signing this Agreement, that DT has given false, incomplete, or misleading testimony or information, or that DT otherwise has violated any provision of this Agreement: (a) all statements made by DT to the Department or other designated law enforcement agents, including Appendix A attached hereto, and any

testimony given by DT before a grand jury or other tribunal, whether before or after the execution of this Agreement, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceeding brought against DT; and (b) DT shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom are inadmissible or should be suppressed. By signing this Agreement, DT waives all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state, local, or foreign prosecuting authority other than the Department. The Department will, however, bring the cooperation of DT to the attention of other prosecuting and investigative offices, if requested by DT.

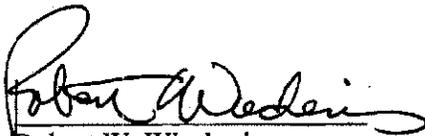
It is further understood that DT and the Department may disclose this Agreement to the public.

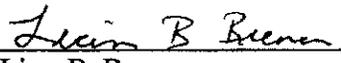
With respect to this matter, from the date of execution of this Agreement forward, this Agreement supersedes all prior, if any, understandings, promises and/or conditions between the Department and DT. No additional promises, agreements, or conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by all parties.

Sincerely,

Neil H. MacBride  
United States Attorney

Denis J. McNerney  
Chief, Fraud Section  
Criminal Division  
U.S. Department of Justice

BY:   
Robert W. Wiechering  
Assistant U.S. Attorney

BY:   
Liam B. Brennan  
Trial Attorney

BY:   
Charles F. Connolly  
Assistant U.S. Attorney

**AGREED AND CONSENTED TO:**

Deutsche Telekom AG

Date: 12-29-2011

BY:   
Dr. Manfred Bal  
Member, Management Board

Date: \_\_\_\_\_

BY: \_\_\_\_\_  
Dr. Claudia Junker  
General Counsel

**APPROVED:**

Date: \_\_\_\_\_

BY: \_\_\_\_\_  
Mary Jo White  
Jonathan R. Tuttle  
Debevoise & Plimpton LLP

**AGREED AND CONSENTED TO:**

Deutsche Telekom AG

Date: \_\_\_\_\_

BY: \_\_\_\_\_

Dr. Manfred Balz  
Member, Management Board

Date: 29 December 2011

BY: \_\_\_\_\_

*Dr. Claudia Junker*  
Dr. Claudia Junker  
General Counsel

**APPROVED:**

Date: \_\_\_\_\_

BY: \_\_\_\_\_

Mary Jo White  
Jonathan R. Tuttle  
Debevoise & Plimpton LLP

**AGREED AND CONSENTED TO:**

Deutsche Telekom AG

Date: \_\_\_\_\_

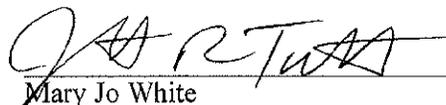
BY: \_\_\_\_\_  
Dr. Manfred Balz  
Member, Management Board

Date: \_\_\_\_\_

BY: \_\_\_\_\_  
Dr. Claudia Junker  
General Counsel

**APPROVED:**

Date: 12/28/11

BY:   
Mary Jo White  
Jonathan R. Tuttle  
Debevoise & Plimpton LLP

## APPENDIX A STATEMENT OF FACTS

This Statement of Facts is incorporated by reference as part of the non-prosecution agreement, dated December 29, 2011, between the United States Department of Justice, Criminal Division, Fraud Section, the U.S. Attorney's Office for the Eastern District of Virginia (collectively, the "Department"), and Deutsche Telekom AG, and its subsidiaries and affiliates (collectively, "DT"). The Department and DT agree that the following facts are true and correct:

### I. Background

1. Deutsche Telekom AG was a multinational telecommunications company based in Germany and the parent company of Magyar Telekom, Plc. DT operated cellular and fixed line phone businesses under the T-Mobile and T-Com brands through various operating subsidiaries, including Magyar Telekom. DT owned approximately 60% of Magyar Telekom and reported the results of its operations in DT's consolidated financial statements. During the relevant time period, DT's American Depositary Receipts ("ADRs") traded on the New York Stock Exchange ("NYSE") under the ticker symbol "DT." Accordingly, DT was an "issuer" within the meaning of the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. § 78dd-1(a). DT disclosed financial information to the public through various means, including the electronic filing of periodic and annual reports on SEC Forms 6-K and 20-F with the SEC. DT electronically transmitted its filings to the SEC's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR") at the Management Office of Information and Technology in Alexandria, Virginia, within the Eastern District of Virginia.

2. Magyar Telekom, Plc. ("Magyar Telekom"), formerly known as Matav, was a publicly traded Hungarian corporation operating fixed line and cellular phone businesses in Hungary, Montenegro, Macedonia, and elsewhere, using the T-Mobile and T-Com brands. During the relevant time period, Magyar Telekom's ADRs traded on the NYSE under the ticker symbol "MTA." Accordingly, Magyar Telekom was an "issuer" within the meaning of the FCPA, Title 15, United States Code, Section 78dd-1(a). Magyar Telekom also disclosed financial information to the public through various means and periodic filings via EDGAR within the Eastern District of Virginia.

3. Makedonski Telekomunikacii A.D. ("MakTel") was the former state-owned telecommunications services provider in Macedonia. In January 2001, Magyar Telekom, acting in a consortium with other bidders, acquired partial ownership of MakTel through a privatization by the Government of the Republic of Macedonia. By late 2004, Magyar Telekom had acquired sole ownership of an approximately 51% stake in MakTel by purchasing additional shares from the Macedonian government and from private shareholders. Magyar Telekom held its MakTel shares through a wholly owned holding company. The Macedonian government currently retains an approximately 35% stake in MakTel. From early 2001 to mid-2006, Macedonian government owned approximately 47% of MakTel's shares. The Macedonian government, as a shareholder, was entitled to a proportionate distribution of all dividends declared by MakTel. MakTel's dividend payments were a significant source of revenue for the Macedonian government.

Throughout the relevant time period, MakTel's financial results were included in the consolidated financial statements that Magyar Telekom filed with the SEC.

## II. Improper Conduct in Macedonia

4. In 2005 and 2006, certain senior executives at Magyar Telekom engaged in a course of conduct with consultants, intermediaries and other third parties, under circumstances in which they knew, or were aware of a high probability that circumstances existed in which, all or a portion of the proceeds of such payments would be offered, given, promised or paid, directly or indirectly, to Macedonian government officials to delay or prevent the introduction of a new competitor to Magyar Telekom's subsidiaries operating in Macedonia, including MakTel, and to obtain certain regulatory benefits. A DT executive ("DT Executive") was a board member of various DT Group companies, including Magyar Telekom and a MakTel mobile subsidiary.

5. DT Executive supported Magyar Telekom entering into an agreement – a "Protocol of Cooperation" – with high-ranking government officials in Macedonia. The agreement outlined the regulatory benefits that the government would provide to Magyar Telekom, including the prevention of a new competitor in Macedonia's mobile phone market. After a Magyar Telekom executive and Macedonian official executed the Protocol of Cooperation, they kept the only copy of the executed agreement outside of Magyar Telekom's records with a third-party intermediary in Greece. DT Executive was aware an executed Protocol of Cooperation was not kept in Magyar Telekom's books and records.

6. Magyar Telekom, through its subsidiaries in Macedonia, made payments of €4.875 million during 2005 and 2006 to an intermediary under the guise of bogus "consulting" and "marketing" contracts that did not have any legitimate business purpose. The payments were made with the knowledge that, or the awareness of a high probability that circumstances existed in which, all or a portion of the proceeds would be offered, promised or paid to Macedonian government officials. In return, the officials would agree to adopt the regulatory changes outlined in the Protocol of Cooperation. The Magyar executives also offered or promised Macedonian political party officials a valuable business opportunity in return for their support of Magyar Telekom's desired benefits.

7. In order to make the above mentioned payments, Magyar Telekom executives structured contracts with entities controlled by the aforementioned Greek intermediary. They did this for the purpose of circumventing Magyar Telekom's internal controls and avoiding detection. These consulting and marketing contracts entered into in 2005 and 2006 generally were backdated or contained success-based contingencies that had already been satisfied by the time they were executed, and were supported by false performance certificates or other fabricated evidence of performance. The contracts served no legitimate business purpose, and no valuable performance was rendered under them. DT Executive later learned of these contracts and the circumstances in which they were executed.

8. In addition, the Magyar Telekom executives offered a Letter of Intent for the valuable business opportunity referenced above to an entity designated by a Macedonian political party. Magyar Telekom made this offer in order to secure a Macedonian official's execution of

the Protocol of Cooperation and thus secure the benefits that would flow from that agreement. Although the Letter of Intent was executed by a Magyar Telekom executive and a representative from the entity designated by the Macedonian political party, the business opportunity ultimately was not developed. Like the secret Protocol of Cooperation, the Letter of Intent was intentionally kept outside Magyar Telekom's books and records and remained with the aforementioned Greek intermediary in Greece.

9. The payments made under the above-referenced 2005 sham contracts were recorded on Magyar Telekom's books and records in a manner that did not accurately reflect the true purposes of the contracts under which they were made, and the false books and records were consolidated into DT's financial statements:

Date	Amount	From	To
July 12, 2005	€340,000	MakTel	Cypriot Shell Company
July 13, 2005	€640,000	MakTel	Cypriot Shell Company
September 6, 2005	€990,000	Stonebridge	Cypriot Shell Company
September 9, 2005	€980,000	Stonebridge	Cypriot Shell Company

### III. Impact on DT's Books and Records

10. Magyar Telekom recorded the payments to third-parties under these above-referenced contracts on its books and records in a manner that did not accurately reflect the true purpose of the contracts. The false entries in Magyar Telekom's books and records were consolidated into the books and records of DT, which reported the results of Magyar Telekom's operations in its consolidated financial statements.

## APPENDIX B CORPORATE COMPLIANCE PROGRAM

In order to address any deficiencies in its internal controls, policies, and procedures regarding compliance with the applicable provisions of the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§ 78dd-1, *et seq.*, and other applicable anti-corruption laws, Deutsche Telekom AG, and its subsidiaries (collectively, "DT" or the "company") agree to continue to conduct, in a manner consistent with all of its obligations under this Agreement, appropriate reviews of its existing internal controls, policies, and procedures.

Where necessary and appropriate, DT agrees to adopt new or to modify existing internal controls, policies, and procedures in order to ensure that it maintains: (a) a system of internal accounting controls designed to ensure that DT makes and keeps fair and accurate books, records, and accounts; and (b) a rigorous anti-corruption compliance code, standards, and procedures designed to detect and deter violations of the FCPA and other applicable anti-corruption laws. At a minimum, this should include, but not be limited to, the following elements to the extent they are not already part of the company's existing internal controls, policies, and procedures:

1. A clearly articulated corporate policy against violations of the FCPA and other applicable anti-corruption laws.
2. A system of financial and accounting procedures, including a system of internal accounting controls, designed to ensure the maintenance of fair and accurate books, records and accounts.
3. Promulgation of compliance standards and procedures designed to reduce the prospect of violations of the FCPA, other applicable anti-corruption laws and DT's compliance code. These standards and procedures should apply to all directors and employees and, where necessary and appropriate, outside parties acting on behalf of DT in foreign jurisdictions, including agents, consultants, representatives, distributors, teaming partners and joint venture partners (collectively referred to as "agents and business partners").
4. The assignment of responsibility to one or more senior corporate officials of DT for the implementation and oversight of compliance with policies, standards and procedures regarding the FCPA and other applicable anti-corruption laws. Such corporate official(s) shall have the authority to report matters directly to DT's Board of Management and Supervisory Board.
5. Mechanisms designed to ensure that the policies, standards and procedures of DT regarding the FCPA and other applicable anti-corruption laws are effectively communicated to all directors, employees and, where necessary and appropriate, agents and business partners. These mechanisms shall include: (A) periodic training for all such directors, employees, agents and business partners; and (B) annual certifications by all such directors, employees, agents and business partners, certifying compliance with the training requirements.

6. An effective system for reporting suspected criminal conduct and/or violations of the compliance policies, standards and procedures regarding the FCPA and other applicable anti-corruption laws for directors, employees, agents and business partners.

7. Appropriate disciplinary procedures to address, among other things, violations of the FCPA, other applicable anti-corruption laws or DT's compliance code by directors, employees, agents and business partners.

8. Appropriate due diligence requirements pertaining to the retention and oversight of agents and business partners.

9. Standard provisions in agreements, contracts, and renewals thereof with all agents and business partners which are designed to prevent violations of the FCPA and other applicable anti-corruption laws, which provisions may, depending upon the circumstances, include: (A) anti-corruption representations and undertakings relating to compliance with the FCPA and other applicable anti-corruption laws; (B) rights to conduct audits of the books and records of the agent or business partner to ensure compliance with the foregoing; and (C) rights to terminate an agent or business partner as a result of any violation of anti-corruption laws, and regulations or representations and undertakings related to such matters.

10. Periodic testing of the integrity code, and policies and procedures designed to evaluate their effectiveness in detecting and reducing violations of the anti-corruption laws and DT's internal controls system and integrity code.