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Interim Group Report.

January 1 to September 30, 2010.

Life is for sharing.

Deutsche Telekom at a glance.

– T-Mobile UK no longer fully consolidated since April 1, 2010. –

		Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Revenue and earnings								
Net revenue		15,601	16,262	(4.1)	46,944	48,402	(3.0)	64,602
Domestic		6,783	7,201	(5.8)	20,283	20,961	(3.2)	28,033
International		8,818	9,061	(2.7)	26,661	27,441	(2.8)	36,569
Proportion generated internationally	(%)	56.5	55.7		56.8	56.7		56.6
Profit from operations (EBIT)		1,941	2,498	(22.3)	5,681	4,754	19.5	6,012
Net profit		1,035	959	7.9	2,277	356	n.a.	353
Net profit (adjusted for special factors)		969	1,074	(9.8)	2,674	2,485	7.6	3,390
EBITDA		4,761	5,394	(11.7)	13,930	15,363	(9.3)	19,906
EBITDA (adjusted for special factors)		5,021	5,528	(9.2)	14,923	15,598	(4.3)	20,668
EBITDA margin (adjusted for special factors)	(%)	32.2	34.0		31.8	32.2		32.0
Earnings per share basic/diluted	(€)	0.23	0.22	4.5	0.52	0.08	n.a.	0.08
Statement of financial position								
Total assets		-	-		127,759	129,337	(1.2)	127,774
Shareholders' equity		-	-		43,360	41,589	4.3	41,937
Equity ratio	(%)	-	-		33.9	32.2		32.8
Net debt		-	-		43,747	42,389	3.2	40,911
Cash capex		(2,036)	(2,131)	4.5	(6,011)	(6,953)	13.5	(9,202)
Cash flow								
Net cash from operating activities		3,843	5,343	(28.1)	9,256	11,821	(21.7)	15,795
Free cash flow (before dividend payments and spectrum investment)		1,882	3,286	(42.7)	4,810	5,106	(5.8)	6,969
Net cash used in investing activities		(2,053)	(2,454)	16.3	(6,777)	(5,992)	(13.1)	(8,649)
Net cash from financing activities		(1,533)	(2,561)	40.1	(5,572)	(2,751)	n.a.	(5,123)

Number of employees at the reporting date.

	Sept. 30, 2010	June 30, 2010	Change Sept. 30, 2010/ June 30, 2010 %	Dec. 31, 2009	Change Sept. 30, 2010/ Dec. 31, 2009 %	Sept. 30, 2009	Change Sept. 30, 2010/ Sept. 30, 2009 %
Deutsche Telekom Group	250,309	251,258	(0.4)	259,920	(3.7)	259,973	(3.7)
Non-civil servants	222,561	222,801	(0.1)	230,732	(3.5)	229,377	(3.0)
Civil servants (domestic)	27,748	28,457	(2.5)	29,188	(4.9)	30,596	(9.3)

Number of fixed-network and mobile customers.

		Sept. 30, 2010	June 30, 2010	Change Sept. 30, 2010/ June 30, 2010 %	Dec. 31, 2009	Change Sept. 30, 2010/ Dec. 31, 2009 %	Sept. 30, 2009	Change Sept. 30, 2010/ Sept. 30, 2009 %
Fixed-network lines	(millions)	36.5	37.2	(1.9)	38.5	(5.2)	39.2	(6.9)
Retail broadband lines	(millions)	16.0	15.9	0.6	15.4	3.9	15.0	6.7
Mobile customers	(millions)	129.1	131.1	(1.5)	134.5	(4.0)	134.2	(3.8)

For a detailed explanation of the performance indicators used in this Interim Group Report (adjusted EBIT, EBIT margin, special factors affecting EBIT; and adjusted EBITDA, adjusted EBITDA margin, special factors affecting EBITDA; and adjusted net profit, cash capex, free cash flow, and net debt, special factors affecting profit/loss after income taxes), please refer to "Reconciliation of pro forma figures," page 72 et seq. The performance indicators used by Deutsche Telekom are defined in the Glossary.

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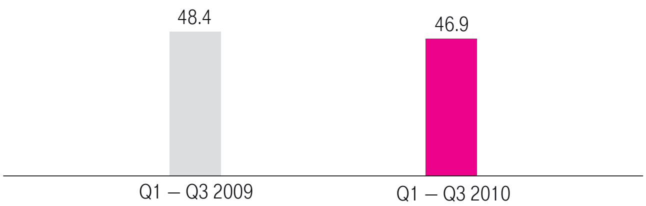
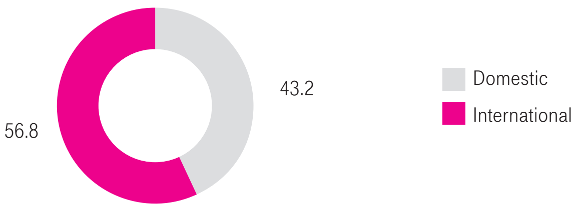
Net revenue (billions of €)



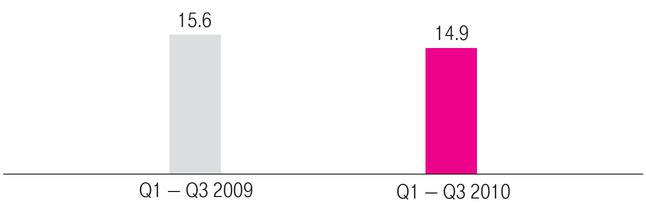
- Net revenue decreased by 3.0 percent in the first three quarters of 2010.
- Excluding T-Mobile UK, net revenue in the third quarter of 2010 increased by 1.0 percent compared with the prior-year quarter.
- Changes in the composition of the Group (OTE, T-Mobile UK) and exchange rate effects totaling EUR 0.3 billion had a negative impact on net revenue.
- Operations were positively impacted by the development of mobile data revenue and the increase in revenue from Systems Solutions as a result of new deals.
- Negative impacts on operations included fixed lines lost to competition and regulatory price cuts.

Proportion of net revenue generated internationally (%)



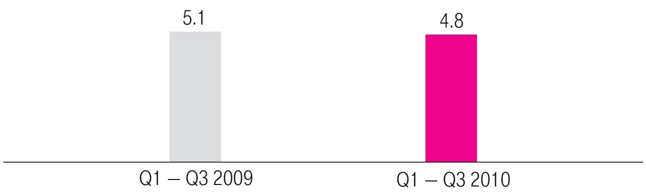
- The proportion of net revenue generated internationally remained almost constant year-on-year at 56.8 percent (prior-year period: 56.7 percent). Domestic net revenue amounted to EUR 20.3 billion in the first nine months of 2010, EUR 0.7 billion lower than in the prior-year period. International net revenue decreased 2.8 percent year-on-year to EUR 26.7 billion.
- The decline in international net revenue is primarily attributable to the establishment of the new joint venture Everything Everywhere in the United Kingdom. T-Mobile UK has no longer been fully consolidated since April 1, 2010.

Adjusted EBITDA (billions of €)



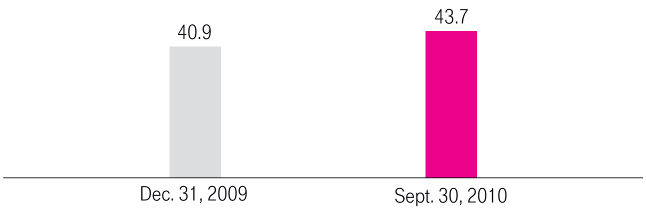
- The Group's adjusted EBITDA decreased by 4.3 percent compared with the first nine months of 2009.
- Exchange rate effects and changes in the composition of the Group (OTE, T-Mobile UK) totaling EUR 0.1 billion had a positive impact on Group EBITDA.
- The adjusted EBITDA margin was largely maintained despite the reduction in revenue.
- Group EBITDA decreased by EUR 1.4 billion year-on-year from EUR 15.4 billion to EUR 13.9 billion.

Free cash flow (before dividend payments and spectrum investment) (billions of €)



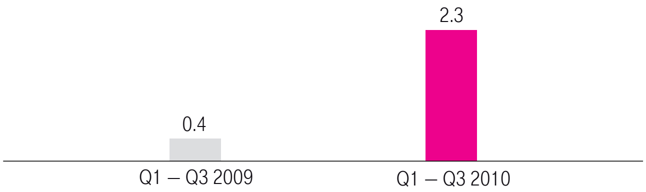
- Despite EUR 0.7 billion higher cash inflows from the sale of receivables (factoring) in the prior year, free cash flow only decreased by EUR 0.3 billion.
- Guidance of around EUR 6.2 billion for the full year 2010 confirmed.

Net debt (billions of €)



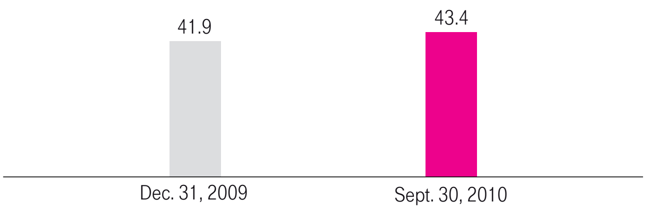
- Net debt increased by 6.9 percent compared with the end of 2009.
- This increase was attributable to dividend payments of EUR 4.0 billion, payments of EUR 1.3 billion for the acquisition of spectrum, exchange rate effects of EUR 0.8 billion, and effects from corporate transactions totaling EUR 1.6 billion (with the deconsolidation of T-Mobile UK accounting for EUR 0.4 billion, the financing of the Everything Everywhere joint venture for EUR 0.8 billion and the acquisition of STRATO for EUR 0.3 billion).
- Free cash flow of EUR 4.8 billion offset these measures.

Net profit (billions of €)



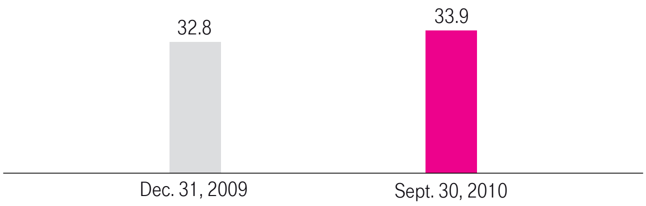
- Net profit increased by EUR 1.9 billion year-on-year in the first nine months and by 7.9 percent compared with the third quarter of the prior year.
- Depreciation, amortization, and impairment losses (including goodwill impairment) decreased by EUR 2.4 billion; loss from financial activities reduced by EUR 0.5 billion.
- Income tax expense decreased by EUR 0.2 billion; decline in share of non-controlling interests in profit.
- Earnings per share increased by EUR 0.44 to EUR 0.52.
- Adjusted net profit increased by 7.6 percent to EUR 2.7 billion.

Shareholders' equity (billions of €)



- Shareholders' equity increased by EUR 1.4 billion compared with the end of 2009.
- Positive effects from currency translation (EUR 3.4 billion) and profit (EUR 2.5 billion).
- Negative effects from dividend payments (EUR 4.0 billion) and other expenses and income recognized directly in equity (EUR 0.5 billion).

Equity ratio (%)

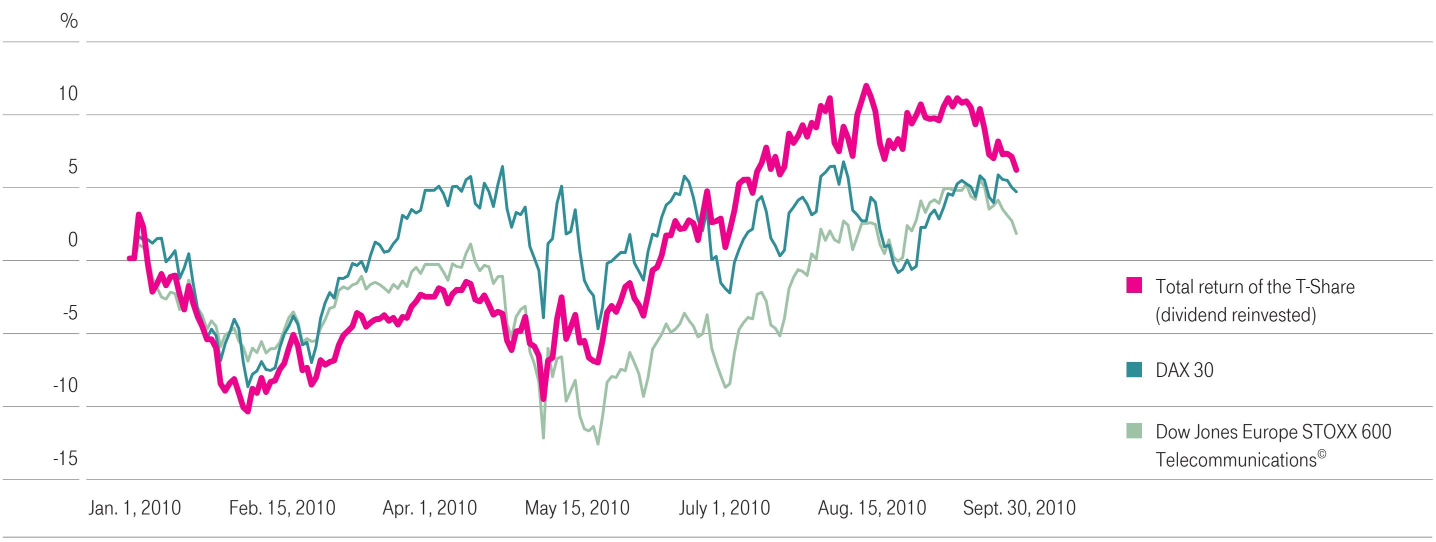


- Total assets remained almost unchanged compared with the end of the prior year (EUR 127.8 billion).
- Increase of 3.4 percent in shareholders' equity.
- This resulted in an improvement in the equity ratio.

For a more detailed explanation, please refer to the section "Development of business in the Group" in the interim Group management report.

The T-Share.

Total return of the T-Share in the first three quarters of 2010.



T-Share performance.

		Q1 – Q3 2010	Q1 – Q3 2009	FY 2009
Xetra closing prices	**(€)**			
Share price on the last trading day		10.04	9.33	10.29
Nine-month high		10.60	11.39	11.39
Nine-month low		8.55	7.93	7.93
Weighting of the T-Share in major stock indexes				
DAX 30	(%)	5.5	5.6	5.8
Dow Jones Euro STOXX 50©	(%)	1.9	1.8	1.9
Dow Jones Europe STOXX 600 Telecommunications©	(%)	10.2	8.8	9.3
Market capitalization	(billions of €)	43.9	40.8	44.9
Shares issued	(millions)	4,361	4,361	4,361

The third quarter of 2010 was predominantly positive on the equity markets. Cyclical stocks, especially commodities and industrial stocks, drove the recovery, displaying above-average performance. However, investors are still uncertain about the outlook for the global economy, especially after the release of disappointing U.S. economic data.

On the back of Germany's strong economic data, the DAX 30 gained around 6 percent in the third quarter of 2010. Among the German heavyweights, it was the more cyclical stocks that registered the highest markups during this period, while stocks considered as more defensive investments developed at a slower pace. Deutsche Telekom, however, bucked this trend, posting price gains of 3.4 percent in the third quarter. In terms of total shareholder return (share price performance + dividend), the Company's stock was up 6.1 percent since the beginning of the year, outperforming the DAX 30, which rose by 4.9 percent in the same period. The T-Share also outperformed the European telecoms sector (Dow Jones Europe STOXX 600 Telecommunications©), which advanced a modest 1.7 percent in the first nine months of the year.

The shareholder remuneration policy approved in February 2010 and the business performance in the second quarter of 2010 significantly contributed to the uptrend in Deutsche Telekom's share price. On July 27, 2010, the Board of Management of Deutsche Telekom AG decided as part of its new shareholder remuneration policy to buy back shares of the Company up to a purchase price of EUR 400 million through the stock exchange. By September 30, 2010, a total of 180,490 treasury shares had been repurchased at an overall price of around EUR 2 million.

Corporate governance.

The Supervisory Board and Board of Management of Deutsche Telekom AG declared on January 5, 2010 that, in the period since submission of the most recent declaration of conformity pursuant to § 161 of the German Stock Corporation Act on August 28, 2009, Deutsche Telekom AG has complied with the recommendations of the Government Commission of the German Corporate Governance Code, published by the Federal Ministry of Justice on August 5, 2009 in the official section of the electronic Federal Gazette (elektronischer Bundesanzeiger), without exception.

The Supervisory Board and Board of Management of Deutsche Telekom AG declared further on January 5, 2010 that Deutsche Telekom AG complies with the recommendations of the Government Commission of the German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on August 5, 2009, without exception.

The text of the Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) under Investor Relations in the Corporate Governance section.

Highlights in the third quarter of 2010.

Group.

Deutsche Telekom starts share buy-back. On July 27, 2010, Deutsche Telekom's Board of Management decided to exercise the authorization to purchase treasury shares as granted by the shareholders' meeting on May 3, 2010. The Company will purchase shares up to a price of EUR 400 million (excluding transaction costs) between August 10, 2010 and December 31, 2010. By September 30, 2010, shares with a value of around EUR 2 million had been acquired. For more information, please refer to the notes to the interim consolidated financial statements.

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 affects those shareholders who exchanged their T-Online shares for Deutsche Telekom shares as part of the merger. For further details, please refer to Deutsche Telekom's 2009 Annual Report.

Delisting from the New York Stock Exchange.

OTE and Magyar Telekom withdraw from the New York Stock Exchange. OTE delisted its American Depositary Shares (ADSs) from the New York Stock Exchange (NYSE) on September 17, 2010. Magyar Telekom is planning to do the same on November 12, 2010. Both OTE and Magyar Telekom also intend to deregister, thus terminating their reporting requirements to the U.S. Securities and Exchange Commission (SEC).

Mobile spectrum.

Allotment of frequency blocks purchased by auction in Germany. In May 2010, Telekom Deutschland GmbH purchased spectrum by auction in the 0.8 GHz, 1.8 GHz, and 2.6 GHz frequency ranges. While the spectrum in the 1.8 GHz range was clearly allotted from the outset ("specific block"), an allotment was required in the two other frequency ranges ("abstract blocks") following the auction. This was designed to ensure that each successful bidder received adjacent frequency blocks. The frequency blocks were allotted through a lottery system by the Federal Network Agency on August 30, 2010. Thus all frequency ranges purchased by auction have now been specified and assigned to the network operators. Under the Telecommunications Act, before the acquirers actually start to use the frequencies they must apply to the Federal Network Agency for assignment of the frequencies. Deutsche Telekom has already submitted the corresponding applications and received assignment notices from the Federal Network Agency for the 0.8 GHz and 1.8 GHz frequency ranges by September 30, 2010. The Company received an assignment notice for the 2.6 GHz range on October 20, 2010.

T-Mobile Austria acquires spectrum in 2.6 GHz range. T-Mobile Austria participated successfully in the frequency auction in Austria, paying EUR 11 million for a total of 2 x 20 MHz in the 2.6 GHz range. The company can now offer the full range of services based on the new 4G technology, also known as LTE (Long Term Evolution). The roll-out of the 4G network can thus begin immediately.

4G networks.

4G network technology ready to go in Germany. Deutsche Telekom has been moving ahead at speed with the roll-out of the infrastructure for the "gigabit society." Three months after the relevant mobile communications frequencies were auctioned, the first systems needed for 4G mobile communications on the basis of LTE are now in place and ready to go. 4G sites have a reach of around ten kilometers. As early as 2011 – when manufacturers are expected to introduce the first 4G devices – customers will be able to enjoy wireless Internet access at home. By installing the 4G network, Deutsche Telekom, in cooperation with its technology partners, is taking large steps toward provision of broadband service to regions that have had inadequate coverage to date. Deutsche Telekom began its nationwide 4G network roll-out in Brandenburg, Baden-Württemberg and Bavaria. It continues to progress with filling in the "blank spots" in Germany.

New products.

T-Mobile USA unveiled the T-Mobile G2 with Google and mobile tablet in T-Mobile's Android portfolio. T-Mobile USA unveiled the T-Mobile G2 with Google which delivers downloads and web browsing at 4G speeds and integration with Google services. The G2 breaks new ground as the first smartphone specifically designed for T-Mobile USA's HSPA+ network. Also in the third quarter of 2010, T-Mobile USA revealed the first mobile tablet in T-Mobile's Android portfolio, the Samsung Galaxy Tab. A powerful entertainment device, the Galaxy Tab features a vibrant seven-inch touch screen and the Android 2.2 operating system. The Galaxy Tab is expected to be available to T-Mobile USA customers this holiday season. T-Mobile USA now offers 22 smartphones (which include UMTS/HSPA/HSPA+ enabled smartphones). By the end of the third quarter of 2010, T-Mobile USA had more than 7.2 million customers using such devices, including the Samsung Vibrant and Blackberry Curve 9300 3G launched during the third quarter.

iPhone 4 marketing in Europe. The iPhone 4 is on the market in nearly all countries in the Europe operating segment. Individual user behavior and different technical prerequisites in each country were taken into consideration when setting the corresponding rate plans. Deutsche Telekom expects that marketing the iPhone 4 will further increase mobile data traffic in the countries in the Europe operating segment.

Connected life and work.

Smart metering solutions. Deutsche Telekom has equipped a new housing development with the infrastructure for intelligent gas and electricity meters (smart metering) on behalf of the city of Emden's municipal utilities. The Group provides the data link, the installation of communications boxes in the 100 households, and the transmission of the data to the municipal utilities via DSL. Going forward, this will provide the utilities' customers with information on their consumption on a secure Internet portal.

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 wherever the homeowners are. A total of 50 selected households in Friedrichshafen are testing the solution in everyday use up to the end of 2010. For Deutsche Telekom, HomeNetwork 2.0 is a key project for the "connected home."

LIGA total! now interactive. Deutsche Telekom presented a personalized soccer coverage function in time for the 2010/2011 Bundesliga season. Subscribers can now choose between standard coverage with live reports from all matches taking place at the same time and personalized coverage consisting of live broadcasts they themselves can select from all matches.

"Mobile wallet" in Bulgaria. A new service in Bulgaria lets mobile communications customers use their mobile phone as a mobile wallet, not only giving them full access to their bank account, but also allowing them pay for their purchases in selected stores.

Customer service / Awards.

Deutsche Telekom has "mobile network of the year." Deutsche Telekom ranked first in three categories in the largest mobile network test in Germany by the specialist Internet portal CHIP Online. The Company was named the overall winner and also took first place in the categories "voice" and "mobile Internet." The judges were particularly impressed by Deutsche Telekom's data transmission.

According to consumer organization Stiftung Warentest, Entertain offers best picture quality. Between June and August 2010, Stiftung Warentest compared the Deutsche Telekom TV service with satellite, cable, and DVBT services, and also with the services of one other IPTV provider. Entertain came out on top for standard-definition picture quality with a score of 1.8. The highest score of 1.0 was awarded for its HD-quality TV pictures. Digital video recorders recorded program excerpts from various stations, then experts assessed image and sound quality.

t-online.de Shop named best online store by testsieger.de. Deutsche Telekom's online store www.t-online.de/shop was awarded the best overall score of 1.9 and named as test winner in the 2010 Home Appliance Retailers survey by the Internet portal testsieger.de. This award confirms the store's leading position among the well-known e-commerce providers in Germany.

Investors.

Deutsche Telekom included again in Dow Jones Sustainability Index (DJSI). Deutsche Telekom qualified again this year for the most renowned sustainability indexes, the Dow Jones Sustainability Index World and Dow Jones Sustainability Index Europe. Only the top 10 percent of companies in a sector are included in the indexes and thus recommended to sustainability-oriented investors and fund managers as top investments.

Interim Group management report.
The economic environment.

This section provides additional information on and explains recent changes in the economic situation described in the Group management report for the 2009 financial year, focusing on global economic development, the outlook, the overall economic risks, the telecommunications market, and regulation.

Global economic development.

The global economy continued to recover in the third quarter of 2010, with emerging markets accounting for around 70 percent of the growth worldwide. In the industrial countries the situation was increasingly disparate. As growth driver for the European Union, Germany again recorded a high growth rate of around 3 percent. In the United States, growth reached approximately 2 percent, which is historically relatively low. The picture for the countries of the Europe operating segment was once again mixed in the third quarter of 2010. Poland and the Czech Republic achieved relatively good economic performances (growth rates of between 2 and 3 percent), whereas the Greek and Romanian economies shrank by 5 percent and 3 percent respectively compared with the third quarter of 2009. The Dutch, Austrian and Hungarian economies continued their slow but positive trends, reporting growth rates of between 1.5 and 2.5 percent.

Outlook.

The global economy is expected to grow at a slower rate in the fourth quarter of 2010 and in 2011. The OECD's composite leading indicators and the Baltic Dry Index, among others, are already showing a slight downtrend. Some of the main reasons are the completion of economic stimulus programs in most industrialized nations, the more stringent austerity programs in the deficit countries, and the streamlining of monetary and economic policy in emerging markets.

For Deutsche Telekom's core markets the economic outlook is varied. The German economy is expected to remain robust compared to other European economies and grow at an encouraging rate during the remaining months of 2010 as well as in 2011. While the upturn in 2010 is primarily export-driven, domestic demand in particular is likely to have a positive effect on economic development in 2011. In its 2010 Fall Report for Germany, the Joint Diagnosis project group predicted an increase in real GDP of 3.5 percent for the 2010 full year and 2.0 percent for 2011. Following a strong rebound in early 2010, only moderate growth is now expected for the U.S. economy in 2010 and 2011, with relatively high unemployment. The project group forecasts an increase in real GDP in the United States of 2.7 percent for 2010 as a whole and of 1.9 percent for 2011. Most economies in the European Union are taking time to recover from the crisis and anticipate growth rates of 1-2 percent. A sustained improvement in real GDP is expected in Poland and the Czech Republic in particular, where growth is forecast at 3 percent and 2 percent respectively. Austrian GDP is projected to increase by 1.8 percent in 2010 and 2.0 percent in 2011. In the Netherlands, GDP growth will hover around 1.5 percent in 2010 and 2011. The Joint Diagnosis project group's forecast for Greece envisages a contraction of 3.9 percent for 2010 and 2.1 percent for 2011. In Hungary, a slight downturn in 2010 is expected to be followed by expansion of 2.2 percent in 2011.

Overall economic risks.

The end of the fiscal and monetary policy stimulus programs in the leading economies continues to be considered a risk that may impact negatively on economic activity. To what extent countries may then slip back into recession will depend largely on whether the self-supporting forces can sustain the upswing.

Furthermore, the growing doubts on the financial markets about the solvency of the highly indebted countries may spread to countries with sounder budgets. The resulting rise in the interest paid on these countries' government bonds would force them to implement more restrictive fiscal policy measures that in turn would have an adverse effect on economic development.

Telecommunications market.

The economic growth and slight increase in consumer demand in most of Deutsche Telekom's core markets again supported the business environment in the third quarter of 2010 without, however, being a major source of impetus. A negative or continued braking effect may appear in the countries where purchasing power is falling or not developing positively, for instance through a rise in or consistently high unemployment.

Regulatory situation.

Issuance of a regulatory order on bitstream access. On September 17, 2010, the Federal Network Agency issued a regulatory order on bitstream access which regulates services and rates for DSL wholesale products. The regulatory order expands regulation to include previously unregulated products such as VDSL lines, which must now be offered at regulated terms and conditions. This also applies to FTTH (fiber to the home) lines as well as Ethernet-based bitstream access. The standard offering must now be adapted in line with the new order, with rates subject to ex-post control by the Federal Network Agency.

EU Recommendation on regulated access to Next-Generation Access Networks. On September 20, 2010, the European Commission adopted its Recommendation on regulated access to Next-Generation Access Networks (NGA Recommendation). The Recommendation gives guidance to national telecommunications regulators on how they should regulate next-generation access. This applies in particular to the regulation of companies with significant market power. The Recommendation specifically contains guidance on regulating access to the wholesale physical network infrastructure for local loop and broadband lines. Its aim is to harmonize regulatory requirements in Europe. On the whole, the European Commission essentially aims to maintain and expand existing regulation to include new fiber-based network infrastructures.

Regulatory order on unbundled local loop lines (ULLs). In September 2010, the Federal Network Agency issued a consultation draft for the regulatory order on unbundled local loop lines. As regards completely unbundled access to ULLs, the draft contains essentially the same obligations as the 2007 regulatory order on ULLs. The obligation to provide access to the cable duct remains in force as a supplementary requirement to the ULL. In accordance with the Federal Administrative Court's appeal ruling in January 2010, the obligation to provide access to dark fiber will be re-imposed. The Federal Network Agency has reconfirmed its consideration of dark fiber as a wholesale product subsidiary to the cable duct, in the event that no cable duct capacity is available. For the first time, the draft also envisages imposing an obligation to give access to Deutsche Telekom's operation support and scheduling systems that record the technical data of the ULLs and assign technicians to switching jobs. The Federal Network Agency also intends to include future access to the ULL purely through fiber (new FTTH infrastructure for the mass market) in the current regulatory regime. The final regulatory order will be adopted in the fourth quarter of 2010 following consultation with the European Commission.

Group strategy and Group management.

Group strategy.

Fix – Transform – Innovate. Deutsche Telekom's new strategy.

Deutsche Telekom's long-term goal is to become a market leader for connected life and work. On this path, the Group intends to refocus its business in the coming years with investments in intelligent networks and with IT, Internet and network services. The new Fix – Transform – Innovate strategy presented in March 2010 will enable Deutsche Telekom to broaden its revenue mix by focusing on new pockets of growth in addition to its traditional access business in fixed-network and mobile communications. The aim of this strategic approach is to expand the activities of Deutsche Telekom across the entire value chain and position the Company as an open partner for consumers and business customers.

The five new strategic action areas in the Group strategy specifically focus on the challenges and opportunities in the market and will safeguard Deutsche Telekom's successful positioning in the long term:

- Improve the performance of mobile-centric assets.
- Leverage One Company in integrated assets.
- Build networks and processes for the gigabit society.
- Connected life across all screens.
- Connected work with unique ICT solutions.

The Group has defined five growth areas in line with these action areas: mobile Internet, the connected home, proprietary Internet services, systems solutions, intelligent network solutions for energy, healthcare, media distribution, and the connected car. Revenue in these areas is to be almost doubled from EUR 15 billion in 2009 to around EUR 29 billion in 2015. The Group has again set itself ambitious targets. By 2012, costs are to be cut by a further EUR 4.2 billion in the second phase of the Save for Service program, the return on capital employed (ROCE) throughout the Group is to be increased by at least 150 basis points, and free cash flow is to be increased compared with the 2010 level.

Improve the performance of mobile-centric assets.

In countries like the United States, the United Kingdom, Austria, the Netherlands, the Czech Republic, and Poland, where Deutsche Telekom's presence primarily centers around mobile communications services, the Company is planning to enhance its performance and invest in next-generation technologies, develop innovative services, and expand its portfolio of mobile devices. In the United States, T-Mobile USA is pushing ahead with its network upgrade initiative to cover a population of around 200 million with high-speed HSPA+ technology by the end of 2010. It also aims to double the number of 3G smartphones to approximately 8 million. In the United Kingdom, the Group intends to make the new joint venture Everything Everywhere a success story. With its combined customer base the joint venture leads the UK mobile communications market. Market leadership in Poland and the Czech Republic will be consolidated and the strong position in the Netherlands and Austria further strengthened to challenge established operators.

Leverage One Company in integrated assets.

The new strategy will systematically continue the approach taken under the One Company project of integrating fixed-network and mobile communications. In Germany and Europe this will stabilize revenues, improve service levels, and leverage synergies from integration in marketing, distribution, and service. Cross-selling opportunities will open up additional revenue potential. New innovative services and rate plans will further differentiate Deutsche Telekom from the competition. Through the Media Center, for example, customers already have 24/7 access to their music, photos, and other content on their PCs, TVs, and smartphones. LIGA total!, the Group's soccer league service in Germany, can likewise be watched on various screens at home or on the move. By offering this service, Deutsche Telekom intends to become a more active integrated provider of convergent products from a single source.

Build networks and processes for the gigabit society.

Deutsche Telekom is forecasting a rapid increase in global data volumes in the coming years. Deutsche Telekom's aim is therefore to continue to transform its operations – to increase its efficiency on the one hand and satisfy the growing demand for larger bandwidth on the other. Among the issues are fiber roll-out and the HSPA+ and LTE push, network convergence and adaptability on the basis of an all-IP concept, increased flexibility and speed in the IT factory through systematic standardization and, last but not least, the ongoing expansion of key enabling skills in wholesale services and retail products. Deutsche Telekom's capital expenditure will remain at the high prior-year level to drive this transformation ahead and to increase efficiency. In Germany alone, the Company plans to invest around EUR 10 billion in infrastructure in the next three years.

Connected life across all screens.

Another strategic goal is the provision of innovative, non-device-specific and convergent services. The mobilization of data services and especially mobile Internet access are seen as the greatest opportunity for growth in this area. Deutsche Telekom intends to develop and market its own centralized offerings for connected life, e.g., innovative communication solutions based on users' personal network-based address books. The Company is also positioning itself as a pioneer for digital content, offering targeted, personalized linking and distribution of media content. By making specific purchases (e.g., ClickandBuy and STRATO), Deutsche Telekom is expanding its portfolio in the high-growth Internet business. A further topic being pushed is 'connected home.' Entertain and Home Gateway will become hubs for media, entertainment, and home automation. Deutsche Telekom's activities in this area aim to further strengthen its position in the European TV business and make it the market leader in Germany's pay TV market. Besides its own services and solutions, Deutsche Telekom is entering into selected cooperative ventures and is positioning itself long-term as a strategic partner for key players in other sectors, e.g., as an exclusive online content partner or for the marketing of innovative terminal equipment such as Apple's iPhone, and the T-Mobile G2 in the United States.

Connected work with unique ICT solutions.

Deutsche Telekom provides customized ICT solutions for business customers and draws on the services of T-Systems in the ongoing standardization of its internal IT solutions. The continued reorganization at T-Systems will lift its profitability to industry level. T-Systems intends to increase external revenues from IT services, focusing on strong growth outside Germany. There are plans to launch innovative offerings in the field of secure B2B cloud services and reinforce T-Systems' quality lead. Using its global infrastructure of data centers and networks, T-Systems provides unique expertise and an increasingly appealing product portfolio thanks to its service partnership with SAP. On the back of its new strategic approach, Deutsche Telekom is also positioning itself as an open partner for other sectors to exploit opportunities for growth in ICT solutions for energy, healthcare, media distribution, and the connected car. At CeBIT 2010, Continental and T-Systems presented an open, flexible, and future-proof infotainment concept for connected cars. At E-world 2010, Deutsche Telekom also showcased an end-to-end solution for the energy market – smart metering & home management – which allows power, gas, and water consumption data to be read, processed, and presented automatically.

Implementation of Group strategy.

The implementation of Deutsche Telekom's new strategy will now be pushed systematically in all five strategic action areas. Individual milestones have already been reached, such as the launch of the Everything Everywhere joint venture in the United Kingdom and the successful completion of the One Company project in Germany and Slovakia. Other milestones reached include the acquisition of additional mobile communications licenses and the start of the LTE roll-out in Germany and Austria.

Group management.

Group management focuses on the expectations Deutsche Telekom’s **four groups of stakeholders** (shareholders, providers of debt capital, employees, and the “entrepreneurs within the enterprise”) have of the Group:

1. **Shareholders** expect an appropriate, reliable return on their capital employed.

2. **Providers of debt capital** and banks expect an appropriate return and that Deutsche Telekom is able to repay its debts.

3. **Employees** expect long-term, secure jobs with prospects for the future and that any necessary staff restructuring will be done in a socially responsible manner.

4. **“Entrepreneurs within the enterprise”** expect sufficient investment funding to be able to shape Deutsche Telekom’s future business and to develop products, innovations, and services for the customer.

The purpose of Group management is to strike a balance between these contrasting stakeholder expectations and interests so that sufficient funding is available for investment, socially responsible staff restructuring, debt repayment, and an attractive dividend.

The **return on capital employed (ROCE)** is the main benchmark for focusing all operational measures on increasing the value of the Group. It represents the result a company has achieved in relation to the assets employed in achieving that result. Deutsche Telekom’s goal is to achieve or exceed the return targets imposed on it by providers of debt capital and equity on the basis of capital market requirements and thus to generate value.

Shareholders

Shareholders remuneration strategy up to 2012[1]:

EUR 3.4 billion payment per year
Minimum dividend of EUR 0.70 per share
Share buy-backs of up to EUR 1.2 billion over 3 years

Providers of debt capital

Rating:	A-/BBB+	✓
Relative debt:	2 to 2.5 x	✓
Equity ratio:	25 to 35 %	✓
Gearing:	0.8 to 1.2	✓
Liquidity reserve:	covers maturities of the next 24 months	✓

ROCE

Improvement of 150 basis points by 2012

Employees

Sustained employee orientation:

Securing jobs
Prospects of further qualification and promotion
Satisfaction at work

“Entrepreneurs within the enterprise”

Capex in 2010:

Target of around EUR 9 billion (before spectrum investment)

[1] Please refer to footnote 5 on page 45.

Development of business in the Group.

Effects of changes in the composition of the Group.

In the first nine months of 2010, the development of business was significantly impacted by changes in the composition of the Group resulting from the following situations in particular:

OTE group: Hellenic Telecommunications Organization S.A. (OTE/OTE group) has been fully consolidated since February 2009 and was therefore not included in the consolidated income statement for the full first nine months of 2009. The OTE group is presented in the Europe operating segment.

Everything Everywhere joint venture: On April 1, 2010, Deutsche Telekom and France Télécom S.A. completed the merger of T-Mobile UK and Orange UK into a joint venture called Everything Everywhere in which the two companies 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. Equally, 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. The new joint venture is presented in the Europe operating segment.

The following table shows the effects of the change in the composition of the Group arising from the joint venture Everything Everywhere on Deutsche Telekom's key performance indicators. For this purpose, the proportionate share of earnings from the joint venture attributable to Deutsche Telekom since April 1, 2010 and the contributions of T-Mobile UK from the corresponding prior-year period were eliminated.

	Excluding T-Mobile UK					
	Q2 2010 millions of €	Q2 2009 millions of €	Change %	Q3 2010 millions of €	Q3 2009 millions of €	Change %
Net revenue	15,531	15,386	0.9	15,601	15,448	1.0
EBITDA (adjusted for special factors)	5,012	5,107	(1.9)	5,021	5,345	(6.1)
Net profit	722	599	20.5	1,087	892	21.9
Free cash flow (before dividend payments and spectrum investment)	1,489	1,409	5.7	1,882	3,094	(39.2)
Cash capex	2,041	2,177	(6.2)	2,036	2,094	(2.8)

For a more detailed explanation of these effects of changes in the composition of the Group, please refer to the section "Selected explanatory notes" in the interim consolidated financial statements.

Results of operations of the Group.

Net revenue.

Deutsche Telekom generated net revenue of EUR 46.9 billion in the first nine months of the 2010 financial year, a decrease of 3.0 percent year-on-year. The aforementioned changes in the composition of the Group had a negative net impact of EUR 1.1 billion, while exchange rate effects had a positive effect of EUR 0.8 billion. Excluding these effects, revenue decreased by EUR 1.1 billion or 2.4 percent compared with the first nine months of 2009. The exchange rate effects resulted mainly from the translation into euros of U.S. dollars, Polish zlotys, Hungarian forints, and Czech korunas.

	Q1 2010 millions of €	Q2 2010 millions of €	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Net revenue	**15,812**	**15,531**	**15,601**	**16,262**	**(4.1)**	**46,944**	**48,402**	**(3.0)**	**64,602**
Germany	6,189	6,197	6,317	6,471	(2.4)	18,703	19,022	(1.7)	25,423
Europe	4,774	4,030	4,123	5,124	(19.5)	12,927	14,572	(11.3)	19,607
United States	3,814	4,188	4,143	3,758	10.2	12,145	11,813	2.8	15,471
Systems Solutions	2,131	2,242	2,205	2,125	3.8	6,578	6,410	2.6	8,798
Group Headquarters & Shared Services	565	583	567	593	(4.4)	1,715	1,823	(5.9)	2,410
Intersegment revenue	(1,661)	(1,709)	(1,754)	(1,809)	3.0	(5,124)	(5,238)	2.2	(7,107)

Revenue in Deutsche Telekom's operating segments developed as follows:

The **Germany** operating segment reported a year-on-year decline in revenue of 1.7 percent in the first nine months of 2010. The EUR 0.5 billion decrease in fixed-network revenue was only partially offset by a EUR 0.2 billion improvement in mobile revenue. Continuing line losses resulting from increased competition and falling usage-related charges were the main factors leading to the decline in revenue from the fixed-network business. Growth in unbundled local loop lines and changes in the composition of the Group had a positive effect but only partially compensated for the decline in revenue. The improvement in mobile revenue can be attributed to the positive trend in service and data revenues. Lower termination charges, EU roaming regulations, and the expiration of the national roaming agreements had an offsetting effect.

The decline in revenue in the **Europe** operating segment of EUR 1.6 billion or 11.3 percent compared with the first nine months of 2009 was due in part to negative effects from changes in the composition of the Group. After adjusting for these effects of EUR 1.2 billion and positive exchange rate effects of EUR 0.2 billion, revenue decreased by EUR 0.6 billion or 4.9 percent year-on-year. Cuts in mobile termination charges imposed by the regulatory authorities in most countries as well as intense competitive pressure on the mobile and fixed-network markets contributed to the decrease in revenues. Total revenue was also adversely affected by the strained macroeconomic situation in Eastern European countries in particular, as well as by a tax on mobile services in Croatia. The OTE group was impacted considerably by these factors, as nearly half of the decrease in segment revenue was recorded by the national companies that form part of this group.

Revenue in the **United States** operating segment increased by 2.8 percent compared with the first nine months of 2009 when translated into euros. After adjustment for exchange rate effects of EUR 0.5 billion, however, operating segment revenue declined slightly by 1.0 percent, mainly due to lower voice revenue effected by the loss of contract customers.

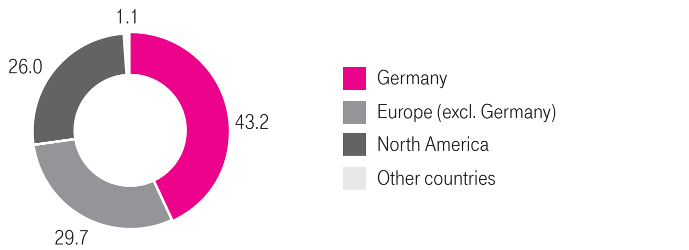
Revenue in the **Systems Solutions** operating segment increased by 2.6 percent in the first three quarters of 2010 compared with the same period in 2009. This positive development reflects the results of the numerous deals concluded this year and in the prior year. The new deals offset the general negative price trend in IT and communications and the continued restrained demand for new systems integration projects.

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

	Q1 – Q3 2010 millions of €	Proportion of net revenue of the Group %	Q1 – Q3 2009 millions of €	Proportion of net revenue of the Group %	Change millions of €	Change %	FY 2009 millions of €
Net revenue	**46,944**	**100.0**	**48,402**	**100.0**	**(1,458)**	**(3.0)**	**64,602**
Germany	17,509	37.3	17,828	36.8	(319)	(1.8)	23,813
Europe	12,433	26.5	14,110	29.2	(1,677)	(11.9)	18,996
United States	12,135	25.8	11,802	24.4	333	2.8	15,457
Systems Solutions	4,697	10.0	4,465	9.2	232	5.2	6,083
Group Headquarters & Shared Services	170	0.4	197	0.4	(27)	(13.7)	253

With 37.3 percent, the Germany operating segment provided the largest contribution to the net revenue of the Group. The Europe operating segment's share of net revenue decreased by 2.7 percentage points compared with the first nine months of 2009. Following the establishment of the joint venture in the United Kingdom, T-Mobile UK was deconsolidated as of April 1, 2010, so its revenues were no longer reported in the Europe operating segment in the second and third quarters of 2010. The United States operating segment's share of net revenue increased by 1.4 percentage points, primarily as a result of exchange rate effects. The contributions of the other operating segments to net revenue remained almost constant.

Breakdown of revenue by regions in percent.



The proportion of net revenue generated internationally remained almost unchanged year-on-year. Both domestic and international net revenue decreased. While changes in the composition of the Group largely had a negative impact in Europe (excluding Germany), revenue in North America increased, mainly due to exchange rate effects.

EBITDA.

In the first three quarters of 2010, Deutsche Telekom generated EBITDA of EUR 13.9 billion, 9.3 percent lower than in the same period in 2009.

Adjusted EBITDA.

In the reporting period, EBITDA was negatively impacted by special factors totaling EUR 1.0 billion. In addition to costs of EUR 0.4 billion from the deconsolidation of T-Mobile UK in connection with the establishment of the joint venture in the United Kingdom, these factors primarily related to expenses totaling EUR 0.4 billion for staff-related measures. Other special factors included expenses of EUR 0.1 billion for non-staff-related restructuring and expenses of EUR 0.1 billion for the write-off of receivables from the German Main Customs Office for the years 2005 to 2009.

In the first nine months of 2009, special factors of EUR 0.2 billion – mainly as a result of expenses for staff-related measures and non-staff-related restructuring – had a negative effect on EBITDA.

	Q1 2010 millions of €	Q2 2010 millions of €	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
EBITDA (adjusted for special factors) in the Group	**4,890**	**5,012**	**5,021**	**5,528**	**(9.2)**	**14,923**	**15,598**	**(4.3)**	**20,668**
Germany	2,299	2,438	2,523	2,523	n.a.	7,260	7,267	(0.1)	9,607
Europe	1,587	1,431	1,465	1,844	(20.6)	4,483	4,795	(6.5)	6,390
United States	1,008	1,120	1,028	1,089	(5.6)	3,156	3,326	(5.1)	4,261
Systems Solutions	196	231	222	231	(3.9)	649	673	(3.6)	923
Group Headquarters & Shared Services	(172)	(182)	(192)	(112)	(71.4)	(546)	(304)	(79.6)	(315)
Reconciliation	(28)	(26)	(25)	(47)	46.8	(79)	(159)	50.3	(198)

EBITDA adjusted for the aforementioned special factors was EUR 0.7 billion or 4.3 percent lower than in the first three quarters of 2009. In the first nine months of 2010, positive effects from changes in the composition of the Group of EUR 0.2 billion (OTE) were not sufficient to offset the negative effects from such changes (T-Mobile UK) totaling EUR 0.3 billion. As such, changes in the composition of the Group had a negative net impact of EUR 0.1 billion on EBITDA. After adjustment for positive exchange rate effects of EUR 0.2 billion, adjusted EBITDA therefore decreased by EUR 0.7 billion or 4.9 percent compared with the prior-year period.

Compared with the first nine months of 2009, all operating segments experienced a decrease in adjusted EBITDA.

Adjusted EBITDA in the **Germany** operating segment declined slightly by 0.1 percent in the reporting period. The positive development in mobile communications almost offset the decrease in the traditional fixed-network business. The adjusted EBITDA margin increased by 0.6 percentage points. This was achieved through effective cost management, for example as part of the Save for Service program.

Adjusted EBITDA in the **Europe** operating segment stood at EUR 4.5 billion for the first nine months of the current financial year, a decrease of 6.5 percent compared with the prior-year period. This decline is primarily attributable to the two aforementioned offsetting effects from changes in the composition of the Group. Even adjusted for these effects, adjusted EBITDA decreased by EUR 0.2 billion or 3.4 percent. By contrast, exchange rate effects attributable to the translation from Polish zlotys, Hungarian forints, Czech korunas, pounds sterling, and Croatian kunas in the first nine months of 2010 had a positive impact of EUR 0.1 billion on EBITDA in the Europe operating segment.

In the **United States** operating segment, the decline in revenue in U.S. dollars contributed to the decrease in adjusted EBITDA. Higher costs in U.S. dollar terms are attributable in part to intensified customer incentive programs and also to the fact that customers were opting for more costly 3G handsets. As a result, adjusted EBITDA decreased year-on-year in the first nine months of 2010.

In the **Systems Solutions** operating segment, adjusted EBITDA decreased by 3.6 percent compared with the first three quarters of 2009, mainly due to the higher cost of materials as a result of the deals won. It was partially offset by savings under Save for Service, the Company's comprehensive restructuring and efficiency enhancement program.

In addition to the developments within the operating segments described here, adjusted EBITDA at **Group Headquarters & Shared Services** deteriorated by EUR 0.2 billion compared with the first three quarters of the previous year, mainly due to higher income recognized in the prior year from the reclassification of real estate from assets held for sale to non-current assets. The headcount increase at Vivento and the lower number of civil servants and non-civil servants placed in other jobs also had a negative effect on adjusted EBITDA. In addition, the decrease in the billing of technical functions within the Group had a negative impact on adjusted EBITDA at Group Headquarters & Shared Services.

EBIT.

EBIT in the Group increased by EUR 0.9 billion year-on-year in the first nine months of 2010 to EUR 5.7 billion. Apart from the effects described above, this increase is due to the significant decrease in depreciation, amortization and impairment losses in the reporting period compared with the first three quarters of the prior year, largely due to the following effects in the Europe operating segment: An impairment loss of EUR 1.8 billion was recorded on the goodwill of the cash generating unit T-Mobile UK in the first nine months of 2009. In addition, depreciation, amortization, and impairment losses for T-Mobile UK were no longer reported in the first nine months of 2010. Up to March 31, 2010, this company's assets had been classified as held for sale and the company was deconsolidated effective April 1, 2010 with the establishment of the joint venture in the United Kingdom.

EBIT in Deutsche Telekom' s operating segments developed as follows:

	Q1 2010 millions of €	Q2 2010 millions of €	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Profit (loss) from operations (EBIT) of the Group	**2,029**	**1,711**	**1,941**	**2,498**	**(22.3)**	**5,681**	**4,754**	**19.5**	**6,012**
Germany	1,171	1,327	1,370	1,409	(2.8)	3,868	4,008	(3.5)	5,062
Europe	675	166	622	821	(24.2)	1,463	2	n.a.	140
United States	544	600	476	595	(20.0)	1,620	1,779	(8.9)	2,233
Systems Solutions	18	56	(25)	16	n.a.	49	54	(9.3)	(11)
Group Headquarters & Shared Services	(365)	(426)	(462)	(311)	(48.6)	(1,253)	(964)	(30.0)	(1,249)
Reconciliation	(14)	(12)	(40)	(32)	(25.0)	(66)	(125)	47.2	(163)

Profit/loss before income taxes.

Profit before income taxes increased by EUR 1.5 billion year-on-year in the first nine months of 2010. Since the Group's consolidated loss from financial activities was reduced by EUR 0.5 billion over with the prior-year period, profit before income taxes increased to a greater extent than EBIT of the Group, largely due to an improvement of EUR 0.6 billion in other financial expense. This increase is mainly a result of positive effects from hedging relationships for financing in foreign currencies and for the purpose of interest management. Positive effects also resulted from the year-on-year reduction in expenses for the measurement of provisions and liabilities (interest component).

Net profit.

In the first nine months of 2010, Deutsche Telekom's net profit increased by EUR 1.9 billion compared with the same period in the prior year. A decrease of EUR 0.2 billion in income tax expense is mainly attributable to the fact that deferred taxes of EUR 0.3 billion were recognized on temporary differences and loss carryforwards in Europe in the third quarter of 2010 since it has become likely that these temporary differences and loss carryforwards will be used in the future. The reduction of EUR 0.2 billion in non-controlling interests in profit also had a positive impact on net profit.

Financial position of the Group.

Consolidated statement of financial position.

	Sept. 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	Sept. 30, 2009 millions of €
Assets					
Current assets	**13,918**	**23,012**	**(9,094)**	**(39.5)**	**24,384**
Cash and cash equivalents	2,074	5,022	(2,948)	(58.7)	6,080
Trade and other receivables	7,080	6,757	323	4.8	6,847
Non-current assets and disposal groups held for sale	75	6,527	(6,452)	(98.9)	6,402
Other current assets	4,689	4,706	(17)	(0.4)	5,055
Non-current assets	**113,841**	**104,762**	**9,079**	**8.7**	**104,953**
Intangible assets and property, plant and equipment	98,014	97,173	841	0.9	97,157
Investments accounted for using the equity method	7,601	147	7,454	n.a.	160
Other non-current assets	8,226	7,442	784	10.5	7,636
Total assets	**127,759**	**127,774**	**(15)**	**(0.0)**	**129,337**
Liabilities and shareholders' equity					
Current liabilities	**25,288**	**24,794**	**494**	**2.0**	**26,404**
Financial liabilities	11,014	9,391	1,623	17.3	11,449
Trade and other payables	5,962	6,304	(342)	(5.4)	6,114
Other provisions	3,098	3,369	(271)	(8.0)	2,824
Liabilities directly associated with non-current assets and disposal groups held for sale	-	1,423	(1,423)	n.a.	1,358
Other current liabilities	5,214	4,307	907	21.1	4,659
Non-current liabilities	**59,111**	**61,043**	**(1,932)**	**(3.2)**	**61,344**
Financial liabilities	39,159	41,800	(2,641)	(6.3)	42,018
Provisions	8,643	8,340	303	3.6	8,753
Other non-current liabilities	11,309	10,903	406	3.7	10,573
Shareholders' equity	**43,360**	**41,937**	**1,423**	**3.4**	**41,589**
Total liabilities and shareholders' equity	**127,759**	**127,774**	**(15)**	**(0.0)**	**129,337**

As of September 30, 2010, Deutsche Telekom's **total assets** remained almost unchanged compared with the end of 2009. On the assets side, current assets decreased by EUR 9.1 billion, while non-current assets increased by the same amount. On the liabilities side, current liabilities increased by EUR 0.5 billion, while non-current assets decreased by EUR 1.9 billion.

The most important changes in the statement of financial position compared with December 31, 2009 are explained in more detail in the following.

Cash and cash equivalents decreased by EUR 2.9 billion compared with December 31, 2009. Please refer to the consolidated statement of cash flows and selected notes to the consolidated statement of cash flows in the interim consolidated financial statements for detailed information on this change.

The net carrying amounts of the **non-current assets and disposal groups held for sale** and the **liabilities directly associated with non-current assets and disposal groups held for sale** decreased by EUR 5.0 billion. Following the merger of T-Mobile UK and Orange UK to create a joint venture called Everything Everywhere as of April 1, 2010, the assets and liabilities of T-Mobile UK, which were reported as of December 31, 2009 as held for sale, were deconsolidated and Deutsche Telekom's 50 percent holding in the joint venture was reported **as investments accounted for using the equity method.** For further details, please refer to the interim consolidated financial statements.

The increase in **intangible assets** and **property, plant and equipment** totaling EUR 0.8 billion was principally due to additions of EUR 7.2 billion (of which acquisition of spectrum: EUR 1.3 billion), exchange rate effects of EUR 1.8 billion, as well as depreciation, amortization, and impairment losses totaling EUR 8.2 billion.

Other non-current assets principally changed as a result of the increase in other financial assets. In the first nine months of 2010, Deutsche Telekom and France Télécom S.A. provided financing to the Everything Everywhere joint venture in the form of a bond purchased by the two shareholders in equal shares (EUR 0.8 billion each).

Current and non-current **financial liabilities** decreased by EUR 1.0 billion compared with the end of 2009. For more information, please refer to the table below and the accompanying explanations.

Other liabilities (current and non-current) increased by EUR 1.3 billion, mainly on account of higher deferred revenue compared with the end of 2009 and an intraperiod increase in VAT liabilities.

Shareholders' equity increased by EUR 1.4 billion to EUR 43.4 billion. This development is attributable to the increase in other comprehensive income of EUR 2.9 billion (mainly from the currency translation of foreign operations) and the profit of EUR 2.5 billion. Dividend payments by Deutsche Telekom had an offsetting effect of EUR 4.0 billion.

Reconciliation of gross debt.

	Sept. 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	Sept. 30, 2009 millions of €
Financial liabilities (current)	11,014	9,391	1,623	17.3	11,449
Financial liabilities (non-current)	39,159	41,800	(2,641)	(6.3)	42,018
Financial liabilities	**50,173**	**51,191**	**(1,018)**	**(2.0)**	**53,467**
Accrued interest	(954)	(1,175)	221	18.8	(1,018)
Liabilities from corporate transactions	(1,161)	(1,455)	294	20.2	(1,515)
Other	(612)	(444)	(168)	(37.8)	(461)
Gross debt	**47,446**	**48,117**	**(671)**	**(1.4)**	**50,473**

Net debt.

	Sept. 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	Sept. 30, 2009 millions of €
Bonds	38,138	38,508	(370)	(1.0)	40,572
Liabilities to banks	3,952	4,718	(766)	(16.2)	4,617
Liabilities to non-banks from promissory notes	1,151	1,057	94	8.9	1,037
Derivative financial liabilities	789	924	(135)	(14.6)	1,066
Lease liabilities	1,904	1,909	(5)	(0.3)	1,943
Other financial liabilities	1,512	1,001	511	51.0	1,238
Gross debt	**47,446**	**48,117**	**(671)**	**(1.4)**	**50,473**
Cash and cash equivalents	2,074	5,022	(2,948)	(58.7)	6,080
Available-for-sale/held-for-trading financial assets	52	162	(110)	(67.9)	249
Derivative financial assets	1,100	1,048	52	5.0	1,192
Other financial assets	473	974	(501)	(51.4)	563
Net debt	**43,747**	**40,911**	**2,836**	**6.9**	**42,389**

Net debt increased by EUR 2.8 billion or 6.9 percent compared with the end of 2009. Factors leading to this increase include dividend payments of EUR 4.0 billion, effects from corporate transactions totaling EUR 1.6 billion, the payment of EUR 1.3 billion for the acquisition of spectrum, plus exchange rate effects of EUR 0.8 billion. Effects from corporate transactions principally comprised effects from the deconsolidation (EUR 0.4 billion) and financing (EUR 0.8 billion) of the Everything Everywhere joint venture and from the acquisition of STRATO (EUR 0.3 billion). Free cash flow of EUR 4.8 billion had a reducing effect on net debt.

Free cash flow (before dividend payments and spectrum investment).

	Q1 2010 millions of €	Q2 2010 millions of €	**Q3 2010 millions of €**	Q3 2009 millions of €	Change %	**Q1 – Q3 2010 millions of €**	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Cash generated from operations (before spectrum investment)	**3,918**	**4,232**	**4,517**	**6,029**	**(25.1)**	**12,667**	**13,840**	**(8.5)**	**18,271**
Interest received (paid)	(647)	(790)	(674)	(686)	1.7	(2,111)	(2,019)	(4.6)	(2,476)
Net cash from operating activities (before spectrum investment)	**3,271**	**3,442**	**3,843**	**5,343**	**(28.1)**	**10,556**	**11,821**	**(10.7)**	**15,795**
Cash outflow for investments in intangible assets (excluding goodwill) and property, plant and equipment (cash capex)	(1,934)	(2,041)	(2,036)	(2,131)	4.5	(6,011)	(6,953)	13.5	(9,202)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	102	88	75	74	1.4	265	238	11.3	376
Free cash flow (before dividend payments and spectrum investment)	**1,439**	**1,489**	**1,882**	**3,286**	**(42.7)**	**4,810**	**5,106**	**(5.8)**	**6,969**

At EUR 4.8 billion, the Group's free cash flow decreased by 5.8 percent year-on-year in the first three quarters of 2010.

Net cash from operating activities (before spectrum investment) decreased by EUR 1.3 billion over the same period to EUR 10.6 billion. This was mainly attributable to a decrease of EUR 0.7 billion in cash inflows from the sale of receivables (factoring). Other changes in net cash from operating activities relate to various effects, including additions to inventories, trade receivables, and higher payments for restructuring measures.

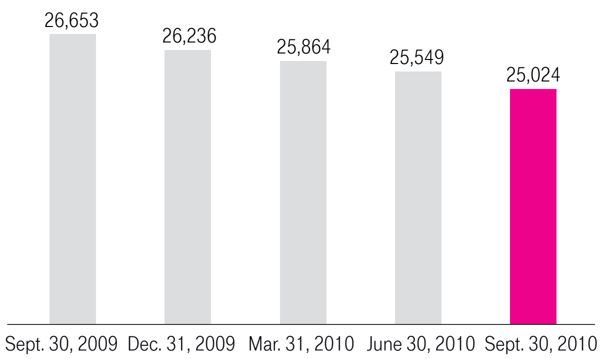
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment decreased by EUR 0.9 billion, primarily in the United States and Europe operating segments.

Development of business in the operating segments.

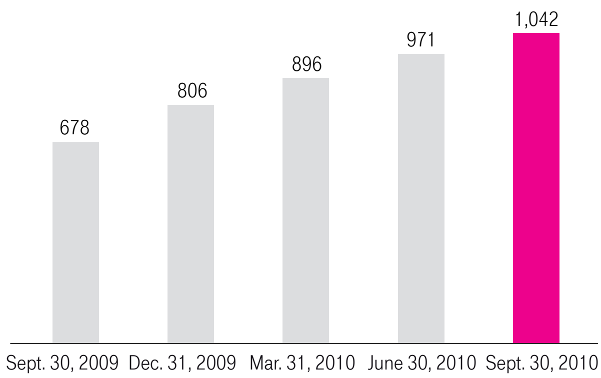
Germany.

Customer development.

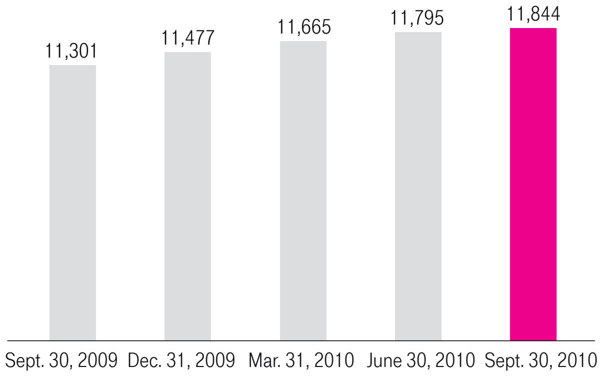
Fixed-network lines ('000)



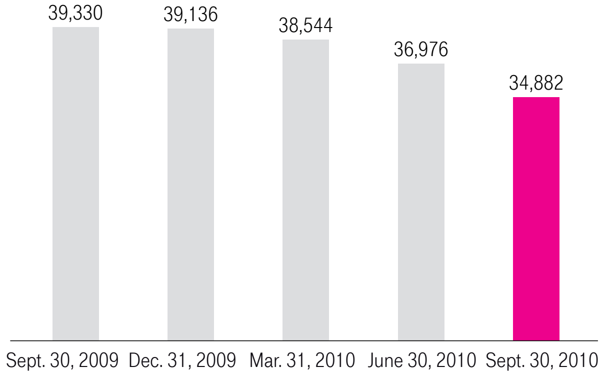
IPTV ('000)



Retail broadband lines ('000)



Mobile customers ('000)[2]



[2] Deregistration of inactive prepay customers' cards: 4.4 million in FY 2009, 1.5 million in Q1 2010, 2.5 million in Q2 2010, 3.1 million in Q3 2010. On April 1, 2010, Telekom Deutschland GmbH began to automatically terminate prepaid cards that have not been topped up for two years and have been inactive for three months.

	Sept. 30, 2010 millions	June 30, 2010 millions	Change Sept. 30, 2010/ June 30, 2010 %	Dec. 31, 2009 millions	Change Sept. 30, 2010/ Dec. 31, 2009 %	Sept. 30, 2009 millions	Change Sept. 30, 2010/ Sept. 30, 2009 %
Fixed network							
Fixed-network lines	25.0	25.5	(2.0)	26.2	(4.6)	26.7	(6.4)
Retail broadband lines	11.8	11.8	0.0	11.5	2.6	11.3	4.4
Wholesale bundled lines	1.1	1.4	(21.4)	1.6	(31.3)	1.8	(38.9)
Unbundled local loop lines (ULLs)	9.4	9.3	1.1	9.1	3.3	8.9	5.6
Wholesale unbundled lines	0.9	0.7	28.6	0.6	50.0	0.5	80.0
Mobile communications							
Mobile customers[a]	34.9	37.0	(5.7)	39.1	(10.7)	39.3	(11.2)

[a] On April 1, 2010, Telekom Deutschland GmbH began to automatically terminate prepaid cards that have not been topped up for two years and have been inactive for three months.

The Germany operating segment performed well in the intensely competitive mobile communications and broadband businesses.

Fixed network. At more than 46 percent in the first three quarters of 2010, the share of the broadband market has remained stable since 2007, even after the retroactive adjustment of market shares following the publication of new figures by cable operator UnityMedia. As growth on the broadband market became more restrained, in the first nine months of 2010 the number of retail lines increased compared with the end of 2009 by 2.6 percent to 11.8 million. A total of 1.4 million Entertain products had been sold as of September 30, 2010. The number of connected Entertain products increased by 0.2 million in the first three quarters of 2010 to over 1.0 million.

There were 25.0 million fixed-network lines at the end of September 2010. Line losses in the first nine months of 2010 amounted to 1.2 million, 0.4 million fewer than in the prior-year period. Line losses in the third quarter of 2010 amounted to 0.5 million, 8.4 percent fewer than in the third quarter of 2009.

The number of unbundled local loop lines (ULLs) increased by 0.3 million compared with the end of 2009 to 9.4 million. The number of wholesale unbundled lines also increased by 0.3 million compared with the end of 2009 to 0.9 million, though largely at the expense of wholesale bundled lines.

Mobile communications. Compared with the end of 2009, the number of mobile customers decreased by 10.7 percent in the first three quarters of 2010 to 34.9 million. Aside from slight growth in the contract customer base, the number of prepay customers declined by 4.3 million to 17.7 million. One of the main causes was the deregistration in the first nine months of 2010 of 7.1 million inactive prepay customers who were no longer generating revenues.

Deutsche Telekom defended its service revenue leadership in the mobile communications sector and continued to focus on value-driven growth, encouraged by strong sales in attractive smartphones and a rise in the proportion of customers with integrated flat-rate plans for telephony and data usage.

Development of operations.

		Q1 2010 millions of €	Q2 2010 millions of €	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		6,189	6,197	6,317	6,471	(2.4)	18,703	19,022	(1.7)	25,423
Fixed network		4,530	4,496	4,509	4,711	(4.3)	13,535	14,063	(3.8)	18,736
Mobile communications		2,000	2,054	2,157	2,109	2.3	6,211	6,008	3.4	8,109
Profit from operations (EBIT)		1,171	1,327	1,370	1,409	(2.8)	3,868	4,008	(3.5)	5,062
EBIT margin	(%)	18.9	21.4	21.7	21.8		20.7	21.1		19.9
Depreciation, amortization and impairment losses		(1,014)	(1,030)	(1,035)	(1,037)	0.2	(3,079)	(3,138)	1.9	(4,196)
EBITDA		2,185	2,357	2,405	2,446	(1.7)	6,947	7,146	(2.8)	9,258
Special factors affecting EBITDA		(114)	(81)	(118)	(77)	(53.2)	(313)	(121)	n.a.	(349)
EBITDA (adjusted for special factors)		2,299	2,438	2,523	2,523	0.0	7,260	7,267	(0.1)	9,607
Fixed network		1,468	1,530	1,595	1,604	(0.6)	4,593	4,795	(4.2)	6,247
Mobile communications		828	912	928	920	0.9	2,668	2,479	7.6	3,373
EBITDA margin (adjusted for special factors)	(%)	37.1	39.3	39.9	39.0		38.8	38.2		37.7
Fixed network	(%)	32.4	34.0	35.4	34.0		33.9	34.1		33.3
Mobile communications	(%)	41.4	44.4	43.0	43.6		43.0	41.3		41.6
Cash capex		(651)	(774)	(862)	(771)	(11.8)	(2,287)	(2,255)	(1.4)	(3,158)
Employees (average)	(Number)	80,729	79,729	79,318	84,369	(6.0)	79,925	85,199	(6.2)	84,584
Fixed network	(Number)	74,893	73,961	73,605	78,251	(5.9)	74,153	79,130	(6.3)	78,507
Mobile communications	(Number)	5,836	5,768	5,713	6,118	(6.6)	5,772	6,069	(4.9)	6,077

The figures for fixed-network and mobile communications generally show the unconsolidated view, and do not take consolidation effects at operating segment level into consideration.

Total revenue.

Total revenue in the Germany operating segment decreased in the first three quarters of 2010 to EUR 18.7 billion, down 1.7 percent in the reporting period, as compared with a decrease of 3.9 percent – more than twice as much – in the same period in 2009. The revenue decrease was mainly caused by the continuing losses of fixed-network lines due to competition and by regulatory pricing measures.

Fixed network. Total revenue in the first nine months of 2010 decreased by 3.8 percent year-on-year to EUR 13.5 billion, a less marked decline than in the same period of 2009 which saw revenue decrease by 4.9 percent. Continuing line losses resulting from increased competition and falling usage-related charges were the main factors. The first-time consolidation of STRATO and ClickandBuy and growth in the number of unbundled local loop lines had a positive effect on revenue but only partly compensated for the decline in access revenue.

Mobile communications. In the first three quarters of 2010, total revenue from mobile operations increased by 3.4 percent year-on-year to EUR 6.2 billion, an improvement compared with the same period of 2009, when mobile communications revenue decreased by 0.9 percent. This success was largely due to the positive trend in service and data revenues. The increase was offset by lower mobile termination charges from April 1, 2009, the EU roaming regulation effective July 1, 2009 and 2010, and the expiry of the national roaming agreements with O_2 at the end of 2009.

EBITDA, adjusted EBITDA.

The Germany operating segment generated adjusted EBITDA of EUR 7.3 billion in the first three quarters of 2010, which was on a par with the prior-year period. The positive development in mobile communications almost offset the decrease in the traditional fixed-network business. The adjusted EBITDA margin increased 0.6 percentage points to 38.8 percent; in a year-on-year comparison of the third quarters, the EBITDA margin increased by 0.9 percentage points to 39.9 percent.

In the fixed network, adjusted EBITDA totaled EUR 4.6 billion in the first nine months of 2010. Adjusted EBITDA remained virtually stable in the third quarter of 2010 in spite of the decline in revenue. The adjusted EBITDA margin for the third quarter therefore increased by 1.4 percentage points compared with the prior-year quarter to 35.4 percent. This was achieved through effective cost management, for example as part of the Save for Service program. EBITDA was impacted by a number of factors including higher expenses for legal risks and settlements with carriers, as well as by special factors totaling EUR 0.3 billion, mainly consisting of staff-related expenses such as severance payments and the write-off in the first quarter of 2010 of receivables from the German Main Customs Office for 2005 to 2009.

Adjusted EBITDA from mobile communications increased by EUR 0.2 billion in the first three quarters of 2010 to EUR 2.7 billion through factors such as the positive revenue trend and effective cost management despite higher costs of goods sold. As a result, the adjusted EBITDA margin increased by 1.7 percentage points.

EBIT.

EBIT in the Germany operating segment decreased year-on-year by EUR 0.1 billion in the first three quarters of 2010 to EUR 3.9 billion, largely as a consequence of the special factors already described.

Cash capex.

At EUR 2.3 billion, cash capex in the first three quarters of 2010 was slightly above the level of the prior-year period. The majority of the expenditure was for connecting base station sites to the optical fiber network.

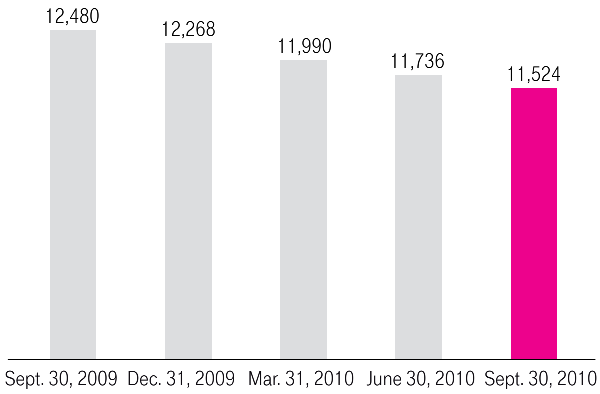
Personnel.

Average headcount decreased by 6.2 percent to 79,925 compared with the prior-year period, mainly as a result of the workforce reduction in the fixed-network business, in spite of new hirings and the first-time consolidation of STRATO and ClickandBuy.

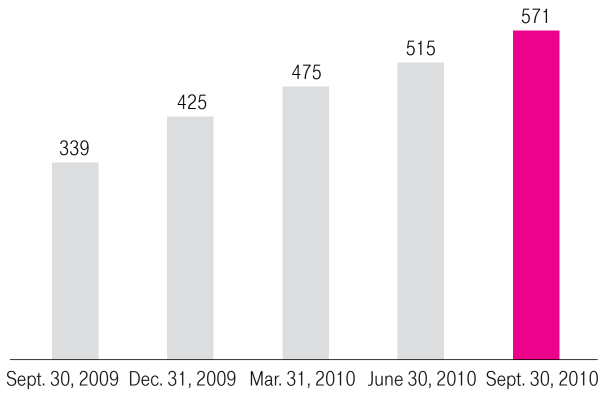
Europe.

Customer development.

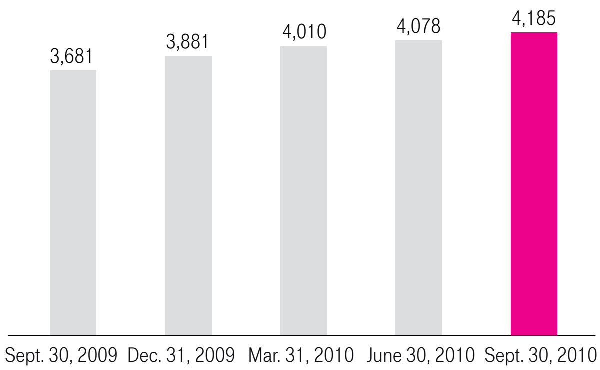
Fixed-network lines ('000)



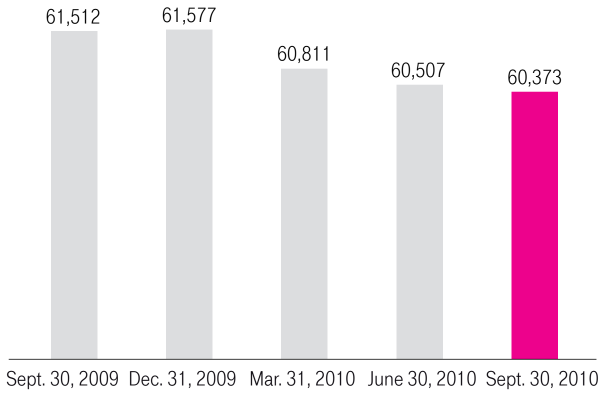
IPTV ('000)



Retail broadband lines ('000)



Mobile customers ('000)



		Sept. 30, 2010 millions	June 30, 2010 millions	Change Sept. 30, 2010/ June 30, 2010 %	Dec. 31, 2009 millions	Change Sept. 30, 2010/ Dec. 31, 2009 %	Sept. 30, 2009 millions	Change Sept. 30, 2010/ Sept. 30, 2009 %
Europe, total[a]	Fixed-network lines	11.5	11.7	(1.7)	12.3	(6.5)	12.5	(8.0)
	Retail broadband lines	4.2	4.1	2.4	3.9	7.7	3.7	13.5
	Wholesale bundled lines	0.2	0.2	0.0	0.2	0.0	0.2	0.0
	Unbundled local loop lines (ULLs)	1.4	1.3	7.7	1.1	27.3	1.0	40.0
	Mobile customers	60.4	60.5	(0.2)	61.6	(1.9)	61.5	(1.8)
Greece	Fixed-network lines	3.9	4.0	(2.5)	4.2	(7.1)	4.3	(9.3)
	Broadband lines	1.1	1.1	0.0	1.1	0.0	1.1	0.0
	Mobile customers	8.3	8.5	(2.4)	9.2	(9.8)	9.1	(8.8)
Romania[b]	Fixed-network lines	2.6	2.7	(3.7)	2.8	(7.1)	2.8	(7.1)
	Broadband lines	0.9	0.8	12.5	0.8	12.5	0.8	12.5
	Mobile customers	7.1	7.1	0.0	7.3	(2.7)	6.6	7.6
Hungary	Fixed-network lines	1.7	1.7	0.0	1.8	(5.6)	1.9	(10.5)
	Broadband lines	0.8	0.8	0.0	0.8	0.0	0.8	0.0
	Mobile customers	5.1	5.1	0.0	5.1	0.0	5.2	(1.9)
Poland	Mobile customers	13.3	13.3	0.0	13.5	(1.5)	13.5	(1.5)
Czech Republic	Fixed-network lines	0.1	0.0	n.a.	0.0	n.a.	n.a.	n.a.
	Broadband lines	0.1	0.0	n.a.	0.0	n.a.	n.a.	n.a.
	Mobile customers	5.5	5.5	0.0	5.5	0.0	5.5	0.0
Croatia	Fixed-network lines	1.4	1.4	0.0	1.5	(6.7)	1.5	(6.7)
	Broadband lines	0.6	0.6	0.0	0.6	0.0	0.5	20.0
	Mobile customers	2.8	2.8	0.0	2.9	(3.4)	2.9	(3.4)
Netherlands	Fixed-network lines	0.3	0.3	0.0	0.3	0.0	0.3	0.0
	Broadband lines	0.3	0.3	0.0	0.3	0.0	0.3	0.0
	Mobile customers	4.5	4.4	2.3	4.6	(2.2)	5.5	(18.2)
Slovakia	Fixed-network lines	1.1	1.1	0.0	1.1	0.0	1.1	0.0
	Broadband lines	0.4	0.4	0.0	0.4	0.0	0.4	0.0
	Mobile customers	2.4	2.4	0.0	2.4	0.0	2.3	4.3
Austria	Mobile customers	3.7	3.7	0.0	3.4	8.8	3.4	8.8
Other[c]	Fixed-network lines	0.5	0.5	0.0	0.5	0.0	0.5	0.0
	Broadband lines	0.2	0.2	0.0	0.2	0.0	0.2	0.0
	Mobile customers	7.7	7.8	(1.3)	7.7	0.0	7.7	0.0

[a] For better comparability, the customers of T-Mobile UK, who were transferred to the Everything Everywhere joint venture as of April 1, 2010 following the merger of T-Mobile UK and Orange UK, were subtracted from all historical customer figures.
[b] Including the Romanian company Zapp since November 1, 2009.
[c] Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro.

Total. During the first three quarters of 2010, the Europe operating segment registered a further decrease in the number of customers using fixed-network lines compared with the end of 2009. This, however, was offset to some extent by encouraging growth in retail broadband lines and the innovative IPTV business. The mobile communications business developed well despite intense competition in the individual countries and served a customer base of 60.4 million customers as of September 30, 2010, down just slightly on the year before.

Fixed network. The traditional fixed-network business had 11.5 million lines as of September 30, 2010, a decrease of 6.5 percent compared with the end of 2009. Nevertheless, line losses slowed markedly in recent quarters. The major growth markets of the future are in the broadband sector, however. In the first nine months of the current financial year, the number of broadband lines, including bundled and unbundled wholesale lines, increased by 0.3 million compared with the end of 2009 to 4.4 million. All countries in the Europe segment contributed to this result. The positive trend in the European broadband market was also fueled by the successful marketing of IPTV, with the number of customers increasing by 34 percent since the end of 2009. Croatia and Slovakia were the principal drivers of this growth. The strategic focus on broadband and TV with offerings of innovative products is evident, for example, in the launch of quad-play packages in a number of European countries.

Mobile communications. The mobile communications business of the Europe operating segment in the first three quarters of 2010 was marked by intense competition and a strained economic situation, especially in Eastern Europe. The total customer base in the Europe segment contracted slightly by 1.9 percent compared with the end of 2009. Particularly Greece, Romania, Poland, and the Netherlands recorded lower customer figures, though this was offset by some growth in the total customer base in Austria. The other countries in the segment maintained their positions in their hard-fought markets and posted stable customer figures. The decrease in the total customer base is mainly attributable to the prepay segment. In Greece, Poland, the Netherlands, and Romania in particular, the number of prepay customers decreased by almost 2.0 million in total, with the decline in the Netherlands and Poland being due to the focus on the high-value contract customer business. Furthermore, due to the deregistration of inactive prepay customers, the prepay customer bases in the Netherlands and Romania decreased compared with the end of 2009. In Greece, prepay customer figures were negatively impacted by the new registration requirements introduced in November 2009.

The high-value contract customer business continued to drive growth in the Europe segment in the first nine months of the current financial year. Almost all European companies except for those in Romania and Montenegro expanded their contract customer base. The Netherlands, Poland, and Hungary mainly accounted for this growth with around 0.5 million net additions between them. This positive trend is also reflected in the proportion of the total customer base in the Europe segment that is accounted for by contract customers, which has grown by 2.2 percentage points since the end of 2009 to 43.2 percent. All countries except Austria contributed to this positive result.

This success is due to the successful focus on the acquisition and retention specifically of premium contract customers through the marketing of calling plans with minute buckets, flat-rate plans, and new hardware in conjunction with fixed-term contracts. In addition, innovative mobile Internet data and content services on the latest cell phones – part of the connected life and work strategy – successfully attracted new groups of customers. The effective marketing of smartphones like the Apple iPhone 4, which is now available in nearly all European markets, accounted for a significant percentage of growth in the contract customer base.

Development of operations.

	Q1 2010 millions of €	Q2 2010 millions of €	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Total revenue	4,774	4,030	4,123	5,124	(19.5)	12,927	14,572	(11.3)	19,607
Of which: Greece	997	963	979	1,087	(9.9)	2,939	2,800	5.0	3,899
Of which: Romania	291	293	294	296	(0.7)	878	795	10.4	1,104
Of which: Hungary	402	402	390	437	(10.8)	1,194	1,240	(3.7)	1,682
Of which: Poland	441	451	472	450	4.9	1,364	1,306	4.4	1,757
Of which: Czech Republic	279	291	296	313	(5.4)	866	898	(3.6)	1,191
Of which: Croatia	267	289	314	315	(0.3)	870	885	(1.7)	1,161
Of which: Netherlands	442	448	450	452	(0.4)	1,340	1,361	(1.5)	1,807
Of which: Slovakia	230	233	239	244	(2.0)	702	734	(4.4)	974
Of which: Austria	248	243	254	260	(2.3)	745	782	(4.7)	1,038
Of which: United Kingdom	783	n.a.	n.a.	853	n.a.	783	2,575	n.a.	3,390
Of which: Other[a]	462	481	503	509	(1.2)	1,446	1,407	2.8	1,885
Profit from operations (EBIT)	675	166	622	821	(24.2)	1,463	2	n.a.	140
EBIT margin (%)	14.1	4.1	15.1	16.0		11.3	0.0		0.7
Depreciation, amortization and impairment losses	(859)	(892)	(835)	(1,009)	17.2	(2,586)	(4,788)	46.0	(6,157)
EBITDA	1,534	1,058	1,457	1,830	(20.4)	4,049	4,790	(15.5)	6,297
Special factors affecting EBITDA	(53)	(373)	(8)	(14)	42.9	(434)	(5)	n.a.	(93)
EBITDA (adjusted for special factors)	1,587	1,431	1,465	1,844	(20.6)	4,483	4,795	(6.5)	6,390
Of which: Greece	376	346	376	413	(9.0)	1,098	1,035	6.1	1,447
Of which: Romania	72	71	71	88	(19.3)	214	227	(5.7)	293
Of which: Hungary	162	171	174	189	(7.9)	507	522	(2.9)	675
Of which: Poland	169	176	159	175	(9.1)	504	455	10.8	616
Of which: Czech Republic	135	139	143	165	(13.3)	417	473	(11.8)	614
Of which: Croatia	113	124	157	153	2.6	394	414	(4.8)	525
Of which: Netherlands	102	139	98	128	(23.4)	339	295	14.9	430
Of which: Slovakia	107	105	109	118	(7.6)	321	350	(8.3)	439
Of which: Austria	83	61	69	82	(15.9)	213	205	3.9	283
Of which: United Kingdom	167	n.a.	n.a.	181	n.a.	167	447	n.a.	611
Of which: Other[a]	106	115	111	144	(22.9)	332	362	(8.3)	446
EBITDA margin (adjusted for special factors) (%)	33.2	35.5	35.5	36.0		34.7	32.9		32.6
Cash capex	(568)	(454)	(396)	(562)	29.5	(1,418)	(1,835)	22.7	(2,489)
Employees (average) (Number)	70,125	64,359	63,747	71,707	(11.1)	66,077	68,643	(3.7)	69,277

The contributions of the national companies correspond to their respective unconsolidated financial statements and do not take into consideration consolidation effects at the operating segment level.

[a] Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales and Services), Europe Headquarters, and up to the end of May 2010, T-Mobile International UK.

Total revenue.

Total revenue in the Europe operating segment decreased by 11.3 percent year-on-year to EUR 12.9 billion in the first nine months of 2010. The net decline is primarily the result of two offsetting effects. On the one hand, segment revenue was reduced by the deconsolidation of T-Mobile UK effective April 1, 2010. On the other, the change in the composition of the Group resulting from the full consolidation of the OTE group in February 2009 had a positive effect on the revenue trend. In addition, positive exchange rate effects attributable in particular to the translation from Polish zlotys, Czech korunas, Hungarian forints, pounds sterling, and Croatian kunas improved the segment's total revenue. Adjusted for these factors, total revenue narrowed by just 4.9 percent, primarily due to cuts in mobile termination charges imposed by the regulatory authorities in most countries and intense competition on the mobile communications and fixed-network markets. Total revenue was also adversely affected by the strained macroeconomic situation in Eastern European countries in particular, as well as by a tax on mobile services in Croatia. The OTE group was impacted considerably by these factors, as nearly half of the decrease in segment revenue was recorded by the national companies that form part of this group.

Greece. In Greece, revenue generated in the first three quarters of the current financial year increased 5 percent year-on-year to EUR 2.9 billion. Adjusted for the effects of changes in the composition of the Group attributable to the Greek OTE group, a revenue shortfall of 7.8 percent was recorded, with the fixed-network and mobile communications businesses affected in approximately equal measure. The decline in fixed-network revenue was mainly due to a downturn in the traditional fixed-network business, the negative effects of which were not entirely offset by the positive development in broadband and wholesale revenues. Mobile revenue, on the other hand, was impacted by the cuts in termination charges and, in particular, by intense price competition. The loss of customers in the prepay segment caused by the prepay registration requirements put further pressure on revenue.

Romania. Romania recorded the strongest growth in the Europe segment. Revenue increased 10.4 percent year-on-year in the first nine months of 2010, mainly due to the positive effect of changes in the composition of the Group attributable to the Romanian operations of the OTE group. Revenue in the fixed-network business decreased due to the difficult economic situation and intense price pressure on the Romanian telecommunications market. Net customer additions in the broadband and TV business only partly offset the adverse effects of the revenue decline in the traditional fixed-network business. Revenue in the mobile business increased slightly due to a higher share of contract customers in the total customer base.

Hungary. Revenue in Hungary declined by 3.7 percent in the first nine months of the current financial year to EUR 1.2 billion. The strength of the Hungarian forint against the euro did not fully compensate for the revenue shortfall, which was largely attributable to the general economic situation. The macroeconomic situation affected the fixed-network business to a greater extent than mobile communications, though the number of customers with broadband lines increased. The mobile business was primarily impacted by the decline in service revenues, which in turn was substantially due to lower mobile termination charges.

Poland. Driven by the positive exchange rate effects of the Polish zloty against the euro, revenue at PTC increased 4.4 percent, compensating for the decline in operating revenues attributable in particular to lower service revenues. The revenue losses in voice telephony, primarily on account of the further reduction in average minute prices, was only partially offset by higher non-voice revenues.

Czech Republic. At T-Mobile CZ, revenue in the first three quarters of 2010 decreased by 3.6 percent year-on-year to EUR 0.9 billion. Adjusted for positive exchange rate effects of the Czech koruna against the euro, revenue decreased by 7.7 percent, primarily driven by a year-on-year decline in service revenues which in turn was largely attributable to a positive one-time effect in the second quarter of 2009. In addition, lower termination charges as a result of regulatory price cuts negatively impacted revenue. These effects were compensated in part by fixed-network revenue resulting from the acquisition of the retail business of České Radiokomunikace in December 2009.

Croatia. In the first nine months of 2010, the national company in Croatia recorded a minor decrease in revenue compared with the prior-year period. Positive exchange rate effects from a strong Croatian kuna only absorbed part of the decline in operating revenue, which was primarily a consequence of the economic situation, though mobile operations were impacted more strongly than the fixed network. In the mobile business, service revenues declined owing to a decrease in the mobile customer base and the tax on mobile services introduced in August 2009. The encouraging broadband and TV revenues coupled with the first-time consolidation of the ICT subsidiary in January 2010 did not fully compensate for the decline in the traditional fixed-network business.

Netherlands. T-Mobile Netherlands reported a minor decrease in revenue year-on-year in the first three quarters of 2010, due mainly to lower MVNO and online revenues. This decline was compensated by the positive trend in service revenues. Growth in revenue from outgoing calls resulting from an increase in the contract customer share of the total customer base together with double-digit growth rates in data revenues more than offset the negative effects of regulation.

Slovakia. Compared with the prior-year period, Slovak Telekom recorded a decrease in revenue, due in particular to the trend in the mobile business. The downturn in mobile revenue was partly the result of lower service revenues as a consequence of the cuts in termination charges. Intense competition also impacted revenue negatively. In contrast to mobile communications, sound development in the number of fixed-network and broadband lines along with the successful marketing of IPTV and satellite TV resulted in slightly higher fixed-network revenues. The first-time consolidation of the ICT subsidiary in the first quarter of 2010 also had a positive effect on revenue.

Austria. Revenue at T-Mobile Austria declined year-on-year, mainly owing to lower service revenues. Revenue from voice telephony decreased due to a competition-induced reduction in minute prices and the cut in termination charges imposed by the regulatory authority. These negative effects were partially offset by growth in data revenues.

EBITDA, adjusted EBITDA.

Adjusted EBITDA in the Europe operating segment stood at EUR 4.5 billion for the first nine months of the current financial year, a decrease of 6.5 percent compared with the prior-year period primarily due to two offsetting effects. Segment EBITDA was reduced as a result of the deconsolidation of T-Mobile UK effective April 1, 2010. By contrast, changes in the composition of the Group due to the addition of the OTE group impacted EBITDA positively. Also, positive exchange rate effects attributable to the translation from Polish zlotys, Czech korunas, Hungarian forints, Croatian kunas, and pounds sterling increased EBITDA in the Europe operating segment in the first nine months of 2010. Adjusted for these effects, EBITDA receded just 5.3 percent.

Greece. Adjusted EBITDA increased year-on-year in the Greek mobile and fixed-network business, due in particular to the positive effect of changes in the composition of the Group. After adjustment for this effect, EBITDA decreased, in particular on account of the negative revenue effects. On the cost side, the impact on mobile communications, with higher customer acquisition costs in response to intense competition, was higher than on the fixed-network business.

Romania. In the first nine months of 2010, adjusted EBITDA in Romania decreased year-on-year, primarily as a result of lower revenue in the fixed-network business. In addition, higher spending on television rights was not fully compensated by savings on other cost items. Mobile communications reported an improvement in adjusted EBITDA on the back of the higher revenue.

Hungary. Adjusted EBITDA of EUR 0.5 billion was generated in Hungary, less than in the prior year. The positive effects of the strong Hungarian forint mitigated the decline in adjusted EBITDA, which was most apparent in the fixed-network business, where efficiency-enhancing measures failed to compensate entirely for the negative revenue effects. Comparable savings in mobile communications also offset the negative effects of the revenue shortfall in full, increasing adjusted EBITDA slightly.

Poland. Adjusted EBITDA recorded double-digit growth year-on-year in the first three quarters of 2010. After elimination of positive exchange rate effects, adjusted EBITDA increased slightly. Lower customer retention costs as well as lower overhead costs, especially in the Technology and Marketing units, helped compensate the negative effects of the revenue decline.

Czech Republic. T-Mobile CZ reported a substantial reduction in adjusted EBITDA compared with the previous year. Positive effects from the strong Czech koruna were unable to fully offset the decreases measured in the local currency, which were primarily due to positive one-time effects in the second quarter of 2009 that were not repeated to the same extent this year, as well as to a slight increase in overhead costs in technical and customer service.

Croatia. In Croatia, adjusted EBITDA decreased 4.8 percent to EUR 0.4 billion, mainly attributable to mobile operations. The decrease in mobile revenue had a negative impact on EBITDA. In the fixed-network business, cost reductions helped offset the decline in revenue to a considerable extent.

Netherlands. In the first nine months of the current financial year, T-Mobile Netherlands recorded a significant year-on-year increase in adjusted EBITDA attributable to lower customer acquisition costs as well as to a one-time effect in the second quarter of 2010. As a result of the integration of Orange, which has now been completed, overhead costs also decreased substantially against the previous year.

Slovakia. In Slovakia, adjusted EBITDA declined, due in particular to negative revenue effects in the mobile business that were only partly offset by lower selling costs. By contrast, adjusted EBITDA in the fixed-network business declined slightly.

Austria. Deutsche Telekom reported an increase in adjusted EBITDA in Austria during the first nine months of the current financial year. This improvement is largely attributable to lower overheads as well as to a one-time effect in the first quarter of 2010, two factors which more than compensated for the negative revenue effects.

EBIT.

EBIT in the Europe operating segment increased to EUR 1.5 billion in the first three quarters of the year, mainly attributable to a EUR 1.8 billion impairment loss on the goodwill of the cash generating unit T-Mobile UK that was recorded in the first quarter of 2009. The classification of T-Mobile UK as held for sale between September 2009 and March 2010 and the resulting non-recognition of depreciation and amortization also improved EBIT. These effects more than offset the decrease in EBITDA.

Cash capex.

Cash capex in the Europe operating segment decreased by EUR 0.4 billion or 22.7 percent year-on-year in the first nine months of 2010 in spite of changes in the composition of the Group attributable to the OTE group. The deconsolidation of T-Mobile UK also contributed to lower cash capex figures. Several countries reacted to the current market situation with investment restraint.

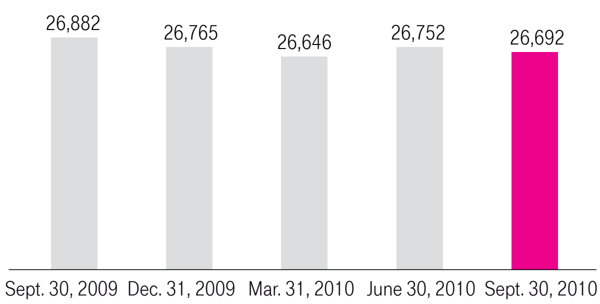
Personnel.

Average headcount in the Europe operating segment declined year-on-year in the first nine months of the current financial year. The expansion of the workforce following the first-time full consolidation of the OTE group in early February 2009 was partially offset by the deconsolidation of T-Mobile UK effective April 1, 2010. The successful implementation of downsizing programs as part of efficiency enhancement measures in several countries also reduced the average headcount. By contrast, some smaller-scale company acquisitions added to the headcount.

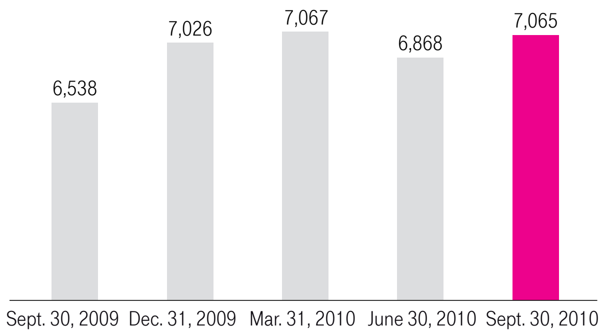
United States.

Customer development.

Contract customers ('000)



Prepay customers ('000)



	Sept. 30, 2010 millions	June 30, 2010 millions	Change Sept. 30, 2010/ June 30, 2010 %	Dec. 31, 2009 millions	Change Sept. 30, 2010/ Dec. 31, 2009 %	Sept. 30, 2009 millions	Change Sept. 30, 2010/ Sept. 30, 2009 %
United States							
Mobile customers	33.8	33.6	0.6	33.8	0.0	33.4	1.2

At September 30, 2010, the United States operating segment (T-Mobile USA) had 33.8 million customers, a net decrease in customers of 34,000 in the first nine months of 2010 compared to 662,000 net customer additions in the first nine months of 2009. In the first nine months of 2010, T-Mobile USA had 72,000 net contract customer losses compared to 76,000 net contract customer additions in the first nine months of 2009. This year-on-year decrease was due primarily to fewer FlexPay contract gross additions. Additionally, net contract customer additions included strong connected device growth in the first nine months of 2010. Net prepaid customers increased by 39,000 in the first nine months of 2010, compared to 586,000 net prepaid customers added in the first nine months of 2009. The change in prepaid customer additions in the first nine months of 2010 was due primarily to higher deactivations from MVNO and traditional prepaid customers.

In the third quarter of 2010, T-Mobile USA had 137,000 net customer additions compared to 93,000 net customer losses in the second quarter of 2010 and 77,000 net customer losses in the third quarter of 2009. In the third quarter of 2010, T-Mobile USA had 60,000 net contract customer losses compared to 106,000 additions in the second quarter of 2010 and 140,000 losses in the third quarter of 2009. In the third quarter of 2010, contract customers decreased as strong connected device additions were primarily offset by losses of traditional postpay and FlexPay contract customers. Connected device customers, included within contract customers, totaled 1.8 million at September 30, 2010. The year-on-year improvement in net contract customer additions in the third quarter of 2010 was driven primarily by improvements in traditional postpay gross additions. In the third quarter of 2010, T-Mobile USA had 196,000 net prepaid customer additions compared to losses of 199,000 in the second quarter of

2010 and additions of 63,000 in the third quarter of 2009. This increase in net prepaid customer additions in the third quarter of 2010 was related primarily to strong MVNO net customer additions in the quarter. At September 30, 2010, the operating segment had 2.4 million MVNO customers.

T-Mobile USA's blended churn rate was 3.4 percent per month in the third quarter of 2010, consistent with the second quarter of 2010 and third quarter of 2009. Blended churn was stable in the third quarter of 2010 as higher contract churn was offset by lower prepaid customer churn related to improvements in traditional prepaid churn during the quarter. Contract customer churn increased to 2.4 percent per month in the third quarter of 2010 from 2.2 percent per month in the second quarter of 2010 due primarily to impacts from competitive product launches, but was consistent with the third quarter of 2009.

Development of operations.

	Q1 2010 millions of €	Q2 2010 millions of €	**Q3 2010 millions of €**	Q3 2009 millions of €	Change %	**Q1 – Q3 2010 millions of €**	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Total revenue	3,814	4,188	4,143	3,758	10.2	12,145	11,813	2.8	15,471
Profit from operations (EBIT)	544	600	476	595	(20.0)	1,620	1,779	(8.9)	2,233
EBIT margin (%)	14.3	14.3	11.5	15.8		13.3	15.1		14.4
Depreciation, amortization and impairment losses	(464)	(520)	(552)	(494)	(11.7)	(1,536)	(1,547)	0.7	(2,028)
EBITDA	1,008	1,120	1,028	1,089	(5.6)	3,156	3,326	(5.1)	4,261
Special factors affecting EBITDA	-	-	-	-	.	-	-		-
EBITDA (adjusted for special factors)	1,008	1,120	1,028	1,089	(5.6)	3,156	3,326	(5.1)	4,261
EBITDA margin (adjusted for special factors) (%)	26.4	26.7	24.8	29.0		26.0	28.2		27.5
Cash capex	(481)	(534)	(496)	(552)	10.1	(1,511)	(2,202)	31.4	(2,666)
Employees (average) (Number)	38,663	37,612	37,563	37,996	(1.1)	37,946	37,859	0.2	38,231

Total revenue.

Revenue from the United States operating segment (T-Mobile USA) was slightly higher year-on-year at EUR 12.1 billion in the first nine months of 2010 compared to EUR 11.8 billion in the first nine months of 2009 as a result of currency fluctuations. In U.S. dollars, revenues of the operating segment decreased by 1.0 percent year-on-year for the first three quarter period. The main factor driving the decrease in revenue in local currency was a decline in branded customers (wireless customers excluding MVNO and connected devices) causing voice revenues to decline. Customers converting to unlimited rate plans which incur lower variable voice charges also caused decreases in voice revenues year-on-year. Partially offsetting declines in voice revenues, equipment and data revenues from customers purchasing smartphones and mobile broadband data plans increased during the first nine months of 2010. The number of customers using smartphones (which include UMTS/HSPA/HSPA+ enabled smartphones) more than doubled to 7.2 million at the end of the third quarter of 2010 from 2.8 million at the end of the third quarter of 2009.

Compared to the second quarter of 2010, revenue decreased slightly in the third quarter of 2010 as a result of currency fluctuations. In U.S. dollars, revenues of the operating segment increased by 0.5 percent sequentially due to data revenue growth and an increase in equipment revenue that was driven by customers adopting smartphones and mobile broadband data plans. This sequential revenue growth was partially offset by declines in voice revenue.

EBITDA, adjusted EBITDA, EBIT.

EBIT decreased year-on-year by 8.9 percent to EUR 1.6 billion in the first nine months of 2010. EBITDA for the operating segment decreased year-on-year by 5.1 percent to EUR 3.2 billion in the first nine months of 2010. In U.S. dollars, EBITDA fell due primarily to lower revenues as discussed above. Operating expenses were higher year-on-year due primarily to an increase in the cost of equipment sales as T-Mobile USA offered a variety of handset incentives encouraging the adoption of smartphones with mobile broadband data plans. Additionally, higher fixed line costs related to running the HSPA+ network were partially offset by lower roaming, outsourcing and data content expenses in the first nine months of 2010 compared to the first nine months of 2009. As a result of these factors, the EBITDA margin decreased to 26.0 percent for the first nine months of 2010 from 28.2 percent for the first nine months of 2009.

Similarly, EBITDA for the operating segment decreased in the third quarter of 2010 compared to the second quarter of 2010, as lower revenues were offset by higher cost of equipment sales and higher fixed line costs related to the mobile broadband network.

Cash capex.

Cash capex decreased year-on-year to EUR 1.5 billion in the first nine months of 2010 from EUR 2.2 billion in the first nine months of 2009. The primary reason for lower capex relates to the aggressive build-out of the national UMTS/HSPA network in the first nine months of 2009. In 2010, network capex spend has been driven by continued network investment, coverage expansion, and the upgrade to HSPA+. T-Mobile USA's HSPA+ technology now offers the most pervasive 4G[3] mobile broadband network reaching more than 75 metropolitan areas across the United States and expects to reach 100 metropolitan areas and 200 million people by the end of 2010.

Personnel.

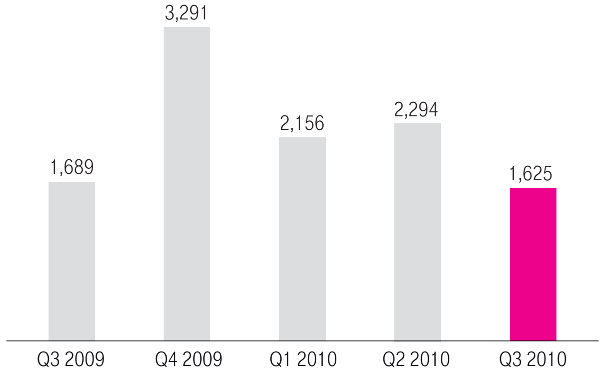
The average number of employees in the first nine months of 2010 was broadly level with the first nine months of 2009 as an increase in employees related to retail distribution growth was offset by fewer customer support employees driven by lower customer care call volumes. Additionally, the average number of employees was relatively consistent in the third quarter of 2010 compared to the second quarter of 2010.

[3] T-Mobile USA's HSPA+ technology offers customers a 4G experience, including data speeds comparable to other 4G networks currently available to device users in the United States.

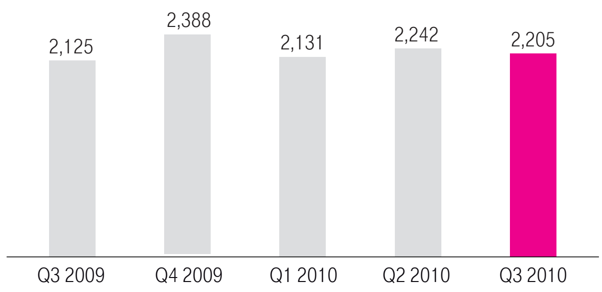
Systems Solutions.

Selected KPIs.

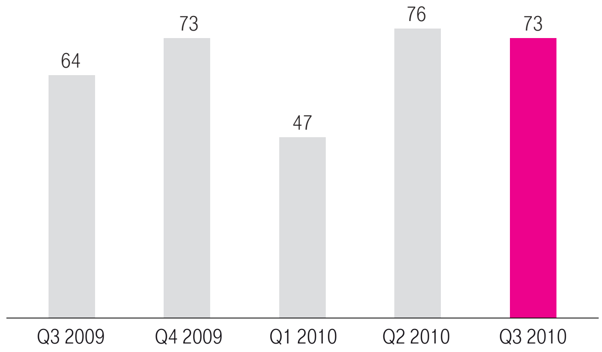
New orders (millions of €)



Revenue (millions of €)



Adjusted EBIT (millions of €)



		Sept. 30, 2010	June 30, 2010	Change Sept. 30, 2010/ June 30, 2010 %	Dec. 31, 2009	Change Sept. 30, 2010/ Dec. 31, 2009 %	Sept. 30, 2009	Change Sept. 30, 2010/ Sept. 30, 2009 %
New orders	**(millions of €)**	**6,075**	**4,450**	**n.a.**	**9,305**	**n.a.**	**6,014**	**1.0**
Computing & Desktop Services								
Number of servers managed and serviced	(units)	58,498	48,564	20.5	47,092	24.2	47,485	23.2
Number of workstations managed and serviced	(millions)	1.96	1.96	0.0	1.86	5.4	1.50	30.7
Systems Integration								
Hours billed	(millions)	6.9	4.7	n.a.	9.6	n.a.	7.2	(4.2)
Utilization rate	(%)	83.1	82.4	0.7p	81.3	1.8p	80.9	2.2p

Development of business.

In the first nine months of 2010, the Systems Solutions operating segment (T-Systems) secured strategically significant new deals in the ICT corporate customer market. In particular, T-Systems experienced high demand in dynamic computing, a new growth area. Companies increasingly use software from what are known as cloud services to manage their business processes (private cloud). In eight months, T-Systems doubled these dynamic resources from the Net, which are referred to as SAPS, SAP Application Performance Standard. Dynamic computing allows customers to receive broadband, computing capacity and memory on demand, pay for what they use and share the infrastructure.

The number of servers managed increased by 23.2 percent year-on-year in the first nine months of 2010 as a result of a rise in demand for dynamic computing services. The number of workstations managed and serviced increased significantly year-on-year, mainly due to new orders. Systems Integration developed positively, despite the continuing cost pressure from competition. Although fewer hours were billed, this effect was offset by a higher utilization rate.

It is also encouraging that more and more energy providers are demanding services relating to smart electricity grids, in addition to traditional ICT services. Deutsche Telekom secured new deals in the first nine months of the financial year, most recently with the city of Emden's municipal utilities, concerning the recording, transmission and processing of energy data.

Development of operations.

		Q1 2010 millions of €	Q2 2010 millions of €	**Q3 2010 millions of €**	Q3 2009 millions of €	Change %	**Q1 – Q3 2010 millions of €**	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		2,131	2,242	2,205	2,125	3.8	6,578	6,410	2.6	8,798
Profit (loss) from operations (EBIT)		18	56	(25)	16	n.a.	49	54	(9.3)	(11)
Special factors affecting EBIT		(29)	(20)	(98)	(48)	n.a.	(147)	(102)	(44.1)	(240)
EBIT (adjusted for special factors)		47	76	73	64	14.1	196	156	25.6	229
EBIT margin (adjusted for special factors)	(%)	2.2	3.4	3.3	3.0		3.0	2.4		2.6
Depreciation, amortization and impairment losses		(150)	(155)	(151)	(167)	9.6	(456)	(517)	11.8	(721)
EBITDA		168	211	126	183	(31.1)	505	571	(11.6)	710
Special factors affecting EBITDA		(28)	(20)	(96)	(48)	n.a.	(144)	(102)	(41.2)	(213)
EBITDA (adjusted for special factors)		196	231	222	231	(3.9)	649	673	(3.6)	923
EBITDA margin (adjusted for special factors)	(%)	9.2	10.3	10.1	10.9		9.9	10.5		10.5
Cash capex		(148)	(220)	(207)	(144)	(43.8)	(575)	(476)	(20.8)	(681)
Employees (average)	(Number)	47,446	47,480	47,654	45,877	3.9	47,527	45,063	5.5	45,328

Total revenue.

Total revenue in the Systems Solutions operating segment in the first nine months of 2010 amounted to EUR 6.6 billion, a year-on-year increase of 2.6 percent, reflecting the many deals concluded this year and in the prior year. The new deals offset the general negative price trend in IT and communications.

Revenue generated with Deutsche Telekom's other operating segments amounted to EUR 1.9 billion in the reporting period, a decrease of 3.3 percent. As a service provider for Deutsche Telekom, T-Systems plays a key role in optimizing Deutsche Telekom's IT costs. T-Systems standardized and improved the IT environment for the Group, making a major contribution to the Save for Service program.

Net revenue.

Business with customers outside the Deutsche Telekom Group expanded substantially, which reflects T-Systems' new growth course. The operating segment generated net revenue of EUR 4.7 billion, a year-on-year increase of 5.2 percent, which was mainly attributable to Computing & Desktop Services. Many customers are already using what are known as cloud services, which is how we already provide two thirds of SAP services for our customers. Cloud services enable companies, such as Philips, to receive services on demand and pay only for what they have used.

EBITDA, adjusted EBITDA.

In the reporting period, the Systems Solutions operating segment generated EBITDA of EUR 0.5 billion, a decrease of 11.6 percent compared with the prior-year period. This decline was mainly attributable to increased costs for goods and services purchased as a result of the new deals. It was partially offset by savings under Save for Service, the Company's comprehensive restructuring and efficiency enhancement program. EBITDA was negatively affected by special factors totaling EUR 0.1 billion, largely arising from restructuring measures. Adjusted EBITDA totaled EUR 0.6 billion in the reporting period, a decrease of 3.6 percent.

EBIT, adjusted EBIT.

Adjusted EBIT increased compared with the prior-year period, also as a result of Save for Service, the comprehensive restructuring and efficiency enhancement program. Adjusted EBIT was also positively affected by lower depreciation and amortization due to longer and therefore optimized useful lives of several assets. The adjusted EBIT margin increased from 2.4 percent in the first nine months of 2009 to 3.0 percent.

Cash capex.

At EUR 0.6 billion, cash capex in the reporting period increased year-on-year. Apart from expanding its dynamic computing platform, T-Systems invested in new deals and customer relationships in 2010. Positive effects of the efficiency enhancement measures, e.g., more standardized ICT platforms, were partially offset by the addition of assets taken on under the new deals.

Personnel.

The average number of employees increased by 2,464 in the first nine months of 2010 to 47,527, a year-on-year increase of 5.5 percent. While the average number of employees in Germany decreased by 556 or 2.2 percent to 25,072, internationally the average number of employees increased by 3,020 or 15.5 percent. This reflects the staff restructuring measures in Germany, in particular at Systems Integration, as well as offshoring at Computing & Desktop Services. This was primarily due to the fact that employees were taken over under the terms of large-scale contracts and to the increased use of company employees from nearshore and offshore countries.

Group Headquarters & Shared Services.

Group Headquarters & Shared Services performs strategic and cross-segment management functions for the Deutsche Telekom Group and is responsible for operating activities that are not directly related to the core business of the operating segments.

In the first three quarters of the 2010 financial year, Deutsche Telekom's personnel service provider Vivento continued to secure additional external employment opportunities for civil servants and employees, predominantly in the public sector, and offer long-term placement management to support staff restructuring in the Group. In addition, Vivento offers Group employees employment opportunities at Vivento Customer Services GmbH.

The workforce at Vivento totaled around 9,900 employees at September 30, 2010. These included around 4,200 employees who were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,200 or so people were employed within the Group, especially in call centers, and around 2,500 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Vivento took on a total of around 1,800 employees from the Group in the first nine months of the 2010 financial year, while around 1,500 employees left Vivento in the reporting period to pursue new employment opportunities.

Development of operations.

		Q1 2010 millions of €	Q2 2010 millions of €	**Q3 2010 millions of €**	Q3 2009 millions of €	Change %	**Q1 – Q3 2010 millions of €**	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		565	583	567	593	(4.4)	1,715	1,823	(5.9)	2,410
Loss from operations (EBIT)		(365)	(426)	(462)	(311)	(48.6)	(1,253)	(964)	(30.0)	(1,249)
Depreciation, amortization and impairment losses		(188)	(181)	(231)	(199)	(16.1)	(600)	(648)	7.4	(833)
EBITDA		(177)	(245)	(231)	(112)	n.a.	(653)	(316)	n.a.	(416)
Special factors affecting EBITDA		(5)	(63)	(39)	-	n.a.	(107)	(12)	n.a.	(101)
EBITDA (adjusted for special factors)		(172)	(182)	(192)	(112)	(71.4)	(546)	(304)	(79.6)	(315)
Cash capex		(109)	(70)	(99)	(126)	21.4	(278)	(329)	15.5	(449)
Employees (average)	(Number)	22,070	22,399	22,547	20,548	9.7	22,339	19,970	11.9	20,181
Of which: Vivento[a]	(Number)	9,700	9,700	9,900	9,400	5.3	9,900	9,400	5.3	9,600

[a] Number of employees at the reporting date, including Vivento's own staff and management; figures rounded.

Total revenue.

Total revenue generated at Group Headquarters & Shared Services decreased by 5.9 percent in the first nine months of the 2010 financial year, mainly due to lower prices in the Group-wide technical functions and volume-driven decreases in revenue from call center services at Vivento. Lower revenue at DeTeFleet Services GmbH, primarily due to a decline in proceeds from vehicle sales and a lower average number of fleet vehicles, also had an impact.

EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Shared Services decreased significantly year-on-year in the reporting period, mainly due to higher income recognized in the prior year from the reclassification of real estate from assets held for sale to non-current assets. The headcount increase at Vivento and the decrease in the billing of technical functions also had a negative impact on adjusted EBITDA at Group Headquarters & Shared Services. Overall, EBITDA was negatively impacted by special factors of EUR 107 million in the reporting period, mainly involving expenses in connection with staff-related measures. In the first nine months of 2009, special factors of EUR 12 million had a negative effect on EBITDA.

EBIT.

Loss from operations (EBIT) increased by EUR 289 million compared with the prior-year period. The decrease in adjusted EBITDA and the increase in special factors had a negative impact, which was partially offset by lower depreciation, amortization, and impairment losses primarily relating to Deutsche Telekom AG's real estate portfolio.

Personnel.

The average number of employees during the reporting period was 22,339. The increase by 2,369 was primarily attributable to a headcount increase at Vivento and the integration of staff employed at the units integrated into Group Headquarters & Shared Services as part of the Group-wide realignment of the management structure.

Risks and opportunities.

This section provides important additional information and explains recent changes in the risks and opportunities as described in the Group management report for the 2009 financial year. Readers are also referred to the Disclaimer at the end of this report.

T-Online appraisal rights proceedings.

After the merger of T-Online International AG into Deutsche Telekom AG effective June 6, 2006, Deutsche Telekom AG was served around 250 applications for a court review of the fairness of the exchange ratio stipulated in the merger agreement dated March 8, 2005. The Frankfurt/Main Regional Court as the court of first instance ruled on March 13, 2009 that the exchange ratio for the T-Online shares was not fair and deemed a cash payment of EUR 1.15 per share (plus interest) fair. Deutsche Telekom and numerous other parties each filed complaints against this ruling. In its ruling of September 3, 2010 the Frankfurt/Main Higher Regional Court dismissed their complaints. No further appeals against this ruling are admissible. As a result, the ruling by the Frankfurt/Main Regional Court dated March 13, 2009 that Deutsche Telekom must make a supplementary cash payment of EUR 1.15 per share plus interest from July 1, 2006 stands. The cash payment will be deposited with the shareholders' depository banks. Several former T-Online shareholders have filed a complaint against the ruling with the Constitutional Court, but this does not affect Deutsche Telekom AG's obligation to pay.

Toll Collect.

On August 2, 2005, the Federal Republic of Germany initiated arbitration proceedings against Deutsche Telekom AG, Daimler Financial Services AG, and Toll Collect GbR. The defendants' application to reject the arbitrator appointed by the Federal Republic on the grounds of bias was rejected by the Berlin Administrative Court on February 11, 2010. An appeal was lodged but was rejected by the Berlin Higher Administrative Court on June 16, 2010. The court of arbitration has set a date for continuing the hearing.

Damages claim by Vivendi (SA) – Paris.

On May 3, 2005, Vivendi SA (Vivendi) took legal action against Deutsche Telekom and T-Mobile International AG & Co. KG (now merged into Deutsche Telekom AG). Vivendi alleges that the defendants unlawfully broke off negotiations on the acquisition of a 48-percent stake in Polska Telefonia Cyfrowa Sp.z o.o. (PTC) in order to later obtain these shares at a lower price. The value in dispute has been put at approximately EUR 2.27 billion. The case was dismissed in March 2008 by the Paris Commercial Court in the first instance. Vivendi has given notice of appeal against this decision. In the grounds of appeal dated August 20, 2008, Vivendi initially pursued claims for approximately EUR 1.9 billion, which it has since reduced to around EUR 53 million. On September 8, 2010 the Paris Commercial Court dismissed Vivendi's appeal on all counts. Vivendi can lodge an appeal against the ruling with the Court of Cassation.

Review of contracts in the F.Y.R.O. Macedonia and Montenegro.

The audit of the financial statements of Magyar Telekom for the 2005 financial year identified contracts for which it was not possible at the time to fully ascertain an appropriate business background. The Audit Committee of Magyar Telekom commissioned an independent law firm with investigating the lawfulness of these contracts. Magyar Telekom informed the U.S. authorities (the Department of Justice and the SEC), who then initiated investigations into potential breaches of the Foreign Corrupt Practices Act (FCPA). Magyar Telekom and Deutsche Telekom as the parent company of the Group cooperated fully in these investigations and reviewed and improved their compliance programs. Magyar Telekom's and Deutsche Telekom's legal representatives are currently in talks with the U.S. authorities about the status of the investigation and the possibility of bringing the proceedings to a close. The results of these talks cannot be foreseen. It is also not foreseeable at present whether the U.S. authorities will take action and if so what kind, if an agreement cannot be reached to conclude the proceedings. The public prosecutors' office in Bonn has launched its own investigations having received a request for legal assistance from the U.S. authorities.

ULL rate approvals.

On June 23, 2010, the Federal Administrative Court upheld an appeal relating to the ULL monthly charges for 2001 against the ruling of the Cologne Administrative Court on August 29, 2009 on the complaints against non-allowance of appeal filed by Deutsche Telekom AG and the Federal Network Agency; the Federal Administrative Court rejected the complaint against non-allowance of appeal relating to the ULL one-time charges for the period April 2001 through March 2002. The ruling of the Administrative Court on August 27, 2009 revoking the approvals thus became legally effective with regard to the ruling on the ULL one-time charges. Furthermore, on June 30, 2010 the Federal Administrative Court dismissed the complaints against non-allowance of appeal filed by Deutsche Telekom AG and the Federal Network Agency against the ruling by the Cologne Administrative Court on November 19, 2009 relating to the ULL one-time charges for the period April 2002 through June 2003. The ruling of the Administrative Court on November 19, 2009 revoking the approvals thus became legally effective. As a result, the Federal Network Agency has to decide again on the ULL one-time charges for the periods April 2001 through March 2002 and April 2002 through June 2003.

Minimum contract terms for bundled products.

The complaint filed by Tele2 as reported in the Group management report for the 2009 financial year was withdrawn by Tele2 in the second quarter of 2010.

Lawsuit on prospectus liability.

The hearing in the DT3 model proceedings is scheduled for December 15, 2010.

Economic situation in Greece.

The economic downturn in Greece is continuing. Cuts in tax policy and government spending are impacting on economic development. Rising unemployment, falling incomes and general uncertainty are negatively affecting private consumption. Further cuts in government spending and weak private consumption may continue to negatively affect telecommunications consumption. Leading economic research institutions forecast an economic upswing in Greece from the fourth quarter of 2011.

Ministerial Decision on IKA-ETAM social security fund.

The Greek Ministry of Labor and Social Affairs issued a Ministerial Decision and informed OTE that it may, subject to an audit, be required to make additional payments to cover a deficit in the fund. According to the Ministry, a voluntary staff reduction program at OTE has resulted in a gap of EUR 0.3 billion. OTE has appealed the Ministerial Decision.

Proceedings by Anti-Monopoly Commission in Poland.

At the end of September 2010, the Polish Anti-Monopoly Commission (UOKiK) initiated legal proceedings against a number of Polish telecommunications companies suspected of illegal price fixing. Deutsche Telekom believes these allegations are unfounded. The outcome and any associated fine cannot be determined at present, nor is it clear how a potential fine would be set. In Poland, the maximum fine is set at 10 percent of the revenues from telecommunications services or 10 percent of taxable revenues.

Events after the reporting period (September 30, 2010).

Arcor (price squeeze).

Competitors have announced they will seek damages from Deutsche Telekom on the grounds of a price squeeze between wholesale and retail prices that the European Commission had identified in 2003 as part of a decision to impose fines. Vodafone (formerly Arcor) is seeking damages of currently EUR 223 million. This case has been suspended until the European courts have issued a final decision related to the fine ruling by the European Commission. On April 10, 2008, the European Court of First Instance dismissed Deutsche Telekom AG's claim for reversal of the fine ruling. The European Court of Justice (ECJ) rejected Deutsche Telekom AG's appeal against this ruling on October 14, 2010. The European Commission's decision, which requires Deutsche Telekom to pay a fine of EUR 12.6 million plus interest, is therefore final and non-appealable. If the case is reopened, the national court will not be permitted to issue any ruling that would be contrary to the ECJ's decision. The amount of damages to be paid, if any, was not the subject of the case brought before the ECJ.

Changes of management at T-Mobile USA.

The change in management at T-Mobile USA announced in May 2010 originally to take effect in February 2011 in fact took effect at the start of November this year. Philipp Humm, former head of T-Mobile Deutschland and Chief Regional Officer (CRO) of Deutsche Telekom, has been President and CEO designate of T-Mobile USA since July 1, 2010. Philipp Humm succeeded the previous CEO of T-Mobile USA, Robert Dotson, effective November 1, 2010 and thereby took over sole leadership of the company. Robert Dotson remains with the company as Vice Chairman.

Changes of management at OTE.

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.

Special tax introduced in Hungary initially for three years.

On October 19, 2010, the Hungarian parliament approved a special tax to be levied on large corporations in the energy and telecommunications sector and in trade for three years. Deutsche Telekom therefore expects charges of EUR 0.1 billion for the 2010 financial year.

Allotment of frequency blocks purchased by auction in Germany.

In May 2010, Telekom Deutschland GmbH purchased spectrum by auction in the 0.8 GHz, 1.8 GHz, and 2.6 GHz frequency ranges. Under the Telecommunications Act, before the acquirers actually start to use the frequencies they must apply to the Federal Network Agency for assignment of the frequencies. Deutsche Telekom has already submitted the corresponding applications and received assignment notices from the Federal Network Agency for the 0.8 GHz and 1.8 GHz frequency ranges by September 30, 2010. The Company received an assignment notice for the 2.6 GHz range on October 20, 2010.

Deutsche Telekom executes further share buy-back.

Deutsche Telekom bought back a total of 9.2 million shares by November 3, 2010 at a total value of EUR 91.5 million under the share buy-back program.

Development of revenue and profits.[4]

The statements in this section reflect the current views of Deutsche Telekom's management. Expectations of business developments are based on the opportunities and risks that arise as the year progresses as a result of the conditions on the market and the competitive environment. For more information on existing opportunities and risks, please also refer to the disclosures in the Annual Report as of December 31, 2009 and in this Interim Group Report. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report.

Expectations for the Group.

Deutsche Telekom will focus its investment activities in 2010 and 2011 on safeguarding its competitiveness and future viability, particularly in its home market, Germany. For example, Deutsche Telekom successfully participated in the LTE frequency auction to secure spectrum for itself. At the same time, it aims to maintain a stable rating in order to have unrestricted access to the debt capital market. Deutsche Telekom expects to see unabated strong growth in the mobile Internet in the coming years, particularly in the United States and Western Europe.

Deutsche Telekom currently maintains its guidance for the Group as communicated. Excluding the effects of the Everything Everywhere joint venture in the United Kingdom, Deutsche Telekom expects its capital expenditure in 2010 to increase slightly year-on-year to around EUR 9.1 billion, which will strengthen the Group's position in its core markets. Adjusted for the effects of the joint venture, Deutsche Telekom aims to generate adjusted EBITDA of approximately EUR 20 billion and free cash flow of around EUR 6.2 billion in the 2010 financial year. Neither the level of capital expenditure nor free cash flow includes spectrum investment.

The assets and liabilities of T-Mobile UK have no longer been shown in the consolidated statement of financial position since April 1, 2010 following the establishment of the joint venture in the United Kingdom. Equally, 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.

These changes affect the aforementioned forecast figures. Deutsche Telekom's capital expenditure will decrease by around EUR 0.1 billion and adjusted EBITDA by EUR 0.4 to 0.5 billion. Taking into account the agreed advance dividend from the joint venture, Deutsche Telekom does not expect to see any impact on free cash flow. In 2011, Deutsche Telekom expects sustained high levels of adjusted EBITDA and free cash flow.

The Board of Management and Supervisory Board of Deutsche Telekom have decided to pursue a shareholder remuneration policy for the 2010 through 2012 financial years consisting of the payment of an annual dividend of at least EUR 0.70 per share and the buyback of shares with the remaining amount up to an unchanged total shareholder remuneration of around EUR 3.4 billion.[5] These payments will be covered by free cash flow.

[4] The forecasts for the development of revenue and profits contain forward-looking statements that reflect management's current views with respect to future events. Words such as "assume," "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "plan," "project," "should," "want" and similar expressions identify forward-looking statements. These forward-looking statements include statements on the expected development of net revenue, adjusted EBITDA, capital expenditure and free cash flow until 2011. Such statements are subject to risks and uncertainties, such as an economic downturn in Europe or North America, changes in exchange and interest rates, the outcome of disputes in which Deutsche Telekom is involved, and competitive and regulatory developments. Some uncertainties or other imponderabilities that might influence Deutsche Telekom's ability to achieve its objectives, are described in the "Risk and opportunities management" section in the management report and in the "Forward-Looking Statements" and "Risk Factors" sections in the Annual Report on Form 20-F and the disclaimer at the end of the Annual Report as well as in the section "Risks and opportunities" of this Interim Group Report. Should these or other uncertainties and imponderabilities materialize or the assumptions underlying any of these statements prove incorrect, the actual results may be materially different from those expressed or implied by such statements. We do not guarantee that our forward-looking statements will prove correct. The forward-looking statements presented here are based on the current structure of the Group, without regard to significant acquisitions, dispositions, business combinations or joint ventures Deutsche Telekom may choose to undertake. These statements are made with respect to conditions as of the date of this document's publication. Without prejudice to existing obligations under capital market law, we do not intend or assume any obligation to update forward-looking statements.

[5] This policy is subject to the requisite unappropriated net income being posted in the single-entity 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.

Deutsche Telekom intends to continue realizing international economies of scale and synergies through appropriate acquisitions and joint ventures in its footprint markets. There are, however, no plans for major acquisitions or expansion into emerging markets.

Deutsche Telekom's liquidity reserve at September 30, 2010, consisting of free credit lines as well as cash and cash equivalents, amounted to EUR 16.5 billion. The underlying aim of covering at least the maturities of the next 24 months with the liquidity reserve has therefore been achieved. By the end of October 2010, Deutsche Telekom had issued notes with a nominal value of EUR 3.1 billion in the debt capital market. Deutsche Telekom's issuances regularly meet with keen interest from investors. Depending on the market environment, Deutsche Telekom will take advantage of favorable conditions for issuances on the international debt markets during the rest of 2010.

Germany.

Deutsche Telekom will be able to reduce the number of line losses in its traditional fixed-network business, even though its market share in this traditional segment will continue to decline owing to competition. As growth in the broadband market slows, Deutsche Telekom will continue to record high percentages of market share. Another important goal is to develop the mass market with sound growth rates, not only with telephony and Internet access, but also with IPTV.

In the mobile communications market, Deutsche Telekom will be able to maintain its market position in a highly competitive environment. Mobile Internet will be one of the principal growth drivers. Strong growth is expected to continue in 2010, due in part to the sale of smartphones. In November 2010 Deutsche Telekom launched its new portfolio of mobile calling plans for consumers and entered into a strategic partnership with Microsoft for joint marketing of the Windows Phone 7. This strategy represents a further step towards opening up mobile data applications to the mass market.

In the Germany operating segment, Deutsche Telekom expects the decline in revenue to decelerate and adjusted EBITDA to further stabilize in 2010 and 2011. The measures necessary to ensure long-term competitiveness will continue to be bundled and driven ahead under the Save for Service program. The focus is on enhancing structures, processes and systems to bring about a clear improvement in quality from the customer's perspective while achieving a sustained increase in operational efficiency.

Capital expenditure in Germany will focus on growth and innovation, particularly the further integrated and value-enhanced broadband expansion in fixed-network and mobile communications as well as quality and service initiatives. Deutsche Telekom acquired sufficient spectrum at the frequency auction and launched initial pilot projects to maintain its leadership in terms of network quality.

Europe.

In the Europe operating segment, Deutsche Telekom will systematically work on safeguarding its market positioning and expanding market share in the respective countries. By boosting sales of new intelligent mobile handsets (e.g., iPhone 4) in conjunction with attractive calling plans, Deutsche Telekom aims to attract consumers and business customers with its range of innovative data and content services for smartphones and laptops.

To become more competitive Deutsche Telekom will focus its capital expenditure on upgrading its network infrastructure by increasing broadband coverage in traditional fixed-network communications through the expansion of the fiber-optic infrastructure, and by building out the TV infrastructure (satellite and IP). Capital expenditure on mobile technology is also planned such as the roll-out of UMTS networks with higher transmission rates, the launch of HSPA+ and an upgrade of the GSM networks. In addition, Deutsche Telekom will maintain its commitment to introducing LTE technology as the fourth generation of mobile communications. Further investments are planned to improve and refine customer service and raise process efficiency.

In the second quarter of the current financial year, the structure of the segment's consolidated group changed due to the merger of the two operating segments Europe and Southern and Eastern Europe into the new Europe operating segment and the establishment of the joint venture in the United Kingdom. Against this background, Deutsche Telekom anticipates a decline in revenue and adjusted EBITDA for the Europe operating segment at the end of the 2010 financial year. Adjusted for this deconsolidation effect and on the basis of comparable figures for the OTE group, which was fully consolidated for the first time in February 2009, Deutsche Telekom forecasts a slight decrease in revenue and adjusted EBITDA in the Europe operating segment in the 2010 and 2011 financial years compared with the respective prior years, while margins are expected to remain high.

Deutsche Telekom still faces a challenging macroeconomic situation and intense competition in the Europe operating segment. In addition, regulatory measures, legislative changes – in particular government-led cost cutting programs – and exchange rate fluctuations in some countries, plus an introduction of or increase in mobile communications taxes, may have a negative effect on revenue and earnings when translated to euros. Strategic initiatives and cost-cutting measures are already having a positive impact and are expected to compensate in part for any negative effects.

United States.

In 2010, T-Mobile USA is focusing on attracting and retaining a loyal customer base and leveraging its network investment. Revenue and adjusted EBITDA in local currency are expected to be lower in 2010 as customer penetration levels for mobile telecommunications services in the United States near 100 percent. Results are expected to be positively impacted primarily by growth in non-voice services and a continued focus on cost saving initiatives, offset by investment in customer acquisition and retention as well as market driven declines in voice revenues per customer and net losses of branded customers (wireless customers excluding MVNO and connected devices). For 2011, T-Mobile USA expects positive developments in revenues and adjusted EBITDA in local currency. However, exchange rates, regulatory changes, and competitive pressures may significantly affect revenues and adjusted EBITDA in euros in 2010 and 2011. Additionally, the United States operating segment is continuing to focus on the enhancement of network quality and coverage, and in particular the continued expansion and upgrade of the mobile broadband communications networks, including the build out of the HSPA+ 4G[6] network.

[6] T-Mobile USA's HSPA+ technology offers customers a 4G experience, including data speeds comparable to other 4G networks currently available to device users in the United States.

Systems Solutions.

T-Systems focuses on the growing ICT services market where it provides solutions for corporate customers. Large-scale deals with renowned industry giants such as DHL, Philips, Arivia, and TUI as well as new solutions for connected working environments are indicative of the revenue trends in the coming years. It nevertheless remains to be seen how sustainably the business of T-Systems' customers will recover and develop in the current economic environment.

The roll-out of new solutions for the connected working environment and new and existing cost-cutting measures are already taking effect and will be continued. Revenue and adjusted EBIT are expected to improve slightly in this operating segment until 2011 in view of the measures described.

Group Headquarters & Shared Services.

Adjusted EBITDA at Group Headquarters & Shared Services is largely influenced by expenditure at Group Headquarters and staff restructuring activities at Vivento. Measures taken to improve and centralize functions in connection with the realignment of the management structure will enhance efficiency on a Group-wide basis, but will have a negative impact on adjusted EBITDA at Group Headquarters & Shared Services. Key goals within centralized functions include cost management and increasing efficiency.

Interim consolidated financial statements.

Consolidated statement of financial position.

	Sept. 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	Sept. 30, 2009 millions of €
Assets					
Current assets	**13,918**	**23,012**	**(9,094)**	**(39.5)**	**24,384**
Cash and cash equivalents	2,074	5,022	(2,948)	(58.7)	6,080
Trade and other receivables	7,080	6,757	323	4.8	6,847
Current recoverable income taxes	221	144	77	53.5	137
Other financial assets	1,525	2,001	(476)	(23.8)	1,842
Inventories	1,293	1,174	119	10.1	1,353
Non-current assets and disposal groups held for sale	75	6,527	(6,452)	(98.9)	6,402
Other assets	1,650	1,387	263	19.0	1,723
Non-current assets	**113,841**	**104,762**	**9,079**	**8.7**	**104,953**
Intangible assets	53,702	51,705	1,997	3.9	51,837
Property, plant and equipment	44,312	45,468	(1,156)	(2.5)	45,320
Investments accounted for using the equity method	7,601	147	7,454	n.a.	160
Other financial assets	2,609	1,739	870	50.0	1,852
Deferred tax assets	5,200	5,162	38	0.7	5,240
Other assets	417	541	(124)	(22.9)	544
Total assets	**127,759**	**127,774**	**(15)**	**(0.0)**	**129,337**
Liabilities and shareholders' equity					
Current liabilities	**25,288**	**24,794**	**494**	**2.0**	**26,404**
Financial liabilities	11,014	9,391	1,623	17.3	11,449
Trade and other payables	5,962	6,304	(342)	(5.4)	6,114
Income tax liabilities	693	511	182	35.6	427
Other provisions	3,098	3,369	(271)	(8.0)	2,824
Liabilities directly associated with non-current assets and disposal groups held for sale	-	1,423	(1,423)	n.a.	1,358
Other liabilities	4,521	3,796	725	19.1	4,232
Non-current liabilities	**59,111**	**61,043**	**(1,932)**	**(3.2)**	**61,344**
Financial liabilities	39,159	41,800	(2,641)	(6.3)	42,018
Provisions for pensions and other employee benefits	6,871	6,179	692	11.2	6,176
Other provisions	1,772	2,161	(389)	(18.0)	2,577
Deferred tax liabilities	7,636	7,153	483	6.8	6,978
Other liabilities	3,673	3,750	(77)	(2.1)	3,595
Liabilities	**84,399**	**85,837**	**(1,438)**	**(1.7)**	**87,748**
Shareholders' equity	**43,360**	**41,937**	**1,423**	**3.4**	**41,589**
Issued capital	11,165	11,165	0	0.0	11,165
Treasury shares	(5)	(5)	0	0.0	(5)
	11,160	11,160	0	0.0	11,160
Capital reserves	51,532	51,530	2	0.0	51,529
Retained earnings including carryforwards	(24,341)	(20,951)	(3,390)	(16.2)	(20,956)
Total other comprehensive income	(2,470)	(3,576)	1,106	30.9	(3,914)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	-	(2,162)	2,162	n.a.	(2,242)
Net profit (loss)	2,277	353	1,924	n.a.	356
Issued capital and reserves attributable to owners of the parent	38,158	36,354	1,804	5.0	35,933
Non-controlling interests	5,202	5,583	(381)	(6.8)	5,656
Total liabilities and shareholders' equity	**127,759**	**127,774**	**(15)**	**(0.0)**	**129,337**

Consolidated income statement.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Net revenue	**15,601**	**16,262**	**(4.1)**	**46,944**	**48,402**	**(3.0)**	**64,602**
Cost of sales	(8,845)	(9,224)	4.1	(26,521)	(26,876)	1.3	(36,259)
Gross profit	**6,756**	**7,038**	**(4.0)**	**20,423**	**21,526**	**(5.1)**	**28,343**
Selling expenses	(3,587)	(3,697)	3.0	(10,869)	(11,752)	7.5	(15,863)
General and administrative expenses	(1,210)	(983)	(23.1)	(3,774)	(3,588)	(5.2)	(4,653)
Other operating income	371	391	(5.1)	1,045	1,031	1.4	1,504
Other operating expenses	(389)	(251)	(55.0)	(1,144)	(2,463)	53.6	(3,319)
Profit from operations	**1,941**	**2,498**	**(22.3)**	**5,681**	**4,754**	**19.5**	**6,012**
Finance costs	(673)	(668)	(0.7)	(1,914)	(1,935)	1.1	(2,555)
Interest income	69	68	1.5	287	259	10.8	341
Interest expense	(742)	(736)	(0.8)	(2,201)	(2,194)	(0.3)	(2,896)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(53)	7	n.a.	(73)	21	n.a.	24
Other financial income (expense)	136	(141)	n.a.	(26)	(645)	96.0	(826)
Profit (loss) from financial activities	**(590)**	**(802)**	**26.4**	**(2,013)**	**(2,559)**	**21.3**	**(3,357)**
Profit (loss) before income taxes	**1,351**	**1,696**	**(20.3)**	**3,668**	**2,195**	**67.1**	**2,655**
Income taxes	(160)	(551)	71.0	(1,148)	(1,378)	16.7	(1,782)
Profit (loss)	**1,191**	**1,145**	**4.0**	**2,520**	**817**	**n.a.**	**873**
Profit (loss) attributable to	1,191	1,145	4.0	2,520	817	n.a.	873
Owners of the parent (net profit (loss))	1,035	959	7.9	2,277	356	n.a.	353
Non-controlling interests	156	186	(16.1)	243	461	(47.3)	520

Earnings per share.

	Q3 2010	Q3 2009	Change %	Q1 – Q3 2010	Q1 – Q3 2009	Change %	FY 2009
Earnings per share							
Basic/diluted (€)	0.23	0.22	4.5	0.52	0.08	n.a.	0.08

Consolidated statement of comprehensive income.

	Q3 2010 millions of €	Q3 2009 millions of €	Change millions of €	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change millions of €	FY 2009 millions of €
Profit (loss)	**1,191**	**1,145**	**46**	**2,520**	**817**	**1,703**	**873**
Actuarial gains and losses on defined benefit pension plans	(298)	(490)	192	(595)	(490)	(105)	(461)
Revaluation due to business combinations	0	0	0	(1)	(33)	32	(38)
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	-	0	2,151	-	2,151	-
Change in other comprehensive income (not recognized in income statement)	(2,302)	(630)	(1,672)	1,248	(578)	1,826	(211)
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	0	11	(11)	(5)	5	(10)	(4)
Fair value measurement of hedging instruments							
Recognition of other comprehensive income in income statement	0	22	(22)	0	(4)	4	8
Change in other comprehensive income (not recognized in income statement)	(100)	(98)	(2)	(84)	(65)	(19)	(56)
Share of profit (loss) of investments accounted for using the equity method	12	-	12	0	-	0	-
Other income and expense recognized directly in equity	0	0	0	0	11	(11)	11
Income taxes relating to components of other comprehensive income	110	156	(46)	195	162	33	138
Other comprehensive income	**(2,578)**	**(1,029)**	**(1,549)**	**2,909**	**(992)**	**3,901**	**(613)**
Total comprehensive income	**(1,387)**	**116**	**(1,503)**	**5,429**	**(175)**	**5,604**	**260**
Total comprehensive income attributable to	(1,387)	116	(1,503)	5,429	(175)	5,604	260
Owners of the parent	(1,587)	(79)	(1,508)	5,190	(681)	5,871	(261)
Non-controlling interests	200	195	5	239	506	(267)	521

Consolidated statement of changes in equity.

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
	millions of €	millions of €	millions of €	millions of €	millions of €
Balance at January 1, 2009	**11,165**	**(5)**	**51,526**	**(18,761)**	**1,483**
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				1,483	(1,483)
Dividends				(3,386)	
Proceeds from the exercise of stock options			3		
Profit (loss)					356
Other comprehensive income				(357)	
Transfer to retained earnings				65	
Balance at September 30, 2009	**11,165**	**(5)**	**51,529**	**(20,956)**	**356**
Balance at January 1, 2010	**11,165**	**(5)**	**51,530**	**(20,951)**	**353**
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				353	(353)
Dividends				(3,386)	
Proceeds from the exercise of stock options			2		
Share buy-back		0		(2)	
Profit (loss)					2,277
Other comprehensive income				(414)	
Transfer to retained earnings				59	
Balance at September 30, 2010	**11,165**	**(5)**	**51,532**	**(24,341)**	**2,277**

Issued capital and reserves attributable to owners of the parent						**Total**	Non-controlling interests	**Total shareholders' equity**
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Cash flow hedges	Other comprehensive income	Taxes			
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	**millions of €**	millions of €	**millions of €**
(6,356)	**202**	**3**	**1,085**	**(11)**	**(334)**	**39,997**	**3,115**	**43,112**
						0	2,876	2,876
						0		0
						(3,386)	(841)	(4,227)
						3	0	3
						356	461	817
(616)	(33)	(2)	(69)	11	29	(1,037)	45	(992)
	(65)					0		0
(6,972)	**104**	**1**	**1,016**	**0**	**(305)**	**35,933**	**5,656**	**41,589**
(6,577)	**118**	**(3)**	**1,037**	**0**	**(313)**	**36,354**	**5,583**	**41,937**
						0	(23)	(23)
						0		0
						(3,386)	(600)	(3,986)
						2	3	5
						(2)		(2)
						2,277	243	2,520
3,394	(1)	(3)	(84)		21	2,913	(4)	2,909
	(59)					0		0
(3,183)	**58**	**(6)**	**953**	**0**	**(292)**	**38,158**	**5,202**	**43,360**

Consolidated statement of cash flows.

	Q3 2010 millions of €	Q3 2009 millions of €	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	FY 2009 millions of €
Profit (loss)	**1,191**	**1,145**	**2,520**	**817**	**873**
Depreciation, amortization and impairment losses	2,820	2,896	8,249	10,609	13,894
Income tax expense (benefit)	160	551	1,148	1,378	1,782
Interest income and interest expense	673	668	1,914	1,935	2,555
Other financial (income) expense	(136)	141	26	645	826
Share of (profit) loss of associates and joint ventures accounted for using the equity method	53	(7)	73	(21)	(24)
(Profit) loss on the disposal of fully consolidated subsidiaries	(5)	0	351	(23)	(26)
Other non-cash transactions	(52)	(48)	(7)	(148)	(230)
(Gain) loss from the disposal of intangible assets and property, plant and equipment	11	3	51	36	51
Change in assets carried as working capital	76	1,098	(1,752)	1,112	1,936
Change in provisions	38	53	(504)	(1,138)	(891)
Change in other liabilities carried as working capital	(379)	(232)	(311)	(873)	(1,818)
Income taxes received (paid)	(171)	(248)	(658)	(747)	(928)
Dividends received	9	9	11	16	29
Net payments from entering into or canceling interest rate swaps	229	0	256	242	242
Cash generated from operations	**4,517**	**6,029**	**11,367**	**13,840**	**18,271**
Interest paid	(831)	(836)	(2,752)	(2,812)	(3,456)
Interest received	157	150	641	793	980
Net cash from operating activities	**3,843**	**5,343**	**9,256**	**11,821**	**15,795**
Cash outflows for investments in					
Intangible assets	(374)	(419)	(974)	(1,087)	(1,598)
Property, plant and equipment	(1,662)	(1,712)	(5,037)	(5,866)	(7,604)
Non-current financial assets	(70)	(63)	(976)	(159)	(176)
Investments in fully consolidated subsidiaries and business units	(17)	(683)	(415)	(751)	(1,007)
Proceeds from disposal of					
Intangible assets	17	3	23	5	7
Property, plant and equipment	58	71	242	233	369
Non-current financial assets	131	8	153	94	99
Investments in fully consolidated subsidiaries and business units	1	0	4	120	116
Net change in short-term investments and marketable securities and receivables	(137)	340	619	(47)	(320)
Net change in cash and cash equivalents due to the first-time full consolidation of OTE	0	0	0	1,558	1,558
Other	0	1	(416)	(92)	(93)
Net cash used in investing activities	**(2,053)**	**(2,454)**	**(6,777)**	**(5,992)**	**(8,649)**
Proceeds from issue of current financial liabilities	10,765	224	29,127	3,168	3,318
Repayment of current financial liabilities	(13,642)	(2,705)	(33,269)	(6,756)	(9,314)
Proceeds from issue of non-current financial liabilities	1,537	327	2,820	5,307	5,379
Repayment of non-current financial liabilities	(10)	24	(146)	(89)	(93)
Dividend payments	(145)	(401)	(3,989)	(4,287)	(4,287)
Proceeds from the exercise of stock options	0	1	0	1	2
Share buy-back	(2)	0	(2)	0	0
Repayment of lease liabilities	(36)	(31)	(105)	(95)	(128)
Other	0	0	(8)	0	0
Net cash used in financing activities	**(1,533)**	**(2,561)**	**(5,572)**	**(2,751)**	**(5,123)**
Effect of exchange rate changes on cash and cash equivalents	(22)	(21)	145	39	58
Changes in cash and cash equivalents associated with assets and disposal groups held for sale	0	(63)	0	(63)	(85)
Net increase (decrease) in cash and cash equivalents	**235**	**244**	**(2,948)**	**3,054**	**1,996**
Cash and cash equivalents, at the beginning of the period	**1,839**	**5,836**	**5,022**	**3,026**	**3,026**
Cash and cash equivalents, at the end of the period	**2,074**	**6,080**	**2,074**	**6,080**	**5,022**

Selected explanatory notes.

Accounting policies.

In accordance with § 37x (3) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Deutsche Telekom AG's quarterly financial report comprises interim consolidated financial statements and an interim management report for the Group. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the applicable provisions of the WpHG.

Statement of compliance.

The interim consolidated financial statements for the period ended September 30, 2010 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2009. All IFRSs issued by the International Accounting Standards Board (IASB), effective at the time of preparing this Interim Report and applied by Deutsche Telekom, have been adopted for use in the EU by the European Commission. As such, this Interim Group Report is also in compliance with the IFRSs as published by the IASB.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations, financial position and cash flows of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2009 for the accounting policies applied for the Group's financial reporting. Since April 1, 2010, Deutsche Telekom's organizational structure has reflected the realigned management structure of the two previous operating segments Europe and Southern and Eastern Europe, which was approved by the Supervisory Board on February 24, 2010. The two operating segments were merged on April 1, 2010 to form the new Europe operating segment that covers all activities of the fixed-network and mobile communications enterprises of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Albania, the F.Y.R.O. Macedonia, Montenegro, Bulgaria, and the United Kingdom as well as the International Carrier Sales and Services unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. Since April 1, 2010, Deutsche Telekom has therefore reported on the four operating segments Germany, Europe, United States, and Systems Solutions, as well as on Group Headquarters & Shared Services.

Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period.

In January 2008, the IASB issued the revised standards **IFRS 3 "Business Combinations"** and **IAS 27 "Consolidated and Separate Financial Statements."** The standards are the result of the second phase of the project undertaken jointly with the Financial Accounting Standards Board (FASB) to reform the accounting for business combinations. The revised IFRS 3 and IAS 27 were endorsed by the European Union in June 2009. Deutsche Telekom has applied the revised standards prospectively since January 1, 2010 to transactions and business combinations. The figures for prior-year periods have not been adjusted.

The main changes that the revised IFRS 3 will make to the existing requirements are described below:

- The revised IFRS 3 gives the option of measuring non-controlling interests either at fair value or at the proportionate share of the net identifiable assets. This option can be exercised for each business combination individually.
- In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at the date the acquirer obtains control. Goodwill shall then be determined as the difference between the remeasured carrying amount plus consideration transferred for the acquisition of the new shares, minus net assets acquired.
- Contingent consideration shall be measured at fair value at the acquisition date and classified either as equity, or as asset or liability at the acquisition date. Agreed contingent consideration shall be recognized subsequently in accordance with the classification determined at the acquisition date.
- Acquisition-related costs incurred in connection with business combinations shall be recognized as expenses.
- For changes in contingent considerations classified as liabilities at the acquisition date, goodwill cannot be remeasured subsequently.
- According to the revised IFRS 3, effects from the settlement of relationships existing prior to the business combination shall not be part of the exchange for the acquiree.

- In contrast to the previous version of IFRS 3, the revised standard governs the recognition and measurement of rights that were granted to another entity prior to the business combination and which are now reacquired as part of the business combination (reacquired rights).

The main changes that the revised IAS 27 will make to the existing requirements are described below:

- Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control shall only be accounted for within equity.
- If a parent loses control of a subsidiary, it shall derecognize the consolidated assets and liabilities. The new requirement is that any investment retained in the former subsidiary shall be recognized at fair value at the date when control is lost; any differences resulting from this shall be recognized in profit or loss.
- When losses attributed to the non-controlling interests exceed the non-controlling interests in the subsidiary's equity, these losses shall be allocated to the non-controlling interests even if this results in a deficit balance.

In July 2008, the IASB issued an amendment to **IAS 39 "Financial Instruments: Recognition and Measurement."** The European Union endorsed the amendment to IAS 39 in September 2009. The amendment on eligible hedged items specifies that an entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable. Deutsche Telekom has applied the amendment to IAS 39 since January 1, 2010. The provisions are to be applied retrospectively. The amendment did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In November 2008, the IFRIC issued **IFRIC 17 "Distribution of Non-Cash Assets to Owners."** The European Union endorsed IFRIC 17 in November 2009. The interpretation provides guidance on the recognition and measurement of liabilities arising from dividends paid in the form of assets other than cash (e.g., property, plant and equipment) and clarifies how any difference between the carrying amount of the assets distributed and the fair value of the dividend paid should be accounted for. Deutsche Telekom has applied IFRIC 17 since January 1, 2010. The adoption of IFRIC 17 did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In April 2009, the IASB issued **"Improvements to IFRSs"** – a collection of necessary, but non-urgent, amendments to existing IFRSs. This is the second pronouncement published as part of the Annual Improvements Project and contains amendments to twelve existing standards and interpretations. The European Union endorsed the amendments in March 2010. Deutsche Telekom has applied the amendments since January 1, 2010. The amendments did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In June 2009, the IASB issued amendments to **IFRS 2 "Share-based Payment."** The European Union endorsed these amendments in March 2010. These amendments clarify the accounting for group-settled share-based payment transactions. In these arrangements, the subsidiary receives goods or services from employees or suppliers, but its parent or another entity in the group must pay those suppliers. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The IASB additionally clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 "Consolidated and Separate Financial Statements." The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions." As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. Deutsche Telekom has applied the amendment to IFRS 2 since January 1, 2010. The amendments did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

Changes in the composition of the Group.

Deutsche Telekom acquired and disposed of entities in the current and prior financial years. This imposes certain limits on the comparability of the interim consolidated financial statements and the disclosures under segment reporting. Above all, the transactions include OTE, which was fully consolidated in the Southern and Eastern Europe operating segment for the first time effective February 6, 2009 (included in the Europe operating segment since April 1, 2010). In particular, STRATO was fully consolidated in the Germany operating segment as of January 1, 2010. Furthermore, Deutsche Telekom lost control over T-Mobile UK as of April 1, 2010 due to the merger of T-Mobile UK and Orange UK into a joint venture company under the name Everything Everywhere. Instead, the joint venture is included in the consolidated statement of financial position under investments accounted for using the equity method and reported in the Europe operating segment.

The following table shows the effect of changes in the composition of the Group on the consolidated income statement and segment reporting for the first nine months of 2010.

	Germany millions of €	Europe millions of €	United States millions of €	Systems Solutions millions of €	Group Headquarters & Shared Services millions of €	Reconciliation millions of €	**Total millions of €**
Net revenue	68	(1,236)	-	-	-	61	(1,107)
Cost of sales	(31)	816	-	-	-	(61)	724
Gross profit (loss)	**37**	**(420)**	**-**	**-**	**-**	**0**	**(383)**
Selling expenses	(24)	384	-	-	-	4	364
General and administrative expenses	(7)	16	-	-	-	-	9
Other operating income	1	3	-	-	-	38	42
Other operating expenses	-	(11)	-	-	-	(41)	(52)
Profit (loss) from operations	**7**	**(28)**	**-**	**-**	**-**	**1**	**(20)**
Finance costs	-	28	-	-	-	-	28
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	-
Other financial income (expense)	-	16	-	-	-	(6)	10
Profit (loss) from financial activities	**-**	**44**	**-**	**-**	**-**	**(6)**	**38**
Profit (loss) before income taxes	**7**	**16**	**-**	**-**	**-**	**(5)**	**18**
Income taxes	0	(11)	-	-	-	23	12
Profit (loss)	**7**	**5**	**-**	**-**	**-**	**18**	**30**

Business combinations and other transactions.

The acquisition of STRATO.

On November 19, 2009, Deutsche Telekom signed an agreement with Freenet AG to take over 100 percent of the shares in the Web hosting provider STRATO AG and STRATO Rechenzentrum AG (hereinafter referred to as STRATO). Deutsche Telekom obtained control of STRATO as of January 1, 2010.

The STRATO group, the second largest Web hosting provider in Germany and Europe, has a high level of expertise and technological skills in this market. In addition to its German core market, the STRATO group also operates in Spain, the Netherlands, France, the United Kingdom and Italy.

The business combination with STRATO resulted in the recognition of goodwill of EUR 184 million, determined on the basis of the final purchase price allocation as follows:

	millions of €
Purchase price paid for 100 % of the shares	**291**
Fair value of assets and liabilities	(152)
Deferred tax liabilities	45
Goodwill	**184**

This goodwill primarily arises from synergies the combination of the entities is expected to generate.

The fair values of STRATO's acquired assets, liabilities and contingent liabilities recognized at the acquisition date and their carrying amounts immediately prior to the business combination are presented in the following table:

	Fair value at the acquisition date millions of €	Carrying amounts immediately prior to the business combination millions of €
Assets	**397**	**73**
Current assets	**54**	**54**
Cash and cash equivalents	25	25
Trade and other receivables	3	3
Other assets	26	26
Non-current assets	**343**	**19**
Intangible assets	324	1
Of which: goodwill	184	0
Property, plant and equipment	14	14
Other assets	5	4
Liabilities	**106**	**66**
Current liabilities	**60**	**64**
Trade and other payables	37	37
Other liabilities	23	27
Non-current liabilities	**46**	**2**
Deferred tax liabilities	45	0
Other liabilities	1	2

The fair values of the assets, liabilities and contingent liabilities were determined on the basis of observable market prices. If it was not possible to identify market prices, income-oriented approaches or cost-oriented procedures were used to measure the acquired assets and liabilities.

Net revenue increased by EUR 68 million as a result of the acquisition of STRATO. Profit for the current period includes a profit at STRATO of EUR 7 million.

Acquisition of a stake in Firstgate (ClickandBuy).

On March 23, 2010, Deutsche Telekom signed an agreement with the former shareholders for the acquisition of the remaining shares in the Internet payment service provider Firstgate. Deutsche Telekom obtained control of the entity as of April 1, 2010 and, as a result, fully consolidated it for the first time as of that date. Via its venture capital company, T-Venture, Deutsche Telekom has held 20.2 percent of the shares in Firstgate, best known for the ClickandBuy brand, since 2006. The purchase price for the remaining 79.8 percent of the shares in Firstgate is expected to be EUR 78 million. The final purchase price remains subject to contractual terms and conditions.

The Everything Everywhere joint venture in the United Kingdom.

Effective April 1, 2010, Deutsche Telekom AG and France Télécom S.A. merged the entities T-Mobile UK and Orange UK into a joint venture under the name Everything Everywhere. Each entity holds a 50-percent stake in the new company. As a result of this merger, Deutsche Telekom lost control over T-Mobile UK. Instead, the joint venture was included in the consolidated statement of financial position under investments accounted for using the equity method.

The carrying amounts of the major classes of assets and liabilities of T-Mobile UK as of April 1, 2010 were as follows:

	millions of €
Current assets	667
Trade and other receivables	280
Other current assets	387
Non-current assets	6,022
Intangible assets	3,833
Property, plant and equipment	1,664
Other non-current assets	525
Non-current assets and disposal groups held for sale	**6,689**
Current liabilities	761
Trade and other payables	501
Other current liabilities	260
Non-current liabilities	695
Liabilities directly associated with non-current assets and disposal groups held for sale	**1,456**

As of April 1, 2010, the date of first-time inclusion using the equity method, the fair value of the 50-percent stake in the joint venture was EUR 7.3 billion. This was offset against the aforementioned carrying amounts of the assets and liabilities to be disposed of. Taking into account financing relationships within the Group, the T-Mobile UK assets and liabilities to be disposed of had a carrying amount of EUR 5.5 billion. This resulted in a gain on deconsolidation of EUR 1.8 billion. Until the date of deconsolidation, the accumulated loss of EUR 2.2 billion arising from the currency translation of the assets and liabilities since the acquisition of T-Mobile UK was recognized directly in equity in total other comprehensive income. As of the date of deconsolidation, this amount was recognized in profit or loss. These two effects on profit or loss, which have a net impact of EUR 0.4 billion, were recognized under other operating expenses.

Selected notes to the consolidated statement of financial position.

Cash and cash equivalents.

Cash and cash equivalents decreased from EUR 5.0 billion to EUR 2.1 billion as of September 30, 2010.

Detailed information can be found in the consolidated statement of cash flows.

Non-current assets and disposal groups held for sale.

As of September 30, 2010, non-current assets and disposal groups held for sale and directly associated liabilities decreased by EUR 5.0 billion compared with December 31, 2009. This was mainly due to the merger of T-Mobile UK and Orange UK into a joint venture company under the name Everything Everywhere from April 1, 2010. For further details, please refer to "Investments accounted for using the equity method."

The non-current assets and disposal groups held for sale included in this item as of September 30, 2010 relate in particular to real estate owned by Deutsche Telekom AG.

Intangible assets and property, plant and equipment.

	Sept. 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	Sept. 30, 2009 millions of €
Intangible assets	53,702	51,705	1,997	3.9	51,837
Of which: UMTS licenses	6,208	6,637	(429)	(6.5)	6,710
Of which: U.S. mobile communications licenses	18,085	17,115	970	5.7	16,806
Of which: goodwill	20,831	20,334	497	2.4	20,788
Property, plant and equipment	44,312	45,468	(1,156)	(2.5)	45,320

The increase of 3.9 percent in the carrying amount of intangible assets as of September 30, 2010 is largely attributable to additions of EUR 2.3 billion and exchange rate effects totaling EUR 1.3 billion, mainly from the effects of translation of U.S. dollars into euros. By contrast, amortization of intangible assets of EUR 2.5 billion partially offset this increase.

The 2.5-percent decrease in the carrying amount of property, plant and equipment as of September 30, 2010 was primarily due to depreciation of EUR 5.8 billion. This was offset by additions of EUR 4.8 billion and exchange rate effects of EUR 0.5 billion, especially from the translation of U.S. dollars into euros.

Additions to assets.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Additions to assets	3,433	2,027	69.4	7,190	8,713	(17.5)	11,467
Intangible assets	1,689	445	n.a.	2,342	3,536	(33.8)	4,091
Property, plant and equipment	1,744	1,582	10.2	4,848	5,177	(6.4)	7,376

In line with the Group's investments, additions to assets decreased in the first nine months of 2010 by EUR 1.5 billion compared with the first three quarters of 2009. In addition to lower investments in property, plant and equipment, this decline is largely attributable to fewer additions to intangible assets. The following effects had offsetting impacts: In the first nine months of 2010, the Group acquired mobile spectrum totaling EUR 1.3 billion, primarily in Germany. On September 30, 2010, the Federal Network Agency in Germany issued the Group with assignment notices for the majority of the spectrum (1.8 GHz and

0.8 GHz) purchased at auction. Payment for the spectrum in the 2.6 GHz range, for which Deutsche Telekom had not received an assignment notice from the Federal Network Agency as of September 30, 2010, was recognized as an advance payment on intangible assets. The Federal Network Agency issued the missing assignment notice for spectrum in the 2.6 GHz range to Deutsche Telekom on October 20, 2010. In the prior year by contrast, additions to assets were impacted by the first-time full consolidation of the OTE group in the consolidated financial statements which generated goodwill of EUR 2.4 billion.

Investments accounted for using the equity method.

The carrying amount of investments accounted for using the equity method as of September 30, 2010 increased by EUR 7.5 billion compared with December 31, 2009, mainly due to the first-time inclusion of the joint venture in the United Kingdom using the equity method. Further information can be found under "Business combinations and other transactions." Exchange rate effects of EUR 0.3 billion also increased the carrying amount of the joint venture as of September 30, 2010.

Non-current other financial assets.

Deutsche Telekom and France Télécom S.A. each acquired a bond of EUR 0.8 billion of the newly established joint venture Everything Everywhere. The bond was recognized under non-current other financial assets as of September 30, 2010.

Financial liabilities.

The table below shows the composition and maturity structure of financial liabilities as of September 30, 2010.

	Sept. 30, 2010 millions of €	Due ≤1 year millions of €	Due >1 year ≤ 3 years millions of €	Due >3 years ≤ 5 years millions of €	Due > 5 years millions of €
Bonds and other securitized liabilities	38,138	6,430	7,658	8,456	15,594
Liabilities to banks	3,952	279	1,453	1,889	331
Lease liabilities	1,904	121	207	200	1,376
Liabilities to non-banks from promissory notes	1,151	0	50	142	959
Other interest-bearing liabilities	846	600	57	81	108
Other non-interest-bearing liabilities	3,384	3,369	11	1	3
Derivative financial liabilities	798	215	258	260	65
Financial liabilities	50,173	11,014	9,694	11,029	18,436

Treasury shares.

The Board of Management of Deutsche Telekom decided on July 27, 2010 to exercise the authorization to purchase shares in the Company granted by the shareholders' meeting on May 3, 2010 and to purchase shares up to a purchase price of EUR 400 million (excluding transaction costs) through the stock exchange. The share buy-back began on August 10, 2010 (earliest possible purchase date) and will be completed by December 31, 2010 (latest possible purchase date).

The number of treasury shares increased by 180,490 as of September 30, 2010 to 2,061,998. The nominal amount totaling EUR 5 million was deducted from issued capital. The difference between the purchase price and the nominal amount (EUR 2 million) was offset against retained earnings.

Selected notes to the consolidated income statement.

Net revenue.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Net revenue	15,601	16,262	(4.1)	46,944	48,402	(3.0)	64,602

For details of changes in net revenue, please refer to the section “Development of business in the Group” in the interim Group management report.

Cost of sales.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Cost of sales	(8,845)	(9,224)	4.1	(26,521)	(26,876)	1.3	(36,259)

Cost of sales in the Group decreased slightly by 1.3 percent compared with the first three quarters of 2009. It was primarily impacted by changes in the composition of the Group and exchange rate effects. While effects of changes in the composition of the Group totaling EUR 0.7 billion – mainly relating to the establishment of the Everything Everywhere joint venture – resulted in lower cost of sales, exchange rates had an offsetting effect of EUR 0.5 billion.

Selling expenses.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Selling expenses	(3,587)	(3,697)	3.0	(10,869)	(11,752)	7.5	(15,863)

Selling expenses decreased by 7.5 percent compared with the first three quarters of 2009, due in particular to lower customer acquisition and retention costs, in addition to effects from changes in the composition of the Group and exchange rate effects.

General and administrative expenses.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
General and administrative expenses	(1,210)	(983)	(23.1)	(3,774)	(3,588)	(5.2)	(4,653)

The reasons for the increase in general and administrative expenses of 5.2 percent in the first three quarters of 2010 include higher expenses for the restructuring of the Group as part of the One Company project, and for legal risks.

Other operating income/expenses.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Other operating income	371	391	(5.1)	1,045	1,031	1.4	1,504
Other operating expenses	(389)	(251)	(55.0)	(1,144)	(2,463)	53.6	(3,319)

Other operating expenses included EUR 0.4 billion from the deconsolidation of T-Mobile UK. Further information can be found under "Business combinations and other transactions." In the first quarter of 2009, an impairment loss of EUR 1.8 billion had been recognized on the goodwill of the cash generating unit T-Mobile UK.

Profit/loss from financial activities.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Profit (loss) from financial activities	(590)	(802)	26.4	(2,013)	(2,559)	21.3	(3,357)
Finance costs	(673)	(668)	(0.7)	(1,914)	(1,935)	1.1	(2,555)
Interest income	69	68	1.5	287	259	10.8	341
Interest expense	(742)	(736)	(0.8)	(2,201)	(2,194)	(0.3)	(2,896)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(53)	7	n.a.	(73)	21	n.a.	24
Other financial income (expense)	136	(141)	n.a.	(26)	(645)	96.0	(826)

The decrease in loss from financial activities was primarily attributable to other financial income/expense, which improved by EUR 0.6 billion compared with the first three quarters of 2009, mainly a result of positive effects from hedging relationships for financing in foreign currencies and for the purpose of interest management. Among other factors, these hedging relationships were attributable to an equity transaction at T-Mobile USA. Positive effects also resulted from the year-on-year reduction in expenses for the measurement of provisions and liabilities (interest component).

Income taxes.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Income taxes	(160)	(551)	71.0	(1,148)	(1,378)	16.7	(1,782)

Despite significantly higher profit/loss before income taxes, income tax expense decreased compared with the prior-year period. This was due in part to the fact that income tax expense in the prior-year period was comparatively high as a result of goodwill impairment losses not to be considered for tax purposes, and in part to the fact that deferred taxes of EUR 0.3 billion were recognized on temporary differences and loss carryforwards in Europe in the third quarter of 2010, since it has become likely that these temporary differences and loss carryforwards will be used in the future. This was offset by a special tax in Greece, which increased the Group's tax expense in the reporting period. The same applies to the deconsolidation of T-Mobile UK, which had no tax effect.

Other disclosures.

Employees.

	Q3 2010	Q3 2009	Change %	Q1 – Q3 2010	Q1 – Q3 2009	Change %	FY 2009
Average number of employees	**250,829**	**260,497**	**(3.7)**	**253,814**	**256,734**	**(1.1)**	**257,601**
Domestic	127,021	130,704	(2.8)	127,540	130,932	(2.6)	130,477
International	123,808	129,793	(4.6)	126,274	125,802	0.4	127,124
Non-civil servants	222,836	229,412	(2.9)	225,288	225,179	0.0	226,460
Civil servants (domestic)	27,993	31,085	(9.9)	28,526	31,555	(9.6)	31,141
Trainees and student interns	8,162	8,579	(4.9)	8,859	9,452	(6.3)	9,805
Personnel costs (millions of €)	**(3,651)**	**(3,544)**	**(3.0)**	**(10,985)**	**(10,497)**	**(4.6)**	**(14,333)**

The average number of employees decreased by 1.1 percent year-on-year in the first nine months of 2010. The reduction in Germany is mainly due to a workforce reduction in the fixed-network operations of the Germany operating segment and staff restructuring measures in the Systems Solutions operating segment. This was partially offset by new hires in the Germany operating segment and additions from small acquisitions. Internationally, the average number of employees increased by 0.4 percent, primarily due to offshore activities and to the fact that employees were taken over under the terms of large-scale contracts in the Systems Solutions segment, as well as to the first-time full inclusion of the OTE group, which had only been included in the consolidated financial statements from February 2009. The deconsolidation of T-Mobile UK resulted in offsetting effects.

Personnel costs increased by 4.6 percent year-on-year, mainly driven by higher staff-related expenses at Group Headquarters & Shared Services incurred as a result of higher voluntary redundancy payments and collectively agreed pay rises. This increase was also a result of higher staff-related expenses in the United States operating segment which were mainly attributable to retail distribution growth and exchange rate effects, as well as the increase in international headcount in the Systems Solutions operating segment.

Depreciation, amortization and impairment losses.

	Q3 2010 millions of €	Q3 2009 millions of €	Change %	Q1 – Q3 2010 millions of €	Q1 – Q3 2009 millions of €	Change %	FY 2009 millions of €
Amortization and impairment of intangible assets	(829)	(865)	4.2	(2,478)	(4,340)	42.9	(5,657)
Of which: mobile communications licenses	(186)	(228)	18.4	(558)	(719)	22.4	(905)
Of which: goodwill	-	(11)	n.a.	-	(1,817)	n.a.	(2,345)
Depreciation and impairment of property, plant and equipment	(1,991)	(2,031)	2.0	(5,771)	(6,269)	7.9	(8,237)
Total depreciation, amortization and impairment losses	(2,820)	(2,896)	2.6	(8,249)	(10,609)	22.2	(13,894)

Depreciation, amortization and impairment losses decreased by EUR 2.4 billion compared with the prior-year period. This was primarily due to an impairment loss of EUR 1.8 billion recognized on the goodwill of the cash generating unit T-Mobile UK in 2009 and to lower depreciation of technical equipment and machinery, mainly attributable to the fact that depreciation charges for T-Mobile UK's assets were no longer recognized in the reporting period.

Notes to the consolidated statement of cash flows.

Net cash from operating activities.

Net cash from operating activities in the first three quarters of 2010 decreased by EUR 2.6 billion to EUR 9.3 billion compared with the prior-year period. This was mainly attributable to cash outflows of EUR 1.3 billion for the acquisition of mobile communications licenses (spectrum) in Germany and a decrease of EUR 0.7 billion in cash inflows from the sale of receivables (factoring). Other changes in net cash from operating activities relate to various effects, including additions to inventories, trade receivables, and higher payments for restructuring measures.

Net cash used in investing activities.

Net cash used in investing activities totaled EUR 6.8 billion as compared with EUR 6.0 billion in the same period of the previous year. This development was due in part to the addition of the cash and cash equivalents of the OTE group amounting to EUR 1.6 billion as part of the first-time full inclusion of OTE from February 2009 and in part to the derecognition and related changes to cash and cash equivalents in connection with the deconsolidation of T-Mobile UK, amounting to EUR 0.4 billion, as of April 1, 2010. In addition, Deutsche Telekom purchased a bond of EUR 0.8 billion issued by the Everything Everywhere joint venture in 2010.

Cash outflows for investments in intangible assets and property, plant and equipment, by contrast, decreased by EUR 0.9 billion. In addition, net cash inflows from the change in short-term investments and marketable securities and receivables were EUR 0.7 billion higher than in the first three quarters of 2009. Inflows from the return of cash collateral deposited in the prior year for the acquisition of STRATO totaling EUR 0.3 billion and the reduction of collateral deposited for hedging transactions amounting to a net total of EUR 0.3 billion in the first nine months of 2010 contributed in particular to this development. There were no comparable cash inflows in the prior-year period. In addition, cash outflows for the acquisition of companies decreased by EUR 0.3 billion. While cash outflows of EUR 0.7 billion were recorded in the first three quarters of 2009 for the acquisition of additional stakes in OTE, the same period in 2010 saw cash outflows of EUR 0.3 billion and EUR 0.1 billion for the acquisition of STRATO and ClickandBuy respectively.

Net cash used in financing activities.

Net cash used in financing activities amounted to EUR 5.6 billion in the 2010 reporting period, compared with EUR 2.8 billion in the prior-year period.

This change was mostly attributable to EUR 2.5 billion lower year-on-year proceeds from the issue of non-current financial liabilities and EUR 0.6 billion higher net repayments of current financial liabilities. Dividend payments of OTE and Slovak Telekom, by contrast, decreased by EUR 0.2 billion and EUR 0.1 billion respectively.

The issue of financial liabilities in the first nine months of 2010 consisted in particular of the sale of medium-term notes for EUR 1.5 billion, the sale of euro bonds amounting to EUR 1.2 billion, the borrowing of funds from the Everything Everywhere joint venture in the amount of EUR 0.5 billion, and the issue of promissory notes for EUR 0.1 billion. This is compared with repayments in the same period of USD bonds amounting to EUR 2.4 billion, euro bonds amounting to EUR 2.0 billion, a loan of EUR 0.5 billion from the European Investment Bank, a loan of EUR 0.2 billion from Kreditanstalt für Wiederaufbau, and other net repayments totaling EUR 0.2 billion. In addition, the net returns from hedging transactions totaled EUR 0.5 billion.

Segment reporting.

Since April 1, 2010, Deutsche Telekom's organizational structure has reflected the realigned management structure of the two previous operating segments Europe and Southern and Eastern Europe, which was approved by the Supervisory Board on February 24, 2010. The two operating segments were merged on April 1, 2010 to form the new Europe operating segment that covers all activities of the fixed-network and mobile communications enterprises of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Albania, the F.Y.R.O. Macedonia, Montenegro, Bulgaria, and the United Kingdom as well as the International Carrier Sales and Services unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. Since April 1, 2010, Deutsche Telekom has therefore reported on the four operating segments Germany, Europe, United States, and Systems Solutions, as well as on Group Headquarters & Shared Services.

These changes were incorporated into the following tables, and prior-year and comparative figures adjusted accordingly.

The following tables give an overall summary of Deutsche Telekom's operating segments and Group Headquarters & Shared Services for the third quarter and the first nine months of 2010 and 2009 as well as for the full 2009 financial year.

For details on the development of operations in the operating segments and at Group Headquarters & Shared Services, please refer to the section "Development of business in the operating segments" in the interim Group management report.

Segment information in the quarters.

Q3 2010 Q3 2009	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	**5,899**	**418**	**6,317**	**1,370**	**(1,026)**	**(9)**	**38,692**	**28**
	6,008	463	6,471	1,409	(1,037)	0	53,250	23
Europe	**3,951**	**172**	**4,123**	**622**	**(831)**	**(4)**	**46,754**	**7,488**
	4,969	155	5,124	821	(997)	(12)	47,860	52
United States	**4,140**	**3**	**4,143**	**476**	**(552)**	**0**	**37,458**	**30**
	3,755	3	3,758	595	(492)	(2)	35,294	18
Systems Solutions	**1,555**	**650**	**2,205**	**(25)**	**(151)**	**0**	**8,793**	**55**
	1,467	658	2,125	16	(167)	0	8,887	54
Group Headquarters & Shared Services	**56**	**511**	**567**	**(462)**	**(182)**	**(49)**	**110,684**	**0**
	63	530	593	(311)	(166)	(33)	125,815	0
Total	**15,601**	**1,754**	**17,355**	**1,981**	**(2,742)**	**(62)**	**242,381**	**7,601**
	16,262	1,809	18,071	2,530	(2,859)	(47)	271,106	147
Reconciliation	**-**	**(1,754)**	**(1,754)**	**(40)**	**15**	**(31)**	**(114,622)**	**-**
	-	(1,809)	(1,809)	(32)	11	(1)	(141,769)	13
Group	**15,601**	**-**	**15,601**	**1,941**	**(2,727)**	**(93)**	**127,759**	**7,601**
	16,262	-	16,262	2,498	(2,848)	(48)	129,337	160

Segment information in the first nine months.

Q1 – Q3 2010 Q1 – Q3 2009	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	**17,509**	**1,194**	**18,703**	**3,868**	**(3,070)**	**(9)**	**38,692**	**28**
	17,828	1,194	19,022	4,008	(3,131)	(7)	53,250	23
Europe	**12,433**	**494**	**12,927**	**1,463**	**(2,574)**	**(12)**	**46,754**	**7,488**
	14,110	462	14,572	2	(2,959)	(1,829)	47,860	52
United States	**12,135**	**10**	**12,145**	**1,620**	**(1,535)**	**(1)**	**37,458**	**30**
	11,802	11	11,813	1,779	(1,545)	(2)	35,294	18
Systems Solutions	**4,697**	**1,881**	**6,578**	**49**	**(456)**	**0**	**8,793**	**55**
	4,465	1,945	6,410	54	(517)	0	8,887	54
Group Headquarters & Shared Services	**170**	**1,545**	**1,715**	**(1,253)**	**(522)**	**(78)**	**110,684**	**0**
	197	1,626	1,823	(964)	(486)	(162)	125,815	0
Total	**46,944**	**5,124**	**52,068**	**5,747**	**(8,157)**	**(100)**	**242,381**	**7,601**
	48,402	5,238	53,640	4,879	(8,638)	(2,000)	271,106	147
Reconciliation	**-**	**(5,124)**	**(5,124)**	**(66)**	**40**	**(32)**	**(114,622)**	**-**
	-	(5,238)	(5,238)	(125)	30	(1)	(141,769)	13
Group	**46,944**	**-**	**46,944**	**5,681**	**(8,117)**	**(132)**	**127,759**	**7,601**
	48,402	-	48,402	4,754	(8,608)	(2,001)	129,337	160

Segment information for the 2009 financial year.

FY 2009	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	23,813	1,610	25,423	5,062	(4,189)	(7)	52,002	23
Europe	18,996	611	19,607	140	(3,772)	(2,385)	46,759	52
United States	15,457	14	15,471	2,233	(2,025)	(3)	36,087	18
Systems Solutions	6,083	2,715	8,798	(11)	(718)	(3)	8,872	54
Group Headquarters & Shared Services	253	2,157	2,410	(1,249)	(660)	(173)	120,162	-
Total	**64,602**	**7,107**	**71,709**	**6,175**	**(11,364)**	**(2,571)**	**263,882**	**147**
Reconciliation	-	(7,107)	(7,107)	(163)	41	-	(136,108)	-
Group	**64,602**	**-**	**64,602**	**6,012**	**(11,323)**	**(2,571)**	**127,774**	**147**

Contingencies.

This section provides additional information and explains recent changes in the contingencies as described in the consolidated financial statements for the 2009 financial year.

Review of contracts in the F.Y.R.O. Macedonia and Montenegro. Magyar Telekom's audit committee commissioned an independent law firm to review a number of contracts signed by Magyar Telekom's subsidiaries in Montenegro and the F.Y.R.O Macedonia for their legality. The U.S. Department of Justice (DOJ), together with the U.S. Securities and Exchange Commission (SEC), conducted its own investigations in this regard after it was informed of potential violations of the Foreign Corrupt Practices Act (FCPA). It is not possible at present to assess whether this will result in an agreement with the U.S. authorities and, if a settlement can be reached, what its content would be. For further details, please refer to the section "Risk and opportunity management" in the interim Group management report.

T-Online appraisal rights proceedings. In its ruling of September 3, 2010 the Frankfurt/Main Higher Regional Court dismissed the complaints filed by Deutsche Telekom and numerous other parties against the ruling of the Frankfurt/Main Regional Court. No further appeals against this ruling are admissible. As a result, the ruling by the Frankfurt/Main Regional Court dated March 13, 2009 that Deutsche Telekom must make a supplementary cash payment of EUR 1.15 per share plus interest from July 1, 2006 stands. Deutsche Telekom is therefore obligated to pay a total of EUR 0.2 billion to shareholders whose T Online shares were exchanged for Deutsche Telekom shares as part of the merger. The EUR 0.2 billion will be paid out through the depository banks. Several former T-Online shareholders have filed a complaint against the ruling with the Constitutional Court, but this does not affect Deutsche Telekom AG's obligation to pay. The amount was recognized directly in equity on September 30, 2010 as an increase in the goodwill from the T-Online merger. For further details, please refer to the section "Risk and opportunity management" in the interim Group management report.

Ministerial Decision on IKA-ETAM social security fund. The Greek Ministry of Labor and Social Affairs issued a Ministerial Decision and informed OTE that it may, subject to an audit, be required to make additional payments to cover a deficit in the fund. According to the Ministry, a voluntary staff reduction program at OTE has resulted in a gap of EUR 0.3 billion. OTE has appealed the Ministerial Decision.

Proceedings by Anti-Monopoly Commission in Poland. At the end of September 2010, the Polish Anti-Monopoly Commission (UOKiK) initiated legal proceedings against a number of Polish telecommunications companies suspected of illegal price fixing. Deutsche Telekom believes these allegations are unfounded. The outcome and any associated fine cannot be determined at present, nor is it clear how a potential fine would be set. In Poland, the maximum fine is set at 10 percent of the revenues from telecommunications services or 10 percent of taxable revenues.

Disclosures on leases.

There were no significant changes at September 30, 2010 to the disclosures on leases reported in the 2009 consolidated financial statements, with the exception of the following matter.

In the half-year ending June 30, 2010, the United States operating segment revised its assessment of lease terms for existing operating leases with regard to the exercise of extension options. Contrary to original assessment, the exercising of extension options is only reasonably certain up to a total term of 15 years against the background of the altered market situation and new technical framework. This is shorter than the original assessment, where a total term of between 20 and 25 years was expected. As a result of this change in assessment, the expected future minimum lease payments from operating leases decreased by EUR 9.3 billion in the United States operating segment as of June 30, 2010.

The expected future obligations arising from minimum lease payments from Deutsche Telekom's operating leases developed as follows since December 31, 2009:

	Sept. 30, 2010 millions of €	Dec. 31, 2009 millions of €
Maturity		
Up to 1 year	2,564	2,553
In 1 to 3 years	4,351	4,195
In 3 to 5 years	3,598	3,325
Over 5 years	6,791	14,475
	17,304	**24,548**

In addition to the effect described above, expected future minimum lease payments from operating leases also changed as a result of new leases and exchange rate effects.

Executive bodies.

Changes in the composition of the Board of Management.

On January 29, 2010, the Supervisory Board of Deutsche Telekom approved the proposal by the Board of Management to reassign Hamid Akhavan's responsibilities on a temporary basis. Board of Management members Guido Kerkhoff and Reinhard Clemens have assumed Hamid Akhavan's responsibilities in an acting capacity. Guido Kerkhoff assumed temporary responsibility for the Europe operating segment (the United Kingdom, the Netherlands, Austria, Poland and the Czech Republic) and International Sales & Service effective February 15, 2010. Reinhard Clemens, also in an acting capacity, assumed Group-wide responsibility for the remaining units of the Chief Operating Officer (COO), such as Products & Innovation, Technology, IT and Procurement effective the same date.

On February 24, 2010, the Supervisory Board of Deutsche Telekom approved the proposal by the Board of Management to extend Guido Kerkhoff's area of responsibility on a long-term basis. Since April 1, 2010, Guido Kerkhoff has been responsible for the Europe operating segment in addition to the Southern and Eastern Europe operating segment. The previous Chief Operating Officer (COO) Board of Management department has been adjusted accordingly. Since April 1, 2010, the two operating segments have been merged and are continuing operations as the Europe operating segment.

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

Changes in the composition of the Supervisory Board.

Prof. Dr. Wolfgang Reitzle and Prof. Dr. Wulf von Schimmelmann stepped down from the Supervisory Board effective midnight on December 31, 2009, and Dr. Wulf H. Bernotat and Prof. h.c. (CHN), Dr.-Ing. E.h. Dr. Ulrich Middelmann were appointed to the Supervisory Board by court order effective January 1, 2010.

Josef Falbisoner resigned his seat on the Supervisory Board effective at the end of the shareholders' meeting on May 3, 2010, and Sibylle Spoo was appointed to the Supervisory Board by court order effective May 4, 2010.

Events after the reporting period (September 30, 2010).

For information on events after the reporting period, please refer to the "Events after the reporting period" section in the interim Group management report.

Bonn, November 4, 2010

Deutsche Telekom AG
Board of Management

René Obermann

Dr. Manfred Balz

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Guido Kerkhoff

Edward R. Kozel

Thomas Sattelberger

Review report.

To Deutsche Telekom AG

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2010, which are part of the quarterly financial report pursuant to § 37x (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review. In addition, we have been instructed to extend our review report to the compliance of the condensed consolidated interim financial statements with the IFRSs as issued by the IASB applicable to interim financial reporting.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). These standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU, the IFRSs as issued by the IASB applicable to the interim financial reporting and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor the IFRSs as issued by the IASB for interim financial reporting nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Stuttgart/Frankfurt am Main, November 4, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
Stuttgart

(Prof. Dr. Wollmert) Wirtschaftsprüfer	(Forst) Wirtschaftsprüfer

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Frankfurt am Main

(Kayser) Wirtschaftsprüfer	(Tandetzki) Wirtschaftsprüfer

Additional information.

Reconciliation of pro forma figures.

Pro forma figures include EBITDA and EBITDA adjusted for special factors, EBITDA margin, EBITDA margin adjusted for special factors, as well as free cash flow, and gross and net debt.

Pro forma figures are not governed by International Financial Reporting Standards (IFRS). As other companies may not compute the pro forma figures presented by Deutsche Telekom by the same method, Deutsche Telekom's pro forma figures may or may not be comparable with disclosures by other companies using similar designations.

The pro forma figures in this Interim Report should not be viewed in isolation as an alternative to profit/loss from operations, net profit/loss, net cash from operating activities or the debt reported in the consolidated statement of financial position, or other Deutsche Telekom key performance indicators presented in accordance with IFRS.

EBITDA and EBITDA adjusted for special factors.

EBITDA.

EBITDA for the operating segments and for the Group as a whole is derived from profit/loss from operations (EBIT). This measure of earnings is adjusted for depreciation, amortization and impairment losses to calculate EBITDA. It should be noted that Deutsche Telekom's definition of EBITDA may differ from that used by other companies.

In this definition, profit/loss from financial activities includes finance costs, the share of the profit/loss of associates and joint ventures accounted for using the equity method, and other financial income/expense. As it is based on profit/loss from operations, this method of computation allows EBITDA to be derived in a uniform manner on the basis of a measure of earnings in accordance with IFRS published for the segments and the Group as a whole.

EBITDA is an important indicator used by Deutsche Telekom's senior operating decision-makers to manage Deutsche Telekom's operating activities and to measure the performance of the individual segments.

Adjusted EBITDA.

Deutsche Telekom defines EBITDA adjusted for special factors as profit/loss from operations (EBIT) before depreciation, amortization and impairment losses and before the effects of any special factors.

Deutsche Telekom uses EBITDA adjusted for special factors as an internal performance indicator for the management of its operational business activities, and to allow it to better evaluate and compare developments over several reporting periods. For further details concerning the effects of special factors on Group EBITDA and the EBITDA of the operating segments, please refer to the section on "Special factors."

EBITDA margin/adjusted EBITDA margin.

To compare the earnings performance of profit-oriented units of different sizes, the EBITDA margin and the adjusted EBITDA margin (EBITDA to revenue) are presented in addition to EBITDA and adjusted EBITDA. The EBITDA margin is calculated as the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

Special factors.

Deutsche Telekom's net profit/loss and EBITDA of the Group and of the operating segments were affected by a range of special factors in both the reporting period and the prior-year periods.

The underlying aim is to eliminate special factors that affect operating activities and that make it more difficult to compare EBITDA, net profit/loss and other financial measures of the Group and the operating segments with corresponding figures for prior periods. In addition, statements about the future development of EBITDA and net profit are only possible to a limited extent due to such special factors. On the basis of the unadjusted financial measures, the adjusted values are calculated by adding (expenses) or deducting (income) the special factors.

Adjustments are made irrespective of whether the relevant income and expenses are reported in profit/loss from operations, profit/loss from financial activities, or in tax expense. Income and expenses directly relating to the adjusted items are adjusted.

The following table presents a reconciliation of individual items in the consolidated income statement to the corresponding amounts as adjusted for special factors. The table also shows the method used by Deutsche Telekom to derive EBITDA and EBITDA adjusted for special factors for the entire Group from profit/loss from operations (EBIT) in accordance with IFRS. Reconciliations are presented for both the reporting period and the prior-year period.

Reconciliation of the adjusted consolidated income statement.

		Q1 – Q3 2010 millions of €	Special factors Q1 – Q3 2010 millions of €	Q1 – Q3 2010 adjusted for special factors millions of €
Net revenue		46,944	-	46,944
Cost of sales		(26,521)	(349)[a]	(26,172)
Gross profit (loss)		**20,423**	**(349)**	**20,772**
Selling expenses		(10,869)	(129)[b]	(10,740)
General and administrative expenses		(3,774)	(102)[c]	(3,672)
Other operating income		1,045	18[d]	1,027
Other operating expenses		(1,144)	(439)[e]	(705)
Profit (loss) from operations (EBIT)		**5,681**	**(1,001)**	**6,682**
Profit (loss) from financial activities		(2,013)	(93)[f]	(1,920)
Profit (loss) before income taxes		**3,668**	**(1,094)**	**4,762**
Income taxes		(1,148)	652[g]	(1,800)
Profit (loss)		**2,520**	**(442)**	**2,962**
Profit (loss) attributable to		**2,520**	**(442)**	**2,962**
Owners of the parent (net profit (loss))		2,277	(397)	2,674
Non-controlling interests		243	(45)	288
Profit (loss) from operations (EBIT)		5,681	(1,001)	6,682
Depreciation, amortization and impairment losses		(8,249)	(8)	(8,241)
EBITDA		**13,930**	**(993)**	**14,923**
EBITDA margin	**(%)**	**29.7**		**31.8**
Personnel costs		(10,985)	(370)[h]	(10,615)
Personnel cost ratio	(%)	23.4		22.6

[a] Expenses for staff-related measures and non-staff-related restructuring as well as EUR 0.1 billion for the write-off of receivables from the German Main Customs Office at PASM in the Germany operating segment.
[b] Mainly expenses for staff-related measures in the Germany and Europe operating segments.
[c] Mainly expenses for staff-related measures in the Germany and Europe operating segments and for non-staff-related restructuring, and other expenses.
[d] Mainly reversals of provisions and claims for payment in connection with concluded sales of parts of companies.
[e] Mainly expenses of EUR 0.4 billion incurred as a result of the reclassification of T-Mobile UK in connection with the establishment of the joint venture with France Télécom S.A. under the name Everything Everywhere in the Europe operating segment.
[f] Mainly expenses for interest added back to provisions for staff-related measures.
[g] Tax effects on special factors in profit before income taxes and a write-up of deferred tax assets of EUR 0.3 billion at T-Mobile NL in the Europe operating segment.
[h] Mainly expenses for staff-related measures in the Germany operating segment and at Group Headquarters & Shared Services.

	Q1 – Q3 2009 millions of €	Special factors Q1 – Q3 2009 millions of €	Q1 – Q3 2009 adjusted for special factors millions of €	FY 2009 adjusted for special factors millions of €
Net revenue	48,402	-	48,402	64,639
Cost of sales	(26,876)	(172)[a]	(26,704)	(35,823)
Gross profit (loss)	**21,526**	**(172)**	**21,698**	**28,816**
Selling expenses	(11,752)	(8)[b]	(11,744)	(15,780)
General and administrative expenses	(3,588)	(68)[c]	(3,520)	(4,447)
Other operating income	1,031	44[d]	987	1,418
Other operating expenses	(2,463)	(1,860)[e]	(603)	(849)
Profit (loss) from operations (EBIT)	**4,754**	**(2,064)**	**6,818**	**9,158**
Profit (loss) from financial activities	(2,559)	(169)[f]	(2,390)	(3,125)
Profit (loss) before income taxes	**2,195**	**(2,233)**	**4,428**	**6,033**
Income taxes	(1,378)	139[g]	(1,517)	(2,102)
Profit (loss)	**817**	**(2,094)**	**2,911**	**3,931**
Profit (loss) attributable to	**817**	**(2,094)**	**2,911**	**3,931**
Owners of the parent (net profit (loss))	356	(2,129)	2,485	3,390
Non-controlling interests	461	35	426	541
Profit (loss) from operations (EBIT)	4,754	(2,064)	6,818	9,158
Depreciation, amortization and impairment losses	(10,609)	(1,829)	(8,780)	(11,510)
EBITDA	**15,363**	**(235)**	**15,598**	**20,668**
EBITDA margin (%)	**31.7**		**32.2**	**32.0**
Personnel costs	(10,497)	(117)[h]	(10,380)	(13,804)
Personnel cost ratio (%)	21.7		21.4	21.4

[a] Mainly expenses for staff-related measures in the Germany operating segment and non-staff-related restructuring measures in the Systems Solutions operating segment. The Europe operating segment includes expenses for staff-related measures at Hellenic Telecommunications Organization S.A. (OTE), which are offset, however, by proceeds from the involvement of the Hellenic Republic in a staff-related program at OTE.
[b] Mainly expenses for staff-related measures. This is offset by proceeds from the involvement of the Hellenic Republic in a staff-related program at OTE in the Europe operating segment.
[c] Mainly expenses for non-staff-related restructuring measures and staff-related measures in the Germany and Systems Solutions operating segments.
[d] Mainly gains on disposal in connection with the sale of Vivento Technical Services at Group Headquarters & Shared Services, and the sale of CAP Customer Advantage Program GmbH in the Germany operating segment.
[e] Mainly impairment loss recognized on the goodwill of the cash generating unit T-Mobile UK in the Europe operating segment.
[f] Mainly expenses for interest added back to provisions for staff-related measures.
[g] Tax effects from special factors on profit before income taxes.
[h] Expenses for staff-related measures at OTE in the Europe operating segment, which are offset by proceeds from the involvement of the Hellenic Republic, and for other staff-related measures in the Germany and Systems Solutions operating segments and at Group Headquarters & Shared Services.

Free cash flow in the Group.

Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment.

Deutsche Telekom believes that free cash flow is used by investors as a measure to assess the Group's cash generated from operations (after deductions for interest paid and cash outflows for investments in intangible assets (excluding goodwill and spectrum investment) and property, plant and equipment), in particular with regard to subsidiaries, associates and joint ventures, and the repayment of debt. In adopting this definition, Deutsche Telekom reflects the fact that investments in new technologies and efficiency enhancements in operating activities enable tied-up capital to be released. These inflows should therefore be taken into account in assessing investment expenditure and included in free cash flow accordingly.

Free cash flow should not be used to determine the financial position of the Group. A further factor to be noted is that Deutsche Telekom's definition of free cash flow and its methods of computing this measure are comparable with similarly designated measures and disclosures by other companies only to a limited extent.

Gross and net debt of the Group.

Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, derivative financial liabilities and cash collateral received for positive fair values of derivatives, as well as other interest-bearing financial liabilities.

Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due ≤ 1 year). In addition, all derivative financial assets and other financial assets are deducted from gross debt. Other financial assets include all cash collateral paid for negative fair values of derivatives as well as other interest-bearing financial assets.

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts and rating agencies.

Financial calendar.

Dates[a]	
February 24, 2011	Press conference on the 2010 financial year
May 6, 2011	Report on the first quarter of 2011, Deutsche Telekom
May 12, 2011	2011 shareholders' meeting, Deutsche Telekom
August 4, 2011	Report on the first half of 2011, Deutsche Telekom
November 10, 2011	Report on the first three quarters of 2011, Deutsche Telekom

[a] Dates not yet finalized.

Further dates are published on the Internet at www.telekom.com.

Glossary.

3G. 3G is the third-generation mobile communications standard that supports higher transmission rates. In Germany, this is the Universal Mobile Telecommunications System (UMTS) standard.

4G. See LTE.

All-IP. An all-IP network makes services such as VoIP, IPTV (Internet Protocol Television), data transfer, etc., available to all users anywhere at all times. The data is transmitted in switched packets using the Internet Protocol (IP).

ARPU – Average Revenue Per User. ARPU is predominantly used in the mobile communications industry to describe the revenue generated per customer per month.

Call center. A company, or department of a company, that offers operator-supported voice services. A large number of operators handle inbound calls via a hotline and/or outbound calls as part of a direct marketing campaign.

Cash capex. Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the statement of cash flows.

Cloud services. Cloud computing is the dynamic provision of infrastructure, software or platform services online. Apart from a high level of automation and virtualization, the services provided have to be multi-client-capable and include standardized hardware and software. Customers source these services on demand and pay based on actual usage. The communication infrastructure may be the Internet (public cloud), a corporate network (private cloud) or a mix of the two (hybrid cloud). Dynamic Services is a T-Systems product for the flexible procurement of ICT resources and services based on the idea of dynamic net-centric sourcing.

Desktop services. Global desktop services involve a variety of support services, including the outsourcing of entire IT networks. In this context Deutsche Telekom offers a full portfolio of corporate IT services, from server infrastructure and PC workstations through to application management and call center services that provide user support.

DSL – Digital Subscriber Line. In Deutsche Telekom's service portfolio as:

- ADSL (Asymmetrical Digital Subscriber Line) for retail lines: Technology used to transmit data at fast rates (from 16 kbit/s to 640 kbit/s upstream, up to 8 Mbit/s downstream) via standard copper wire pairs in the local loop within a radius of approximately three kilometers.
- ADSL2+: Successor product to ADSL that raises the maximum data rate to 16 Mbit/s (downstream) or 1 Mbit/s (upstream).
- VDSL (Very high bit rate Digital Subscriber Line) is a new technology used to transmit exceptionally high data rates (10 Mbit/s upstream, 50 Mbit/s downstream) via a fiber-optic network.

EBIT. EBIT is profit/loss from operations as shown in the consolidated income statement.

EBITDA. Profit/loss from operations before depreciation, amortization and impairment losses.

Equity ratio. Ratio of shareholders' equity to total assets.

Fixed-network lines. Lines in operation excluding internal use and public telecommunications, including IP-based lines. The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

Fixed network: Resale. Sale of broadband lines based on DSL technology to alternative providers outside Deutsche Telekom, including bundled IP-Bitstream Access (IP-BSA). In the case of IP-BSA, Deutsche Telekom leases DSL lines to the competitor and transports the datastream carried over these lines.

Free cash flow. Cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill and spectrum investment) and property, plant and equipment.

Grid computing. Grid computing is a form of distributed computing whereby a supercomputer is created from a cluster of loosely coupled computers. The difference between grid computing and conventional computer clusters lies in the considerably looser coupling, the heterogeneity and the broad geographical distribution of the computers. In addition, a grid is usually established for a specific application and often uses standardized program libraries and middleware.

Gross debt. Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, derivative financial liabilities and cash collateral received for positive fair values of derivatives, as well as other interest-bearing financial liabilities.

GSM – Global System for Mobile Communications. Global standard for mobile communications.

HDTV – High Definition Television. Generic term describing a range of television standards that differ from conventional television through increased vertical, horizontal and/or temporal resolution.

Hosting. Provision of storage capacity via the Internet. An Internet service provider's most important services in relation to hosting are registering and operating domains, leasing Web servers (in full or in part) and leasing space in a computer center – including Internet connections, regular and emergency power supply, etc.

HSDPA – High Speed Downlink Packet Access. Packet-based protocol that enhances data rates in UMTS networks and lifts transmission speeds into the megabit range.

HSPA+ – High Speed Packet Access Plus. A higher-performance variant of HSDPA/HSUPA that further shortens ping times and is therefore ideal for data-intensive mobile applications.

HSUPA – High Speed Uplink Packet Access. Accelerates data upstreaming from mobile devices to the network and significantly reduces ping times.

ICT – Information and Communication Technology.

Internet/intranet. The Internet is a worldwide Internet Protocol (IP)-based computer network that has no central network management. By contrast, intranets are managed IP networks that can be accessed only by specific user groups.

IP – Internet Protocol. Non-proprietary transport protocol in layer 3 of the OSI reference model for inter-network communications.

IPTV – Internet Protocol Television. A system whereby a digital television service is delivered using the Internet Protocol.

LTE – Long Term Evolution. LTE is a further development of 3G (UMTS, HSDPA, HSPA) and is also referred to in the industry as the fourth generation of mobile communications (4G). LTE introduces a new wireless transmission method that requires new handsets and adjustments to the mobile communications network. LTE supports speeds of over 100 Mbit/s in the downlink and 50 Mbit/s in the uplink.

M2M – Machine-to-machine. Automatic exchange of information between machines. For example, in an emergency, alarm systems automatically send a signal to security or the police.

Mbit/s – Megabits per second. Unit of data transmission speed.

Mobile customers. For the purposes of the interim Group management report, one mobile communications card corresponds to one customer. The totals were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

MVNO – Mobile Virtual Network Operator. Mobile virtual network operators market mobile communications products under their own brand name. They do not have a physical network infrastructure but instead use that of an established mobile network operator.

Net debt. Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due ≤ 1 year) from gross debt. In addition, all derivative financial assets and other financial assets are deducted from gross debt. Other financial assets include all cash collateral paid for negative fair values of derivatives as well as other interest-bearing financial assets.

Optical fiber. Channel for optical data transmission.

Prepay. In contrast to postpay contracts, prepay communication services are services for which credit has been purchased in advance with no fixed-term contractual obligations.

Resale. Resale of products to competitors (see also Wholesale).

Roaming. A feature of cellular mobile communications networks that ensures that activated mobile stations remain accessible, regardless of location, in all radio cells of the entire area served by the network. Roaming can also include similar networks run by different operators, as is the case with international roaming within the pan-European GSM system.

ROCE - Return On Capital Employed. Deutsche Telekom defines ROCE as the ratio of NOPAT (net operating profit after taxes) to the average NOA (net operating assets). For reporting during the year, the return in the reporting period is extrapolated as an annual return. Deutsche Telekom uses ROCE as an internal performance indicator for the management of its operational business activities and the allocation of capital within the Group, and to allow it to better evaluate and compare developments over several reporting periods.

Service revenues. Service revenues are revenues generated by mobile communications customers from services (i.e., revenues from voice services – incoming and outgoing calls – and data services), plus roaming revenues, monthly charges and visitor revenues.

SIM card – Subscriber Identification Module card. Chip card that is inserted into a cell phone to identify it in the mobile network. Deutsche Telekom's mobile subsidiaries count their customers by the number of SIM cards activated and not terminated. Customer totals include the SIM cards with which machines can communicate automatically with one another (M2M cards). The mobile communications subsidiaries count contract customers as customers for the length of their contracts, and count prepay customers as customers as long as they continue to use Deutsche Telekom's services, and then for a prescribed period thereafter, which differs according to the particular market. Generally, at the end of this period, or in the case of payment default or voluntary disconnection, the customers are canceled or churned. The churn rate for any given period represents the number of customers whose service was discontinued during that period, expressed as a percentage of the average number of customers during the period, based on beginning and period-end figures. Competitors may calculate their churn rates using different methods. In addition, the respective churn figures are not comparable across all national operations, because different general terms and conditions and thus different deactivation methodologies are used in different jurisdictions.

Smart metering. The service consists of the reading, processing, presentation, and billing of power and energy consumption, and other meters in industry and homes. In particular, it gives energy providers, meter operators and the housing sector the opportunity to offer their customers innovative products and services, as it delivers consumption information virtually in real time.

Smartphone. Mobile handsets that can perform the functionalities of a cell phone, a Web browser and an e-mail program simultaneously.

ULL – Unbundled Local Loop. Deutsche Telekom wholesale service that can be leased by alternative telecommunications operators without upstream technical equipment in order to offer their own customers a telephone or DSL line. The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

UMTS – Universal Mobile Telecommunications System. Third-generation international mobile communications standard that unites mobile multimedia and telematics services in the 2 GHz frequency spectrum.

Utilization rate. Systems Integration: Ratio of average number of hours billed to maximum possible hours billed per period.

VDSL. See DSL.

Wholesale. The business of selling services to third parties who in turn sell them to their own end customers either directly or after further processing (see also Resale).

Wholesale bundled lines (IP-Bitstream Access (IP-BSA)). Wholesale product for which Deutsche Telekom leases DSL lines to the competitor and transports the datastream via its concentrator network to the associated broadband point of presence (PoP) where the datastream is handed over to the competitor. In contrast to voluntary DSL resale, IP-BSA is a wholesale service required by the regulatory authority. This product is available in conjunction with a Deutsche Telekom PSTN line or as a DSL stand-alone variant (please refer to Wholesale unbundled lines). The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

Wholesale unbundled lines (e.g., IP-BSA Stand Alone (IP-BSA SA)). Wholesale product not bundled with a Deutsche Telekom PSTN line, which allows competitors to offer an all-IP product range to end-customers. The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

WLAN – Wireless Local Area Network. Wireless networks for mobile Internet access. The network can also connect multiple computers to each other or to a central information system, a printer, or a scanner.

Disclaimer.

This Report (particularly the chapter titled “Development of revenue and profits”) contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. They are generally identified by the words “expect,” “anticipate,” “believe,” “intend,” “estimate,” “aim,” “goal,” “plan,” “will,” “seek,” “outlook” or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA or other performance measures. Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution.

Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom’s control, including those described in the sections “Forward-Looking Statements” and “Risk Factors” of the Company’s Form 20-F report filed with the U.S. Securities and Exchange Commission. Among the relevant factors are the progress of Deutsche Telekom’s workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom’s actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents non-GAAP financial performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net profit, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the section “Reconciliation of pro forma figures” of this Report, which is also posted on Deutsche Telekom’s Investor Relations Web site at www.telekom.com.

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The English version of the Interim Group Report for the first three quarters of 2010 is a translation of the German version of the Interim Group Report. The German version of this Interim Group Report is legally binding.

This Interim Group Report is a publication of Deutsche Telekom AG
KNr. 642 200 196 (German)
KNr. 642 200 197 (English)

Printed on chlorine-free bleached paper using mineral oil-free inks.