H1
10

Interim Group Report.

January 1 to June 30, 2010.

Life is for sharing.

Deutsche Telekom at a glance.

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

		Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Revenue and earnings								
Net revenue		15,531	16,238	(4.4)	31,343	32,140	(2.5)	64,602
Domestic		6,761	6,817	(0.8)	13,500	13,760	(1.9)	28,033
International		8,770	9,421	(6.9)	17,843	18,380	(2.9)	36,569
Proportion generated internationally	(%)	56.5	58.0		56.9	57.2		56.6
Profit from operations (EBIT)		1,711	2,012	(15.0)	3,740	2,256	65.8	6,012
Net profit (loss)		475	521	(8.8)	1,242	(603)	n.a.	353
Net profit (adjusted for special factors)		814	756	7.7	1,705	1,411	20.8	3,390
EBITDA		4,479	5,027	(10.9)	9,169	9,969	(8.0)	19,906
EBITDA (adjusted for special factors)		5,012	5,258	(4.7)	9,902	10,070	(1.7)	20,668
EBITDA margin (adjusted for special factors)	(%)	32.3	32.4		31.6	31.3		32.0
Earnings per share basic/diluted	(€)	0.11	0.12	(8.3)	0.29	(0.14)	n.a.	0.08
Statement of financial position								
Total assets		-	-		132,784	132,902	(0.1)	127,774
Shareholders' equity		-	-		44,787	41,467	8.0	41,937
Equity ratio	(%)	-	-		33.7	31.2		32.8
Net debt		-	-		46,250	44,966	2.9	40,911
Cash capex		(2,041)	(2,211)	7.7	(3,975)	(4,822)	17.6	(9,202)
Cash flow								
Net cash from operating activities		2,142	3,512	(39.0)	5,413	6,478	(16.4)	15,795
Free cash flow (before dividend payments and spectrum investment)		1,489	1,404	6.1	2,928	1,820	60.9	6,969
Net cash used in investing activities		(2,931)	(2,029)	(44.5)	(4,724)	(3,538)	(33.5)	(8,649)
Net cash used in financing activities		(3,140)	197	n.a.	(4,039)	(190)	n.a.	(5,123)

Number of employees at the reporting date.

	June 30, 2010	Mar. 31, 2010	Change June 30, 2010/ Mar. 31, 2010 %	Dec. 31, 2009	Change June 30, 2010/ Dec. 31, 2009 %	June 30, 2009	Change June 30, 2010/ June 30, 2009 %
Deutsche Telekom Group	251,258	258,240	(2.7)	259,920	(3.3)	261,373	(3.9)
Non-civil servants	222,801	229,299	(2.8)	230,732	(3.4)	229,990	(3.1)
Civil servants (domestic)	28,457	28,941	(1.7)	29,188	(2.5)	31,383	(9.3)

Number of fixed-network and mobile customers.

		June 30, 2010	Mar. 31, 2010	Change June 30, 2010/ Mar. 31, 2010 %	Dec. 31, 2009	Change June 30, 2010/ Dec. 31, 2009 %	June 30, 2009	Change June 30, 2010/ June 30, 2009 %
Fixed-network lines	(millions)	37.2	37.8	(1.6)	38.5	(3.4)	39.9	(6.8)
Retail broadband lines	(millions)	15.9	15.7	1.3	15.4	3.2	14.8	7.4
Mobile customers	(millions)	131.1	133.0	(1.4)	134.5	(2.5)	133.2	(1.6)

For a detailed explanation of the performance indicators used in this Interim Group Report (special factors affecting EBIT, adjusted EBIT, the EBIT margin, and the special factors affecting EBITDA, adjusted EBITDA, the adjusted EBITDA margin and the special factors affecting profit/loss after income taxes and the adjusted net profit, cash capex, free cash flow, and net debt), please refer to "Reconciliation of pro forma figures," page 68 et seq. The performance indicators used by Deutsche Telekom are defined in the Glossary.

Contents

To our shareholders

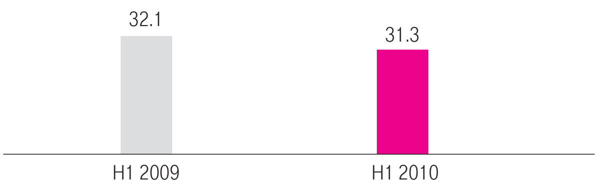
Interim Group management report

Interim consolidated financial statements

Additional information

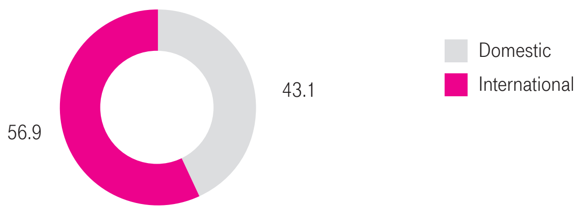
To our shareholders.
Developments in the Group.

Net revenue (billions of €)



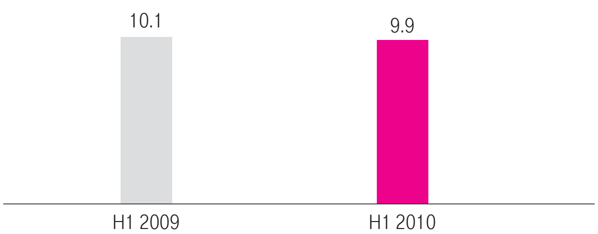
- Net revenue of the Group decreased slightly by 2.5 percent year-on-year in the first half of 2010 to EUR 31.3 billion. This development was primarily influenced by positive (EUR 0.5 billion: OTE) and negative (EUR 0.9 billion: T-Mobile UK) effects of changes in the composition of the Group and by positive exchange rate effects of EUR 0.3 billion.
- All operating segments with the exception of Systems Solutions posted a decline in revenue.

Proportion of net revenue generated internationally (%)



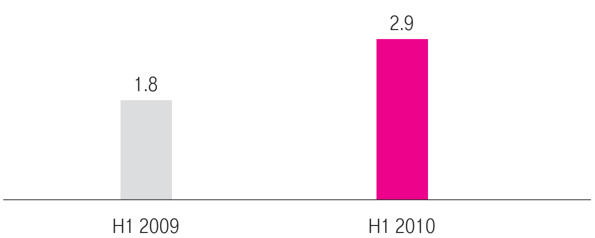
- The proportion of net revenue generated internationally decreased from 57.2 percent to 56.9 percent. Domestic net revenue was EUR 13.5 billion in the first six months of 2010, EUR 0.3 billion lower than in the first half of 2009. International net revenue decreased year-on-year by EUR 0.5 billion to EUR 17.8 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 €)



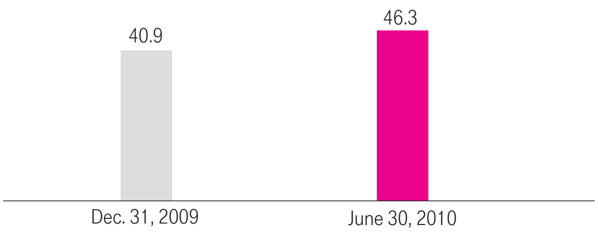
- Group EBITDA decreased by EUR 0.8 billion in the first half of 2010, from EUR 10.0 billion in the first half of 2009 to EUR 9.2 billion. Exchange rate effects amounting to EUR 0.1 billion had a positive impact on this development. The effects of changes in the composition of the Group largely offset each other in the first half of 2010 and therefore had no significant impact on the development of EBITDA.
- The Group's adjusted EBITDA declined by EUR 0.2 billion or 1.7 percent year-on-year to EUR 9.9 billion.

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



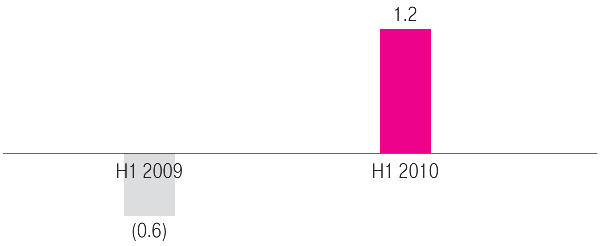
- Free cash flow increased year-on-year by EUR 1.1 billion to EUR 2.9 billion in the first half of 2010.
- Increase of EUR 0.2 billion in net cash from operating activities (before spectrum investment); decrease of EUR 0.8 billion in cash outflows for intangible assets (excluding goodwill) and property, plant and equipment.

Net debt (billions of €)



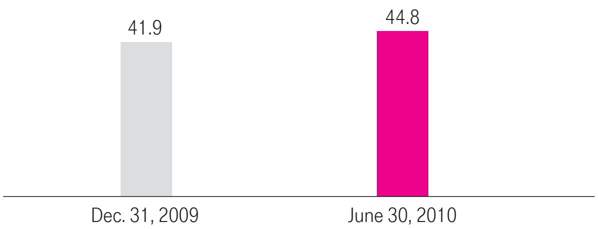
- Net debt increased by EUR 5.3 billion or 13.1 percent compared with the end of 2009.
- This increase was attributable to: dividend payments of EUR 3.8 billion, effects from corporate transactions totaling EUR 1.6 billion, of which the deconsolidation of T-Mobile UK (EUR 0.4 billion), financing of the UK joint venture (EUR 0.8 billion), the acquisition of STRATO (EUR 0.3 billion), and payments of EUR 1.3 billion for the acquisition of spectrum and exchange rate effects of EUR 1.4 billion.
- Free cash flow of EUR 2.9 billion offset these measures.

Net profit (billions of €)



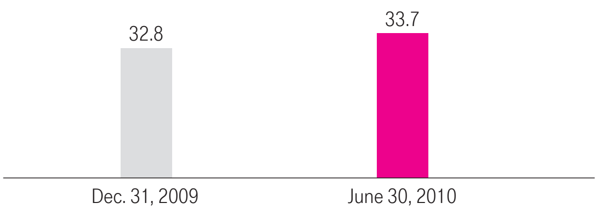
- Net profit increased by EUR 1.8 billion in the first half of 2010 to EUR 1.2 billion. Earnings per share grew in the first six months of 2010 by EUR 0.43 to EUR 0.29 compared with the same period in 2009. Group EBITDA declined by EUR 0.8 billion. The decrease in depreciation, amortization, and impairment losses (including goodwill impairment) of EUR 2.3 billion and a reduction of EUR 0.3 billion in the loss from financial activities increased profit before income taxes. An increase of EUR 0.2 billion in income tax expense was almost fully offset by the development of non-controlling interests in profit of almost the same amount.

Shareholders' equity (billions of €)



- Shareholders' equity increased by EUR 2.9 billion compared with the end of 2009.
- This improvement is attributable to the increase in other comprehensive income of EUR 5.5 billion (mainly from the currency translation of foreign operations) and the profit of EUR 1.3 billion. Dividend payments of EUR 3.9 billion in the first half of 2010 (including dividends to shareholders holding non-controlling interests), however, had an offsetting effect on shareholders' equity.

Equity ratio (%)

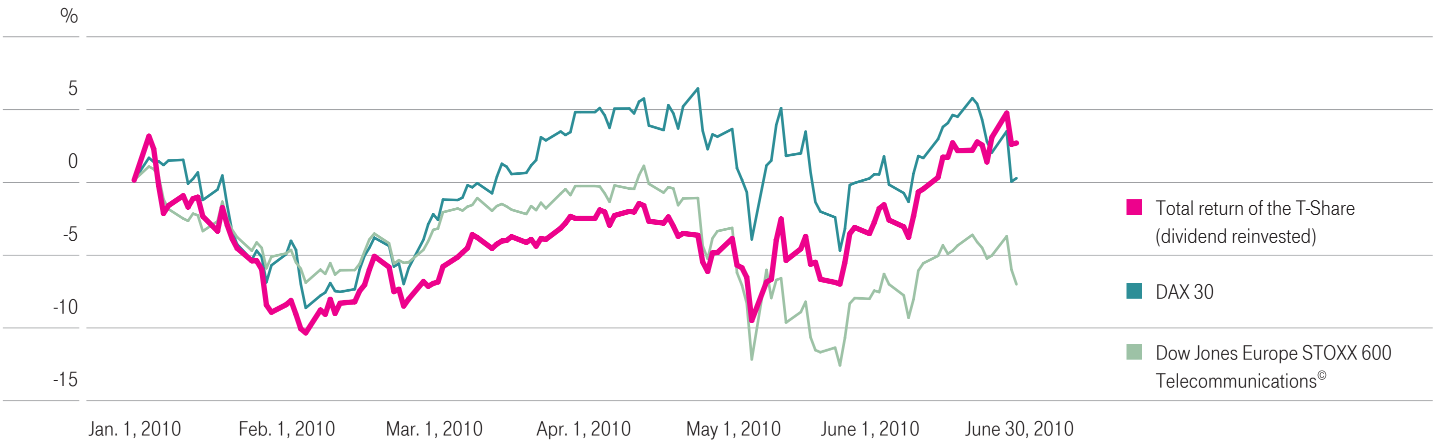


- The equity ratio increased from 32.8 percent at the end of 2009 to 33.7 percent.
- Total assets increased by EUR 5.0 billion or 3.9 percent compared with the end of 2009. Because shareholders' equity increased by 6.8 percent, the equity ratio improved. Both the development of total assets and total equity were strongly influenced by exchange rate effects.
- For further details of the change in total assets, please refer to the section "Development of business in the Group" in the interim Group management report.

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 half of 2010.



T-Share performance.

		H1 2010	H1 2009	FY 2009
Xetra closing prices	**(€)**			
Share price on the last trading day		9.70	8.40	10.29
Half-year high		10.60	11.39	11.39
Half-year low		8.55	7.93	7.93
Weighting of the T-Share in major stock indexes				
DAX 30	(%)	5.7	5.9	5.8
Dow Jones Euro STOXX 50©	(%)	2.0	2.0	1.9
Dow Jones Europe STOXX 600 Telecommunications©	(%)	9.6	9.1	9.3
Market capitalization	(billions of €)	42.4	36.5	44.9
Shares issued	(millions)	4,361	4,361	4,361

Equity markets worldwide were nervous and volatile in the second quarter of 2010, with early gains from the first quarter of 2010 evaporating almost completely, largely as a result of economic data published in the second quarter that gave rise to uncertainty, and of the euro crisis. Attention was focused on fears of a slowdown in the Chinese economy and on the recovery of the U.S. labor market.

Concern on European stock markets about some countries' budget deficits increased. The situation on the financial markets worsened again following a downgrading of Portugal's credit rating near the end of the first quarter of 2010. The measures agreed by EU countries in early May 2010 to stabilize the financial markets prompted a recovery, which also strengthened the euro once more. Nervousness continued to influence market developments, however, and, as a consequence, the DAX 30 dropped 3.1 percent in the second quarter, leaving it only slightly up over the first half-year at 5,965 points at June 30, 2010, a plus of 0.1 percent.

In terms of total shareholder return (share price performance + dividend), the T-Share outperformed the DAX 30 slightly and did considerably better than the European market as a whole (based on the Dow Jones Europe STOXX 600 Telecommunications©) and the European telecoms sector, mainly as a result of the Company's new shareholder remuneration policy, the further development of its strategy, which was well received by the market, and its good first-quarter results. The T-Share posted a total shareholder return of 2.55 percent for the first half of 2010, as compared with a negative return of 2.6 percent for the European telecoms sector and a positive return of 0.1 percent for the DAX 30.

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 (elektronischer Bundesanzeiger) on August 5, 2009, without exception.

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

Highlights in the second quarter of 2010.

Corporate transactions / Changes in the segment structure / Changes at management level.

Joint venture established in the United Kingdom. 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. The company will initially continue to run the T-Mobile and Orange brands, until it has developed a new brand strategy.

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.

Merger of the Europe and Southern and Eastern Europe operating segments. 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, Bulgaria, Albania, the F.Y.R.O. Macedonia, Montenegro, 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.

Changes in the Board of Management. 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 management at T-Mobile USA. Philipp Humm, former CEO of T-Mobile Deutschland and Chief Regional Officer (CRO) of Deutsche Telekom, has been designated to succeed Robert Dotson. Robert Dotson, CEO and President of T-Mobile USA, will leave the company at the end of May 2011. In order to ensure an orderly transition of leadership, Robert Dotson has committed to stay actively involved in the U.S. business until he leaves the company for good. Philipp Humm initially became president and CEO designate effective July 1, 2010. From February 2011 he will also take over Robert Dotson's position as CEO and thus take over sole responsibility at the head of the company. Robert Dotson will provide consulting services to the company between February and May 2011 as a non-executive board member.

Delisting from the New York Stock Exchange.

Deutsche Telekom has discontinued its listing on the New York Stock Exchange (NYSE). Deutsche Telekom AG's American Depositary Shares (ADSs) have been traded on the U.S. over-the-counter (OTC) market since June 21, 2010. Deutsche Telekom has also filed an application to deregister and terminate its reporting obligations with the U.S. Securities and Exchange Commission (SEC).

One Company.

Official launch of Telekom Deutschland GmbH. The spin-off of T-Home into T-Mobile Deutschland GmbH became effective upon entry in the commercial register on March 30, 2010, and with it the merger of German fixed-network and mobile operations within a single entity. At the same time, T-Mobile Deutschland GmbH was renamed Telekom Deutschland GmbH – a step which also became effective upon entry in the commercial register on March 30, 2010. By combining its domestic operations, Deutsche Telekom aims to increase its competitiveness relative to other globally structured telecommunications companies that offer integrated fixed-network and mobile solutions. Telekom Deutschland GmbH has been operating since April 1, 2010, offering its customers in the German market tailored products and services as well as top network quality all from a single source.

Merger of fixed and mobile operations in Slovakia. Following the mergers of mobile and fixed-network business activities in Hungary, Montenegro and Croatia, Slovak Telekom and T-Mobile Slovakia have also merged to form a single company. Both customers and employees will now benefit from the telecommunications provider's enhanced efficiency and performance. Consequently, the national companies in Slovakia will also collaborate as One Company and follow the path that has already been taken with success in Germany. Due to the shared retail distribution network introduced at the end of 2008, there will be no changes in the company's network of shops. Customers will also be able to continue using familiar communication measures and channels, including the T-Com and T-Mobile brands. Advertising campaigns will focus on one or both brands depending on the product or service being offered.

Successful participation in frequency auctions.

Telekom Deutschland GmbH successfully participated in the LTE spectrum auction in Germany. Telekom Deutschland GmbH has purchased frequency spectrum by auction from the Federal Network Agency for around EUR 1.3 billion. Deutsche Telekom has purchased two times 10 MHz in the 790 to 862 MHz frequency range, the "digital dividend." Deutsche Telekom will use this spectrum to supply rural areas with broadband and make a rapid start on filling in some of the blank spots on the map. The digital dividend is particularly suitable for achieving this, as relatively few sites are required for broadband coverage. Deutsche Telekom will use the newly acquired spectrum in other, higher frequency ranges (1.8 GHz and 2.6 GHz) to enlarge capacities in order to cope with growing data traffic in metropolitan areas.

T-Mobile Netherlands acquired licenses in the 2.6 GHz frequency range. T-Mobile Netherlands has purchased two-part 10 MHz bandwidths in the 2.6 GHz range for EUR 109,000 at the mobile frequency auction. As a result, T-Mobile Netherlands is in a position to further push the LTE mobile standard. In light of the fact that the current GSM frequencies in the Netherlands need to be modernized in 2011, this purchase will ensure the continuation of the services offered and allow further innovation.

COSMOTE Bulgaria (GLOBUL) acquired additional spectrum for the UMTS network. Deutsche Telekom has purchased spectrum in Bulgaria to expand the UMTS network through COSMOTE Bulgaria, which is part of the OTE group. This spectrum will be used to further expand and upgrade the 3G network of GLOBUL (COSMOTE Bulgaria's mobile communications brand) in order to serve for the growing demand for mobile broadband services, increased numbers of users, and higher traffic volumes. To purchase the spectrum issued by the Bulgarian communications supervisory authority (CRC), GLOBUL paid a one-time fee of BGN 17 million plus an annual fee of BGN 1 million, equivalent to approximately EUR 9 million.

New products / Connected life and work.

3G/UMTS network build-out in Europe pushed ahead. In Austria, the Czech Republic, Romania, and Greece, Deutsche Telekom has significantly advanced its 3G/UMTS network build-out. T-Mobile Austria, for example, replaced its entire 3G network in collaboration with network equipment supplier Nokia Siemens Networks, upgrading it with state-of-the-art technology. In the Czech Republic, T-Mobile now provides 30 towns and cities with UMTS services and is currently testing HSPA+ technology with speeds of up to 21 Mbit/s. In Romania, Deutsche Telekom has already put a 3G network with speeds of up to 21.6 Mbit/s into operation in 11 large urban areas. Deutsche Telekom's mobile subsidiary COSMOTE in Greece is the first provider in the country to achieve mobile broadband download speeds of up to 42.2 Mbit/s.

HSPA+ in the United States. Having deployed HSPA+ in around 50 metropolitan areas, T-Mobile USA now offers speeds comparable to those in 4G networks. Customers can benefit from the increase in data processing speed with the HSPA+-enabled T-Mobile webConnect Rocket USA Laptop Stick.

iPhone 4 available from Deutsche Telekom since June. On June 24, 2010, Deutsche Telekom started marketing the iPhone 4 in Germany, which is available with 16 or 32 GB of storage.

Collaboration with Axel Springer. Deutsche Telekom and the Axel Springer publishing house are strengthening their partnership in the area of value-added solutions. In the future, strong magazine brands including Bild, Bild am Sonntag, Auto Bild, Sport Bild, Computer Bild, Bild der Frau, HÖRZU, and tv DIGITAL will use Deutsche Telekom's high-performance platforms for their reader surveys and competitions. To this end, Deutsche Telekom's Value-Added Solutions unit will provide feedback channels such as service numbers and value-added text messaging, MMS and Internet services.

Customer service / Awards.

Deutsche Telekom wins awards for its products. Deutsche Telekom was voted Mobile Network Operator of the Year for the eleventh time running by readers of the trade magazine “connect.” Deutsche Telekom products also secured four first-place, three second-place, and two third-place ratings in the magazine’s Readers’ Choice awards. “connect” readers awarded Deutsche Telekom first place for its triple-play offers. The Group was also chosen once again as the best Internet and telephony provider. In addition, Deutsche Telekom took first place for its prepaid cards and VDSL service, plus second place for its versatile Speedport W 920V device, its Web-hosting operations (STRATO) and for its discount mobile services (congstar). congstar received the “Certified value for money” award from the German Technical Inspection Association (TÜV). TÜV Saarland had found that existing congstar customers were very satisfied with the provider, particularly in terms of value for money.

Hungary’s Magyar Telekom honored with international innovation award. Magyar Telekom’s automated service provisioning and activation platform won this year’s innovation award of the international telecommunications magazine Global Telecoms Business. The system accelerates the introduction of new services, reduces the associated costs, and lowers operating costs. The magazine’s award panel selected projects of providers offering information and communications services worldwide that were successfully implemented using cutting-edge technology solutions and which are exemplary for peer companies.

T-Systems signs new deals and retains major customers.

DekaBank commissions T-Systems. T-Systems has been awarded a contract by DekaBank to take over and operate its information and communications infrastructure. T-Systems will be responsible for voice and data communication, workstation systems, and data center services. The six-year contract has a total volume in the three-digit millions. T-Systems will also integrate trading center solutions specifically designed for banks, business-critical applications that manage the automatic purchase and sale of shares, for instance.

Rega opts for dynamic SAP operation by T-Systems. The Swiss air-rescue service Rega is switching its static SAP operation to Dynamic Services from T-Systems and has extended its existing contract with the Deutsche Telekom subsidiary. The SAP applications form the basis for the deployment of personnel, helicopters and jets at Rega, which carries out around 14,000 rescue missions each year.

Interim Group management report.
The economic environment.

This section provides additional information 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 the regulatory situation.

Global economic development.

Global economic recovery continued to accelerate in the second quarter of 2010 thanks to the momentum in emerging markets and developing countries, though the extent of the recovery differs in the individual countries and regions. While growth rates accelerated in Germany and the United States at the end of the first half of 2010, the European deficit countries stagnated or were slow to recover after bottoming out.

Outlook.

The global economy is expected to slow down in the second half of 2010 and in 2011. Leading economic indicators such as the OECD's Composite Leading Indicator (CLI) and the Baltic Dry Index are stagnating or receding, which can be taken as evidence for this forecast. Some of the main reasons for the deterioration are the completion of monetary and fiscal policy stimulus programs in the industrialized nations, the 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 rather robust compared to other European economies and gain further momentum in the course of 2010. While the upturn in 2010 will be primarily export-driven, domestic demand in particular is likely to have a positive effect on production in Germany in 2011. Following a strong rebound in 2010, only moderate growth is forecast for the U.S. economy next year as the economic stimulus packages expire. Most economies in the European Union are taking time to recover from the crisis and are expected to report growth rates of around 1 percent. Europe's deficit countries, in particular Hungary and Greece, are likely to stagnate during 2010, with recovery not expected before mid-2011.

Overall economic risks.

The end of the monetary and fiscal policy stimulus programs in the leading economies continues to be considered a risk that may have a negative impact on economic activity. To what extent countries may slip back into recession as a result will depend largely on whether the self-supporting forces are capable of sustaining 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 current economic growth and increasing consumer demand in most of Deutsche Telekom's core markets can support the business environment but are not a major source of impetus. A negative effect may appear in the countries where purchasing power is falling, for instance through a rise in unemployment.

Regulatory situation.

On June 30, 2010, the Federal Network Agency fixed the rates for the activation and return of **unbundled local loop lines (ULLs)** for the period July 1, 2010 to June 30, 2012. A rate of EUR 30.83 was set for ULL transfer without additional work at the end customer's premises. For the presently most common option, the new connection of high-bit-rate two-wire copper pair lines without additional work at the cable distribution box and with work at the end customer's premises, the new rate is EUR 53.35. Provisioning and cancellation charges and monthly charges for joint access to the ULL, otherwise known as line sharing, of EUR 1.84 were also approved effective July 1, 2010. The charge for the most common provisioning model, a new connection without work at the cable distribution box or the end customer's premises, is now EUR 51.22. The Federal Network Agency had fixed rates on May 5, 2010 for another obligation in connection with the ULL, i.e., access to a new cross-connect cabinet being set up.

The Federal Network Agency included lines based on **FTTH** (fiber to the home) in its market analyses for markets 4 and 5 (ULLs for optical fiber and bitstream access, or BSA). A draft regulatory order already exists for BSA that essentially provides for an obligation to provide FTTH bitstream access.

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 185 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 between T-Mobile UK and Orange UK, which is known as Everything Everywhere, a success story. With its combined customer base the joint venture will lead 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., Firstgate/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 Samsung Vibrant 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 purchase of additional frequency at auction in Germany and the launch of Everything Everywhere in the United Kingdom.

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 buybacks 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 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 (excl. spectrum investment)

[1] Please refer to footnote 4 on page 42.

Development of business in the Group.

Effects of changes in the composition of the Group.

The development of business in the first half of 2010 was significantly affected by changes in the composition of the Group, resulting from the following situations in particular:

Change in the composition of the Group – 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 half of 2009. The OTE group is presented in the Europe operating segment.

Change in the composition of the Group – UK 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.

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 31.3 billion in the first half of 2010, a decrease of 2.5 percent compared with the first six months of 2009. The aforementioned effects of changes in the composition of the Group had a negative net impact of EUR 0.3 billion on this development, while exchange rate effects had a positive impact of EUR 0.3 billion. Excluding these effects, revenue was down EUR 0.8 billion or 2.5 percent compared with the first six months of 2009. The exchange rate effects resulted mainly from the translation into euros of Polish zlotys, Hungarian forints, U.S. dollars, and Czech korunas.

	Q1 2010 millions of €	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Net revenue	**15,812**	**15,531**	**16,238**	**(4.4)**	**31,343**	**32,140**	**(2.5)**	**64,602**
Germany	6,189	6,197	6,220	(0.4)	12,386	12,551	(1.3)	25,423
Europe	4,774	4,030	5,065	(20.4)	8,804	9,448	(6.8)	19,607
United States	3,814	4,188	3,918	6.9	8,002	8,055	(0.7)	15,471
Systems Solutions	2,131	2,242	2,179	2.9	4,373	4,285	2.1	8,798
Group Headquarters & Shared Services	565	583	612	(4.7)	1,148	1,230	(6.7)	2,410
Intersegment revenue	(1,661)	(1,709)	(1,756)	2.7	(3,370)	(3,429)	1.7	(7,107)

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

The **Germany** operating segment saw its revenue decrease by 1.3 percent in the first half of 2010 compared with the same period in the previous year. The EUR 0.3 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 the migration to premium complete packages 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 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 0.6 billion or 6.8 percent year-on-year was due in part to negative effects from changes in the composition of the Group. After adjusting for these effects of EUR 0.4 billion and positive exchange rate effects of EUR 0.2 billion, revenue decreased by EUR 0.5 billion or 5.3 percent compared with the first half of 2009. Cuts in mobile termination charges imposed by the regulatory authorities in most countries and ongoing intense competition in mobile communications and the fixed network put pressure on revenue. Total revenue was also adversely affected by the strained macroeconomic situation in the Eastern European countries in particular, as well as by the tax burden in Croatia.

Revenue in the **United States** operating segment remained virtually on a par with the prior-year period on a euro basis. After adjustment for exchange rate effects of EUR 0.1 billion, operating segment revenue declined slightly by 1.3 percent, mainly due to lower voice revenue effected by the loss of contract customers.

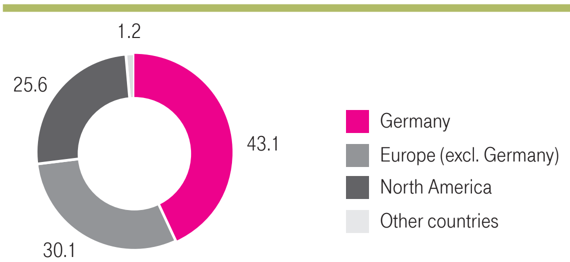
The **Systems Solutions** operating segment increased its revenue by EUR 0.1 billion year-on-year in the first half of 2010. Its international business continued growing in the reporting period as a result of the large number of contracts concluded in the previous year. Revenue in Germany remained unchanged.

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

	H1 2010 millions of €	Proportion of net revenue of the Group %	H1 2009 millions of €	Proportion of net revenue of the Group %	Change millions of €	Change %	FY 2009 millions of €
Net revenue	**31,343**	**100.0**	**32,140**	**100.0**	**(797)**	**(2.5)**	**64,602**
Germany	11,610	37.0	11,820	36.8	(210)	(1.8)	23,813
Europe	8,482	27.1	9,141	28.5	(659)	(7.2)	18,996
United States	7,995	25.5	8,047	25.0	(52)	(0.6)	15,457
Systems Solutions	3,142	10.0	2,998	9.3	144	4.8	6,083
Group Headquarters & Shared Services	114	0.4	134	0.4	(20)	(14.9)	253

With 37.0 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 1.4 percentage points compared with the first six 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 quarter of 2010. The contributions of the other operating segments to net revenue remained almost constant.

Breakdown of revenue by regions in %.



The proportion of net revenue generated internationally decreased by 0.3 percentage points year-on-year to 56.9 percent in the first half of 2010, primarily due to changes in the composition of the Group.

EBITDA.

In the first six months of 2010, Deutsche Telekom generated EBITDA of EUR 9.2 billion, 8.0 percent less than in the same period in 2009.

Adjusted EBITDA.

In the first half of 2010, EBITDA was negatively impacted by special factors totaling EUR 0.7 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 principally comprise expenses of EUR 0.2 billion for staff-related measures plus expenses of EUR 0.1 billion from the write-off of receivables from the Main Customs Office for 2005 to 2009.

In the first half of 2009, special factors of EUR 0.1 billion – mainly as a result of expenses for staff-related measures and non-staff-related restructuring measures – had a negative effect on EBITDA.

	Q1 2010 millions of €	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Adjusted EBITDA in the Group	**4,890**	**5,012**	**5,258**	**(4.7)**	**9,902**	**10,070**	**(1.7)**	**20,668**
Germany	2,299	2,438	2,381	2.4	4,737	4,744	(0.1)	9,607
Europe	1,587	1,431	1,686	(15.1)	3,018	2,951	2.3	6,390
United States	1,008	1,120	1,176	(4.8)	2,128	2,237	(4.9)	4,261
Systems Solutions	196	231	231	-	427	442	(3.4)	923
Group Headquarters & Shared Services	(172)	(182)	(142)	(28.2)	(354)	(192)	(84.4)	(315)
Reconciliation	(28)	(26)	(74)	64.9	(54)	(112)	51.8	(198)

EBITDA adjusted for the aforementioned special factors was down EUR 0.2 billion or 1.7 percent on the first half of 2009. Positive and negative effects from changes in the composition of the Group nearly balanced each other out and therefore only had an insignificant effect on adjusted EBITDA in the first six months of 2010. Net of positive exchange rate effects of EUR 0.1 billion, adjusted EBITDA decreased by EUR 0.3 billion or 3.1 percent compared with the first half of 2009.

The Germany, United States, and Systems Solutions operating segments recorded a year-on-year decrease in adjusted EBITDA in the first half of 2010, while adjusted EBITDA in the Europe operating segment increased in the same period.

Adjusted EBITDA in the **Germany** operating segment declined slightly by 0.1 percent in the first six months of 2010. The positive development in mobile communications almost offset the decrease in the traditional fixed-network business. The adjusted EBITDA margin increased by 0.4 percentage points.

Adjusted EBITDA in the **Europe** operating segment increased by 2.3 percent year-on-year, primarily due to the two aforementioned offsetting effects from changes in the composition of the Group. Even adjusted for these effects, adjusted EBITDA increased slightly. Positive exchange rate effects attributable to the translation from Polish zlotys, Hungarian forints, Czech korunas, pounds sterling, and Croatian kunas increased EBITDA in the Europe operating segment in the first half of 2010.

In the **United States** operating segment, the decline in revenue 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 in the first six months of 2010 was lower than in the same period in 2009.

Adjusted EBITDA in the **Systems Solutions** operating segment decreased compared with the first half of 2009, mainly due to the higher cost of materials. In particular, the first few months of 2010 were marked by increased costs as a result of the deals won at the end of 2009. These were partially offset by savings under Save for Service, the Company's comprehensive restructuring and efficiency enhancement program.

In addition to the developments described here within the operating segments, adjusted EBITDA at **Group Headquarters & Shared Services** deteriorated by EUR 0.2 billion compared with the first half of the previous year, mainly due to income recorded in the previous year from the reclassification of real estate from assets held for sale to non-current assets. Higher headcount and lower revenue at Vivento also had a negative impact on EBITDA.

EBIT.

EBIT in the Group increased by a substantial EUR 1.5 billion year-on-year to EUR 3.7 billion in the first half of 2010. Apart from the effects described above, this increase is a consequence of much lower depreciation, amortization, and impairment losses in the first half of 2010 compared with the same period in 2009 that are attributable 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 six months of 2009. In addition, depreciation, amortization, and impairment losses for T-Mobile UK were no longer reported in the first half 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 €**	Q2 2009 millions of €	Change %	**H1 2010 millions of €**	H1 2009 millions of €	Change %	FY 2009 millions of €
Profit (loss) from operations (EBIT) of the Group	**2,029**	**1,711**	**2,012**	**(15.0)**	**3,740**	**2,256**	**65.8**	**6,012**
Germany	1,171	1,327	1,274	4.2	2,498	2,599	(3.9)	5,062
Europe	675	166	464	(64.2)	841	(819)	n.a.	140
United States	544	600	654	(8.3)	1,144	1,184	(3.4)	2,233
Systems Solutions	18	56	27	n.a.	74	38	94.7	(11)
Group Headquarters & Shared Services	(365)	(426)	(344)	(23.8)	(791)	(653)	(21.1)	(1,249)
Reconciliation	(14)	(12)	(63)	81.0	(26)	(93)	72.0	(163)

Profit/loss before income taxes.

Profit before income taxes for the first half of 2010 increased by EUR 1.8 billion compared with the first half of 2009. The Group's loss from financial activities was reduced by EUR 0.3 billion over the prior-year period. For this reason, profit before income taxes increased to a greater extent than Group EBIT, largely due to an improvement of EUR 0.3 billion in other financial expense as a result of positive effects on earnings from interest added back to provisions and liabilities and from the measurement of derivatives.

Net profit.

In the first six months of 2010, Deutsche Telekom's net profit increased by EUR 1.8 billion compared with the first half of 2009. An increase of EUR 0.2 billion in income tax expense was almost fully offset by the development of non-controlling interests in profit of almost the same amount.

Financial position of the Group.

Consolidated statement of financial position.

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	June 30, 2009 millions of €
Assets					
Current assets	**15,471**	**23,012**	**(7,541)**	**(32.8)**	**20,096**
Cash and cash equivalents	1,839	5,022	(3,183)	(63.4)	5,836
Trade and other receivables	7,236	6,757	479	7.1	8,195
Non-current assets and disposal groups held for sale	84	6,527	(6,443)	(98.7)	344
Other current assets	6,312	4,706	1,606	34.1	5,721
Non-current assets	**117,313**	**104,762**	**12,551**	**12.0**	**112,806**
Intangible assets and property, plant and equipment	100,597	97,173	3,424	3.5	104,467
Investments accounted for using the equity method	8,008	147	7,861	n.a.	150
Other non-current assets	8,708	7,442	1,266	17.0	8,189
Total assets	**132,784**	**127,774**	**5,010**	**3.9**	**132,902**
Liabilities and shareholders' equity					
Current liabilities	**25,238**	**24,794**	**444**	**1.8**	**28,819**
Financial liabilities	10,934	9,391	1,543	16.4	14,047
Trade and other payables	6,351	6,304	47	0.7	7,033
Other provisions	2,995	3,369	(374)	(11.1)	2,791
Liabilities directly associated with non-current assets and disposal groups held for sale	-	1,423	(1,423)	n.a.	-
Other current liabilities	4,958	4,307	651	15.1	4,948
Non-current liabilities	**62,759**	**61,043**	**1,716**	**2.8**	**62,616**
Financial liabilities	42,040	41,800	240	0.6	42,819
Provisions	8,496	8,340	156	1.9	8,655
Other non-current liabilities	12,223	10,903	1,320	12.1	11,142
Shareholders' equity	**44,787**	**41,937**	**2,850**	**6.8**	**41,467**
Total liabilities and shareholders' equity	**132,784**	**127,774**	**5,010**	**3.9**	**132,902**

At the end of the first half of 2010, **total assets** of Deutsche Telekom increased by EUR 5.0 billion or 3.9 percent compared with the end of the year. On the assets side, current assets were down by EUR 7.5 billion, while non-current assets increased by EUR 12.6 billion. On the liabilities side, an increase was shown in both current liabilities (EUR 0.4 billion) and non-current liabilities (EUR 1.7 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 3.2 billion compared with December 31, 2009. Please refer to the consolidated cash flow statement and selected notes to the consolidated cash flow statement 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.

Other current assets increased by EUR 1.6 billion. In May 2010, Deutsche Telekom purchased at auction LTE frequency from the Federal Network Agency with a value of EUR 1.3 billion, paying for it on May 31, 2010. As actions were filed against this decision on the determination of payments, Deutsche Telekom reported this payment under other financial assets as of June 30, 2010 rather than under intangible assets.

The increase in **intangible assets** and **property, plant and equipment** totaling EUR 3.4 billion was principally due to exchange rate effects of EUR 5.1 billion, capital expenditures of EUR 3.8 billion, as well as depreciation, amortization, and impairment losses of EUR 5.4 billion.

Other non-current assets principally changed as a result of the increase in other financial assets. In the first half 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** increased by EUR 1.8 billion compared with the end of 2009. For more information, please refer to the table below and the accompanying explanations.

The increase of EUR 2.0 billion in **other liabilities** was primarily attributable to a rise of EUR 1.1 billion in deferred tax liabilities mainly due to effects from the translation of U.S. dollars into euros. In addition, other current liabilities increased compared with the end of 2009, also on account of higher VAT liabilities.

Shareholders' equity increased by EUR 2.9 billion to EUR 44.8 billion. In the first half of 2010, Deutsche Telekom paid out dividends of EUR 3.9 billion. This improvement is attributable to the increase in other comprehensive income of EUR 5.5 billion (mainly from the currency translation of foreign operations) and the profit of EUR 1.3 billion.

Reconciliation of gross debt.

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	June 30, 2009 millions of €
Financial liabilities (current)	10,934	9,391	1,543	16.4	14,047
Financial liabilities (non-current)	42,040	41,800	240	0.6	42,819
Financial liabilities	**52,974**	**51,191**	**1,783**	**3.5**	**56,866**
Accrued interest	(1,063)	(1,175)	112	9.5	(1,024)
Liabilities from corporate transactions	(1,208)	(1,455)	247	17.0	(2,165)
Other	(549)	(444)	(105)	(23.6)	(893)
Gross debt	**50,154**	**48,117**	**2,037**	**4.2**	**52,784**

Net debt.

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	June 30, 2009 millions of €
Bonds	40,046	38,508	1,538	4.0	43,157
Liabilities to banks	4,775	4,718	57	1.2	4,806
Liabilities to non-banks from promissory notes	1,162	1,057	105	9.9	1,029
Derivative financial liabilities	782	924	(142)	(15.4)	752
Lease liabilities	1,878	1,909	(31)	(1.6)	1,965
Other financial liabilities	1,511	1,001	510	50.9	1,075
Gross debt	**50,154**	**48,117**	**2,037**	**4.2**	**52,784**
Cash and cash equivalents	1,839	5,022	(3,183)	(63.4)	5,836
Available-for-sale/held-for-trading financial assets	83	162	(79)	(48.8)	562
Derivative financial assets	1,403	1,048	355	33.9	937
Other financial assets	579	974	(395)	(40.6)	483
Net debt	**46,250**	**40,911**	**5,339**	**13.1**	**44,966**

Net debt increased by EUR 5.3 billion or 13.1 percent compared with the end of 2009. Factors leading to this increase include dividend payments of EUR 3.8 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 1.4 billion. Effects from corporate transactions principally comprised effects from the deconsolidation (EUR 0.4 billion) and financing (EUR 0.8 billion) of the UK joint venture and from the acquisition of STRATO (EUR 0.3 billion). Free cash flow of EUR 2.9 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 €**	Q2 2009 millions of €	Change %	**H1 2010 millions of €**	H1 2009 millions of €	Change %	FY 2009 millions of €
Cash generated from operations (before spectrum investment)	**3,918**	**4,232**	**4,215**	**0.4**	**8,150**	**7,811**	**4.3**	**18,271**
Interest received (paid)	(647)	(790)	(703)	(12.4)	(1,437)	(1,333)	(7.8)	(2,476)
Net cash from operating activities (before spectrum investment)	**3,271**	**3,442**	**3,512**	**(2.0)**	**6,713**	**6,478**	**3.6**	**15,795**
Cash outflow for investments in intangible assets (excluding goodwill) and property, plant and equipment **(cash capex)**	(1,934)	(2,041)	(2,211)	7.7	(3,975)	(4,822)	17.6	(9,202)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	102	88	103	(14.6)	190	164	15.9	376
Free cash flow (before dividend payments and spectrum investment)	**1,439**	**1,489**	**1,404**	**6.1**	**2,928**	**1,820**	**60.9**	**6,969**

Free cash flow amounted to EUR 2.9 billion in the first half of 2010, up from EUR 1.8 billion in the first half of 2009.

Net cash from operating activities (before spectrum investment) in the first six months of 2010 increased by EUR 0.2 billion to EUR 6.7 billion compared with the prior-year period. The following factors, some of which offset each other, contributed to this improvement.

Excluding cash outflows for spectrum, the net change in assets and liabilities carried as working capital increased by EUR 0.2 billion, mainly as a result of cash inflows of EUR 0.2 billion from the sale of receivables (factoring). No comparable cash inflows were recorded in the first half of 2009. In addition, the utilization of provisions, for instance for dealers' commissions and reimbursements, and of other provisions decreased by around EUR 0.2 billion year-on-year. By contrast, net cash inflows from canceling interest rate swaps decreased by EUR 0.2 billion, while net cash outflows for interest increased by EUR 0.1 billion.

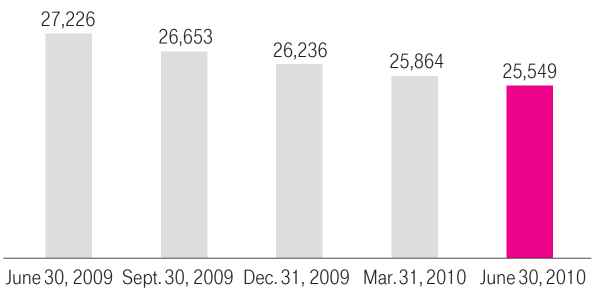
The EUR 0.8 billion decrease in cash outflows for intangible assets and property, plant and equipment was in particular the result of the postponement of investments in Germany and the United States in the first quarter of 2010, partly due to weather conditions.

Development of business in the operating segments.

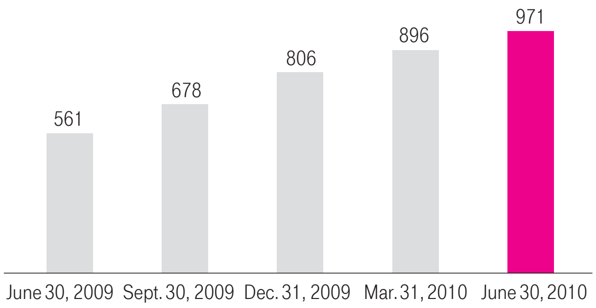
Germany.

Customer development.

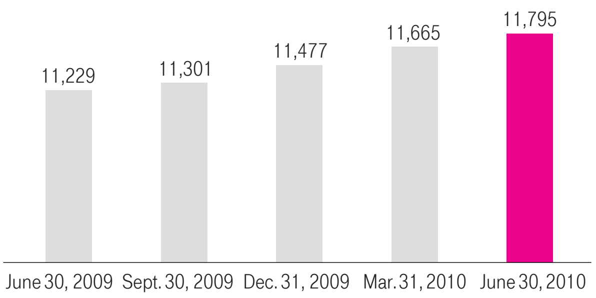
Fixed-network lines ('000)



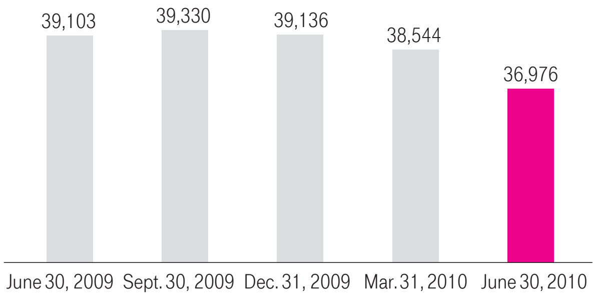
IPTV ('000)



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

	June 30, 2010 millions	Mar. 31, 2010 millions	Change June 30, 2010/ Mar. 31, 2010 %	Dec. 31, 2009 millions	Change June 30, 2010/ Dec. 31, 2009 %	June 30, 2009 millions	Change June 30, 2010/ June 30, 2009 %
Fixed network							
Fixed-network lines	25.5	25.8	(1.2)	26.2	(2.7)	27.2	(6.3)
Retail broadband lines	11.8	11.7	0.9	11.5	2.6	11.2	5.4
Wholesale bundled lines	1.4	1.5	(6.7)	1.6	(12.5)	2.0	(30.0)
Unbundled local loop lines (ULLs)	9.3	9.2	1.1	9.1	2.2	8.7	6.9
Wholesale unbundled lines	0.7	0.7	0.0	0.6	16.7	0.4	75.0
Mobile communications							
Mobile customers[a]	37.0	38.5	(3.9)	39.1	(5.4)	39.1	(5.4)

[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 not been active for three months.

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

Fixed network. At more than 46 percent in the first half 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 in Germany became more restrained, the number of retail lines increased by 0.3 million in the first six months of 2010 compared with the end of 2009 to a total of 11.8 million. A total of 1.3 million Entertain products had been sold as of June 30, 2010. The number of connected Entertain products increased by 0.2 million in the first half of 2010 to almost 1.0 million.

Fixed-network line losses totaled 0.7 million in the first half of 2010, down on the same period in 2009. These line losses are mainly attributable to customers switching to alternative telecommunications carriers, cable companies, and mobile operators.

The number of unbundled local loop lines (ULLs) increased by 0.2 million compared with the end of 2009 to 9.3 million. The number of wholesale unbundled lines also increased slightly by 0.1 million compared with the end of 2009 to 0.7 million. By contrast, the number of wholesale bundled lines decreased by 0.2 million in the first half of 2010 compared with the year-end.

Mobile communications. Compared with the end of 2009, the number of mobile customers decreased by 2.1 million in the first half of 2010 to 37.0 million. In addition to a slight decrease in the number of contract customers, the number of prepay customers in particular declined by 2.1 million to 19.8 million. One of the main causes was the deregistration in the first half of 2010 of inactive prepay customers who were no longer generating revenues.

Deutsche Telekom defended its market leadership in service revenues in the mobile communications sector and focused on value-driven growth, encouraged by attractive smartphones like the Apple iPhone 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 €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		6,189	6,197	6,220	(0.4)	12,386	12,551	(1.3)	25,423
Fixed network		4,530	4,496	4,628	(2.9)	9,026	9,352	(3.5)	18,736
Mobile communications		2,000	2,054	1,947	5.5	4,054	3,899	4.0	8,109
Profit from operations (EBIT)		1,171	1,327	1,274	4.2	2,498	2,599	(3.9)	5,062
EBIT margin	(%)	18.9	21.4	20.5		20.2	20.7		19.9
Depreciation, amortization and impairment losses		(1,014)	(1,030)	(1,085)	5.1	(2,044)	(2,101)	2.7	(4,196)
EBITDA		2,185	2,357	2,359	(0.1)	4,542	4,700	(3.4)	9,258
Special factors affecting EBITDA		(114)	(81)	(22)	n.a.	(195)	(44)	n.a.	(349)
Adjusted EBITDA		2,299	2,438	2,381	2.4	4,737	4,744	(0.1)	9,607
Fixed network		1,468	1,530	1,582	(3.3)	2,998	3,191	(6.0)	6,247
Mobile communications		828	912	798	14.3	1,740	1,559	11.6	3,373
Adjusted EBITDA margin	(%)	37.1	39.3	38.3		38.2	37.8		37.7
Fixed network	(%)	32.4	34.0	34.2		33.2	34.1		33.3
Mobile communications	(%)	41.4	44.4	41.0		42.9	40.0		41.6
Cash capex		(651)	(774)	(684)	(13.2)	(1,425)	(1,484)	4.0	(3,158)
Employees (average)	(number)	80,729	79,729	85,142	(6.4)	80,229	85,615	(6.3)	84,584
Fixed network	(number)	74,893	73,961	79,064	(6.5)	74,427	79,570	(6.5)	78,507
Mobile communications	(number)	5,836	5,768	6,078	(5.1)	5,802	6,045	(4.0)	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 half of 2010 by 1.3 percent year-on-year to EUR 12.4 billion, a less pronounced decline than in the first quarter of 2010, when revenue was down 2.2 percent compared with the first quarter of 2009. The revenue decrease was mainly caused by the continuing losses of fixed-network lines due to competition and by regulatory pricing measures primarily in the fixed network.

Fixed network. Total revenue in the first half of 2010 decreased by 3.5 percent year-on-year to EUR 9.0 billion. Continuing line losses resulting from increased competition and falling usage-related charges were the main factors leading to the decline in revenue. The first-time consolidation of STRATO, growth in unbundled local loop lines and the migration to premium complete packages (e.g., with TV components), had a positive effect but only partially compensated for the decline in revenue.

Mobile communications. In the first half of 2010, total revenue from mobile communications business increased by EUR 0.2 billion or 4.0 percent to EUR 4.1 billion, largely due to the positive development of service revenues. This was offset by lower mobile termination charges from April 1, 2009, the EU roaming regulation effective July 1, 2009, and the expiry of the national roaming agreements with O_2 and others at the end of 2009.

EBITDA, adjusted EBITDA.

The Germany operating segment generated adjusted EBITDA of EUR 4.7 billion in the first half 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 thus increased by 0.4 percentage points to 38.2 percent.

In the fixed network, adjusted EBITDA totaled EUR 3.0 billion, the decrease in revenue being largely offset by effective cost management. EBITDA was reduced by increased expenses for legal risks and settlements with carriers, among other factors. In the first half of 2010, EBITDA was negatively impacted by special effects totaling EUR 0.2 billion, mainly driven by the write-off in the first quarter of 2010 of receivables from the German Main Customs Office for 2005 to 2009 and the costs of severance payments.

Adjusted EBITDA from mobile communications increased by EUR 0.2 billion to EUR 1.7 billion and the adjusted EBITDA margin grew by 2.9 percentage points compared with the first half of the previous year to 42.9 percent. This was attributable to the positive revenue trend and lower general selling expenses.

EBIT.

EBIT in the Germany operating segment decreased year-on-year by EUR 0.1 billion to EUR 2.5 billion in the first half of 2010, largely as a result of the special factors already described.

Cash capex.

At EUR 1.4 billion, cash capex in the first half of 2010 was slightly below the level of the prior-year period. Due to poor weather conditions at the beginning of the year, construction projects and the associated capital expenditures could not go ahead as scheduled. The majority of the capital expenditures was in the fixed network.

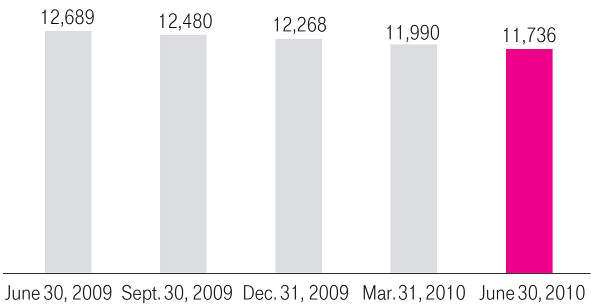
Personnel.

Average headcount was reduced by 6.3 percent compared with the first half of 2009 to 80,229, 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 as of January 1, 2010.

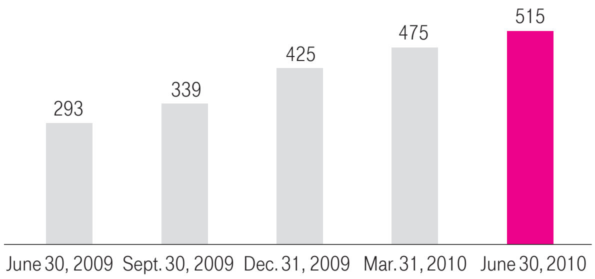
Europe.

Customer development.

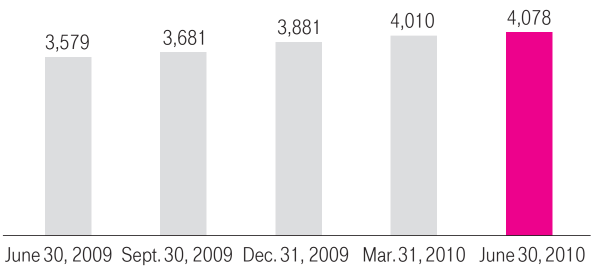
Fixed-network lines ('000)



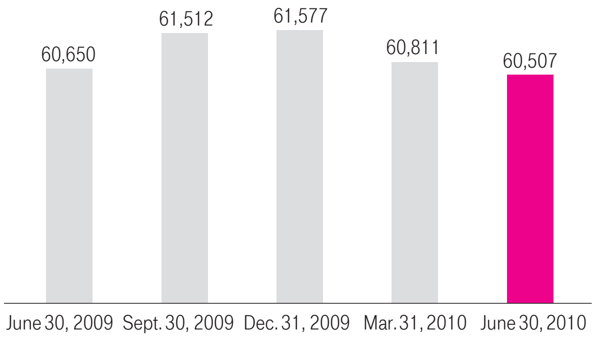
IPTV ('000)



Retail broadband lines ('000)



Mobile customers ('000)



		June 30, 2010 millions	Mar. 31, 2010 millions	Change June 30, 2010/ Mar. 31, 2010 %	Dec. 31, 2009 millions	Change June 30, 2010/ Dec. 31, 2009 %	June 30, 2009 millions	Change June 30, 2010/ June 30, 2009 %
Europe, total[a]	Fixed-network lines	11.7	12.0	(2.5)	12.3	(4.9)	12.7	(7.9)
	Retail broadband lines	4.1	4.0	2.5	3.9	5.1	3.6	13.9
	Wholesale bundled lines	0.2	0.2	0.0	0.2	0.0	0.3	(33.3)
	Unbundled local loop lines (ULLs)	1.3	1.2	8.3	1.1	18.2	0.9	44.4
	Mobile customers	60.5	60.8	(0.5)	61.6	(1.8)	60.6	(0.2)
Greece	Fixed-network lines	4.0	4.1	(2.4)	4.2	(4.8)	4.4	(9.1)
	Broadband lines	1.1	1.1	0.0	1.1	0.0	1.0	10.0
	Mobile customers	8.5	8.8	(3.4)	9.2	(7.6)	8.8	(3.4)
Romania[b]	Fixed-network lines	2.7	2.7	0.0	2.8	(3.6)	2.9	(6.9)
	Broadband lines	0.8	0.8	0.0	0.8	0.0	0.7	14.3
	Mobile customers	7.1	7.2	(1.4)	7.3	(2.7)	6.3	12.7
Hungary	Fixed-network lines	1.7	1.8	(5.6)	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	5.3	(3.8)
Poland	Mobile customers	13.3	13.4	(0.7)	13.5	(1.5)	13.4	(0.7)
Czech Republic	Mobile customers	5.5	5.4	1.9	5.5	0.0	5.4	1.9
Croatia	Fixed-network lines	1.4	1.5	(6.7)	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	4.4	4.4	0.0	4.6	(4.3)	5.4	(18.5)
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	3.6	2.8	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	7.8	7.7	1.3	7.7	1.3	7.4	5.4

[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 half 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 was offset to some extent by growth in broadband lines. In mobile communications, despite intense competition the Europe operating segment served a customer base of 60.5 million customers as of June 30, 2010, only slightly fewer than at the end of 2009.

Fixed network. The broadband market in Europe continued to grow in the first six months of 2010 compared with the end of 2009. With a total of 4.3 million broadband lines, including bundled and unbundled wholesale lines, the operating segment recorded an increase of 0.2 million lines compared with the end of the previous year. The number of fixed-network lines has decreased by 0.6 million since the end of 2009. The sustained growth in the broadband market was also driven by the ongoing success of IPTV, with the number of IPTV customers increasing by more than 20 percent since the end of 2009. The strategic focus on broadband and TV had a positive effect on growth and customer retention in the access business.

Mobile communications. In the face of intense competition in the individual countries, the European mobile companies maintained their market positions in the first half of 2010, registering only a slight decrease in the total customer base despite the strained economic situation, especially in countries in Eastern Europe. Particularly Greece, the Netherlands, and Croatia recorded lower customer figures, though this was largely offset by some growth in the total customer base in Austria, Albania, and Bulgaria. Customer figures remained stable in the hard-fought markets of Hungary, the Czech Republic, and Slovakia. The slight decrease in the total customer base is mainly attributable to prepay customers. In Greece, the Netherlands, and Poland in particular, the number of prepay customers decreased by 1.4 million in total. In the Netherlands and Poland this was the result of the focus on the high-value contract customer business. In Greece, prepay customer figures were negatively impacted in particular by the new registration requirements introduced in November 2009. Equally, registration requirements in a number of other countries resulted in the activation of fewer prepay products. Due to the deregistration of inactive prepay customers at T-Mobile Netherlands in March 2010, this company's prepay customer base contracted compared with the end of 2009. In Austria, the total number of customers increased compared with December 31, 2009, primarily as a result of a new prepay deregistration rule for the secondary brand, tele.ring, that was introduced on January 1, 2010.

In contrast to the prepay business, the high-value contract customer business in the Europe segment remained the growth driver in the first six months of 2010 compared with the end of 2009. All European companies except for those in Romania and Montenegro expanded their contract customer base. The Netherlands, Poland, Hungary, the Czech Republic, and Croatia in particular reported sound growth with a total of around 0.5 million net additions. 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 1.7 percentage points since the end of 2009 to 42.6 percent. Almost all countries with the exception of Austria and Slovakia contributed to this positive result.

This development in the contract customer base 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 that were installed on high-performance cell phones – part of the connected life and work strategy – successfully attracted new groups of customers. The effective marketing of smartphones like the Apple iPhones continued to account for a large percentage of growth in the contract customer base.

Development of operations.

		Q1 2010 millions of €	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		4,774	4,030	5,065	(20.4)	8,804	9,448	(6.8)	19,607
Of which: Greece		997	963	1,058	(9.0)	1,960	1,713	14.4	3,899
Of which: Romania		291	293	295	(0.7)	584	499	17.0	1,104
Of which: Hungary		402	402	412	(2.4)	804	803	0.1	1,682
Of which: Poland		441	451	440	2.5	892	856	4.2	1,757
Of which: Czech Republic		279	291	310	(6.1)	570	585	(2.6)	1,191
Of which: Croatia		267	289	292	(1.0)	556	570	(2.5)	1,161
Of which: Netherlands		442	448	465	(3.7)	890	909	(2.1)	1,807
Of which: Slovakia		230	233	246	(5.3)	463	490	(5.5)	974
Of which: Austria		248	243	255	(4.7)	491	522	(5.9)	1,038
Of which: United Kingdom		783	n.a.	886	n.a.	783	1,722	n.a.	3,390
Of which: Other[a]		462	481	476	1.1	943	898	5.0	1,885
Profit (loss) from operations (EBIT)		675	166	464	(64.2)	841	(819)	n.a.	140
EBIT margin	(%)	14.1	4.1	9.2		9.6	(8.7)		0.7
Depreciation, amortization and impairment losses		(859)	(892)	(1,056)	15.5	(1,751)	(3,779)	53.7	(6,157)
EBITDA		1,534	1,058	1,520	(30.4)	2,592	2,960	(12.4)	6,297
Special factors affecting EBITDA		(53)	(373)	(166)	n.a.	(426)	9	n.a.	(93)
Adjusted EBITDA		1,587	1,431	1,686	(15.1)	3,018	2,951	2.3	6,390
Of which: Greece		376	346	383	(9.7)	722	622	16.1	1,447
Of which: Romania		72	71	72	(1.4)	143	139	2.9	293
Of which: Hungary		162	171	169	1.2	333	333	-	675
Of which: Poland		169	176	170	3.5	345	280	23.2	616
Of which: Czech Republic		135	139	181	(23.2)	274	308	(11.0)	614
Of which: Croatia		113	124	133	(6.8)	237	261	(9.2)	525
Of which: Netherlands		102	139	103	35.0	241	167	44.3	430
Of which: Slovakia		107	105	120	(12.5)	212	232	(8.6)	439
Of which: Austria		83	61	70	(12.9)	144	123	17.1	283
Of which: United Kingdom		167	n.a.	153	n.a.	167	266	n.a.	611
Of which: Other[a]		106	115	126	(8.7)	221	218	1.4	446
Adjusted EBITDA margin	(%)	33.2	35.5	33.3		34.3	31.2		32.6
Cash capex		(568)	(454)	(526)	13.7	(1,022)	(1,273)	19.7	(2,489)
Employees (average)	(number)	70,125	64,359	72,597	(11.3)	67,242	67,111	0.2	69,277

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

[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 6.8 percent year-on-year to EUR 8.8 billion in the first half of 2010. This 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. Adjusted for these two factors, revenue narrowed slightly by just 2.8 percent.

Cuts in mobile termination charges imposed by the regulatory authorities in most countries and ongoing intense competition in mobile communications and the fixed network put pressure on revenue. Total revenue was also adversely affected by the strained macroeconomic situation in Eastern European countries in particular, as well as by the tax burden in Croatia. Positive exchange rate effects – mainly from Polish zlotys, Hungarian forints, Czech korunas, pounds sterling, and Croatian kunas – mitigated the negative effects from the decline in revenue from operations only to a limited extent.

The following commentary on revenue generated in the individual countries is based on figures that have been adjusted for positive exchange rate effects of EUR 0.2 billion.

Greece. 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 was impacted by the cuts in termination charges and, in particular, by intense competition.

Romania. The Romanian telecommunications market is characterized by a difficult economic situation and highly intense price competition, in spite of which revenue decreased only slightly year-on-year. Due to the lower prices, net customer additions in the broadband business compensated for the adverse effects of the revenue decline in the traditional fixed-network business only to a limited extent. Revenue in the mobile business increased slightly year-on-year owing to customer growth.

Hungary. Revenue declined in both mobile communications and fixed-network business due to the economic situation. Another negative factor was the reduction of mobile termination charges in January 2010. Weak operations were compensated for by the gains of the Hungarian forint against the euro compared with the first six months of 2009.

Poland. The year-on-year revenue slowdown in the first half of 2010 was attributable in particular to diminishing service revenues, primarily on account of the further decline in average minute prices. Both intense competition and the cuts in termination charges imposed by the regulatory authorities had a negative impact on revenue.

Czech Republic. The revenue trend at T-Mobile CZ was primarily driven by lower service revenues. Compared with the prior-year period, this revenue decrease was largely attributable to a positive one-time effect in the second quarter of 2009. Lower termination charges as a result of regulatory price cuts also negatively impacted revenue. These effects were compensated in part by an increase in fixed-network revenue as a result of the acquisition of České Radiokomunikace in December 2009.

Croatia. Despite moderately positive exchange rate effects from the stronger Croatian kuna, the national company in Croatia recorded a slight decrease in revenue as a consequence of the economic situation. Mobile communications was more severely affected than the fixed network, partly because of the tax on mobile services set at 6 percent of revenue, that was introduced in August 2009.

Netherlands. The revenue trend at T-Mobile Netherlands remained almost stable compared with the prior-year period, due mainly to positive service revenues. Regulation-induced reductions in revenue were more than offset by 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. The positive service revenues were eroded in part by lower MVNO and online revenues. The online revenue trend was mainly caused by diminishing customer figures.

Slovakia. Compared with the same period in 2009, revenue in the fixed-network business remained stable due to positive broadband development and the successful marketing of IPTV and satellite TV. The first-time consolidation of the ICT subsidiary in the first quarter of 2010 also had a positive effect on revenue. Mobile revenue, on the other hand, declined as a result of the cuts in termination charges in mid-2009 and intense competitive pressure.

Austria. Revenue was down year-on-year owing to lower service revenues, principally due to the further decline in revenue from voice telephony. This in turn was the result of a competition-induced reduction of minute prices and the cut in termination charges imposed by the regulator. These negative effects were partially offset by growth in data revenues.

EBITDA, adjusted EBITDA.

Adjusted EBITDA in the Europe operating segment improved in the first six months of 2010 compared with the prior-year period, increasing by EUR 0.1 billion or 2.3 percent primarily due to two offsetting effects. Segment EBITDA was reduced as a result of the deconsolidation of T-Mobile UK as of April 1, 2010. By contrast, changes in the composition of the Group due to the addition of the OTE group impacted EBITDA positively. Adjusted for these two effects, EBITDA increased slightly. In addition, positive exchange rate effects attributable to the translation from Polish zlotys, Hungarian forints, Czech korunas, pounds sterling, and Croatian kunas increased EBITDA in the Europe operating segment in the first half of 2010.

The following commentary on adjusted EBITDA generated in the individual countries is based on figures that have been adjusted for exchange rate effects.

Greece. Due to the positive effects of changes in the composition of the Group, adjusted EBITDA grew in the Greek mobile and fixed-network business. In operational terms, adjusted EBITDA was primarily impacted by the weak revenue trend.

Romania. In the first half of 2010, the fixed-network business in Romania was impacted by a revenue decline compared with the prior-year period. As a result, adjusted EBITDA measured in local currency decreased slightly. Savings in a number of areas were fully offset by higher costs for television rights. By contrast, mobile communications reported a slight improvement in adjusted EBITDA as a result of modest revenue growth.

Hungary. Savings in personnel costs and various other cost items offset the negative effects of the decrease in mobile revenue, which resulted in a slight increase in adjusted EBITDA. Comparable measures in the fixed network, however, failed to compensate for the overall negative revenue effect.

Poland. Adjusted for exchange rate effects, PTC posted a year-on-year increase in adjusted EBITDA in the first six months of 2010 which was attributable to savings in particular in customer acquisition and retention costs. These cost items had increased in the first six months of 2009 as a result of a very aggressive sales drive in the first quarter of that year and corresponding high customer retention costs. In addition, lower overhead costs, especially in the Technology unit, further increased EBITDA in the second quarter of 2010. The reduction in total costs in the first half of 2010 compensated for the negative effects of the revenue decline.

Czech Republic. At T-Mobile CZ, adjusted EBITDA declined year-on-year, primarily due to positive one-time effects in the second quarter of 2009. Excluding these effects, the development of EBITDA was almost stable.

Croatia. Adjusted EBITDA decreased mainly as a result of lower revenue from mobile communications. The decrease in revenue from the fixed network was almost entirely offset by growth in Internet services and IPTV. Cost reductions also helped offset the negative effects of the decline in revenue.

Netherlands. T-Mobile Netherlands recorded a significant year-on-year increase in adjusted EBITDA, attributable to savings in customer acquisition and customer retention 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 as against the previous year.

Slovakia. Whereas the fixed network showed stable business, the negative revenue effects in the mobile business were offset only in part by savings in customer acquisition and overhead costs.

Austria. The year-on-year increase in adjusted EBITDA was largely attributable to an optimized marketing strategy, which not only cut customer acquisition and retention costs but also generated savings in overheads. A one-time effect in the first quarter of 2010 resulting from a credit balance from the cancellation of a contract also had a positive effect on EBITDA for the first half of the year.

EBIT.

EBIT (profit/loss from operations) in the Europe operating segment increased EUR 1.7 billion year-on-year, mainly attributable to an impairment loss on the goodwill of the cash generating unit T-Mobile UK of EUR 1.8 billion that was recorded in the first quarter of 2009. In addition to the impact of the generally positive effects of adjusted EBITDA, the classification of T-Mobile UK as held for sale in the period September 2009 through March 2010 and the resulting non-recognition of depreciation and amortization also improved EBIT. These two positive effects were offset by the EUR 0.4 billion reduction in EBIT from the deconsolidation of T-Mobile UK.

Cash capex.

Cash capex in the Europe operating segment decreased by EUR 0.3 billion or 19.7 percent year-on-year in the first half 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.

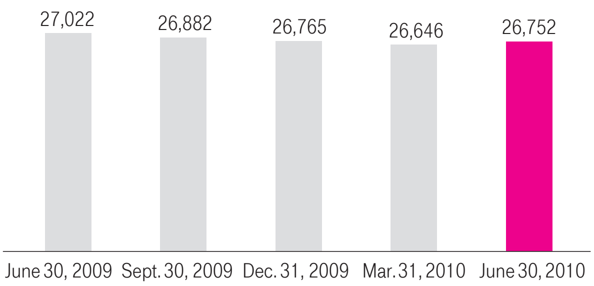
Personnel.

Average headcount in the Europe operating segment remained virtually unchanged year-on-year. The expansion of the workforce following the full consolidation of the OTE group for the first time 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 had an offsetting effect. By contrast, some smaller-scale company acquisitions added to the headcount.

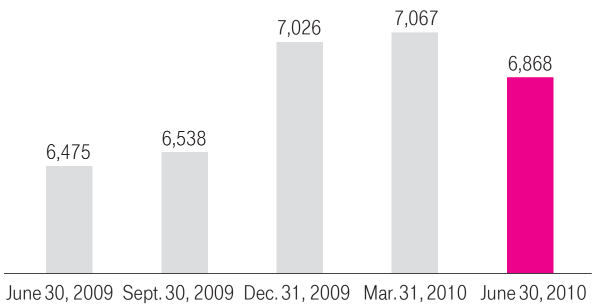
United States.

Customer development.

Contract customers ('000)



Prepay customers ('000)



	June 30, 2010 millions	Mar. 31, 2010 millions	Change June 30, 2010/ Mar. 31, 2010 %	Dec. 31, 2009 millions	Change June 30, 2010/ Dec. 31, 2009 %	June 30, 2009 millions	Change June 30, 2010/ June 30, 2009 %
United States							
Mobile customers	33.6	33.7	(0.3)	33.8	(0.6)	33.5	0.3

At June 30, 2010, the United States operating segment (T-Mobile USA) had 33.6 million customers, a net decrease in customers of 170,000 in the first half of 2010 compared to 739,000 net customer additions in the first half of 2009. In the first half of 2010, T-Mobile USA had 12,000 net contract customer losses compared to 216,000 net contract customer additions in the first half of 2009. This decrease was due primarily to fewer gross contract additions. Additionally, net contract customer additions included strong connected device growth in the first half of 2010. Net prepay customers declined by 158,000 in the first half of 2010, compared to 523,000 net prepay customers added in the first half of 2009. The change in prepay customers additions in the first half of 2010 was due primarily to higher prepay customer churn from MVNO and traditional prepay customers.

In the second quarter of 2010, T-Mobile USA had 93,000 net customer losses, compared to 325,000 net customers added in the second quarter of 2009 and 77,000 net customer losses in the first quarter of 2010. In the second quarter of 2010, T-Mobile USA had 106,000 net contract customer additions compared to 56,000 in the second quarter of 2009. The year-on-year increase in net contract customer additions in the second quarter of 2010 was driven in part by improvements in net traditional postpay additions, which were positive in the second quarter of 2010. Additionally, connected device customers, included within contract customers, totaled 1.5 million at June 30, 2010 and continued to grow significantly during the second quarter of 2010. Net prepay customers declined by 199,000 in the second quarter of 2010, compared to 268,000 net prepay customers added in the second quarter of 2009. This decrease in net prepay customers in the second quarter of 2010 was related primarily to fewer MVNO customers and strong prepaid competition in the quarter.

T-Mobile USA's blended churn rate increased to 3.4 percent per month in the second quarter of 2010, compared to 3.1 percent per month in the first quarter of 2010 and second quarter of 2009 due primarily to higher prepay customer churn from traditional prepay and MVNO customers. Contract customer churn was stable at 2.2 percent per month in the second and first quarter of 2010 and second quarter of 2009.

Development of operations.

		Q1 2010 millions of €	**Q2 2010 millions of €**	Q2 2009 millions of €	Change %	**H1 2010 millions of €**	H1 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		3,814	4,188	3,918	6.9	8,002	8,055	(0.7)	15,471
Profit from operations (EBIT)		544	600	654	(8.3)	1,144	1,184	(3.4)	2,233
EBIT margin	(%)	14.3	14.3	16.7		14.3	14.7		14.4
Depreciation, amortization and impairment losses		(464)	(520)	(522)	0.4	(984)	(1,053)	6.6	(2,028)
EBITDA		1,008	1,120	1,176	(4.8)	2,128	2,237	(4.9)	4,261
Special factors affecting EBITDA		-	-	-	,	-	-		-
Adjusted EBITDA		1,008	1,120	1,176	(4.8)	2,128	2,237	(4.9)	4,261
Adjusted EBITDA margin	(%)	26.4	26.7	30.0	,	26.6	27.8	,	27.5
Cash capex		(481)	(534)	(785)	32.0	(1,015)	(1,650)	38.5	(2,666)
Employees (average)	(number)	38,663	37,612	37,863	(0.7)	38,138	37,791	0.9	38,231

Total revenue.

Revenue from the United States operating segment (T-Mobile USA) was stable year-on-year at EUR 8.0 billion in the first half of 2010 and 2009, primarily as a result of currency fluctuations. In U.S. dollars revenues of the operating segment decreased by 1.2 percent year-on-year for the half-year period. The main factor driving the decrease in revenue in local currency was a decline in voice access revenues related to net losses of branded customers (wireless customers excluding MVNO and connected devices). Additionally, lower voice usage revenues related to customers converting to unlimited rate plans were partially offset by higher equipment and data revenues from customers purchasing smartphones and 3G data plans. The number of 3G-capable smartphone users more than tripled to 6.5 million at the end of the second quarter of 2010 from 2.1 million at the end of the second quarter of 2009.

Compared to the second quarter of 2009, revenue increased 6.9 percent in the second quarter of 2010 primarily as a result of currency fluctuations. In U.S. dollars revenues of the operating segment decreased by 0.3 percent in the same period.

EBITDA, adjusted EBITDA, EBIT.

EBIT decreased year-on-year by 3.4 percent to EUR 1.1 billion. EBITDA decreased year-on-year by 4.9 percent to EUR 2.1 billion in the first half of 2010. In U.S. dollars, EBITDA fell due primarily to lower revenues as discussed above. Operating expenses were slightly higher year-on-year due primarily to an increase in the cost of equipment sales which was partially offset by lower roaming, commissions and data content expenses in the first half of 2010 compared to the first half of 2009. The cost of equipment sales increased year-on-year as T-Mobile USA offered a variety of incentives and as customers move towards purchasing more costly 3G-capable smartphones. As a result of these factors, the adjusted EBITDA margin decreased to 26.6 percent for the first half of 2010 from 27.8 percent for the first half of 2009.

Cash capex.

Cash capex decreased year-on-year to EUR 1.0 billion in the first half of 2010 from EUR 1.7 billion in the first half of 2009. The primary reason for lower capex relates to the aggressive build-out of the national UMTS/HSDPA (3G) network in the first half of 2009. The 3G network now covers 208 million people nationwide as of the end of the second quarter of 2010. In 2010, network capex spend will be driven by continued network investment, coverage expansion, and the upgrade to HSPA+. T-Mobile USA's HSPA+ technology now covers 85 million people, and T-Mobile USA plans to cover 185 million people by the end of 2010.

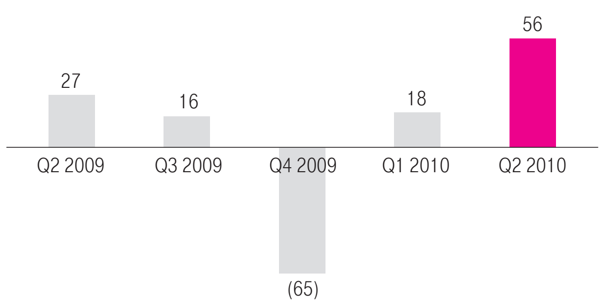
Personnel.

The average number of employees rose in the first half of 2010 compared to the first half of 2009 related to retail distribution growth, but was partially offset by fewer customer support employees driven by lower customer care call volumes. The average number of employees decreased in the second quarter of 2010 compared to the first quarter of 2010 due primarily to fewer customer support employees.

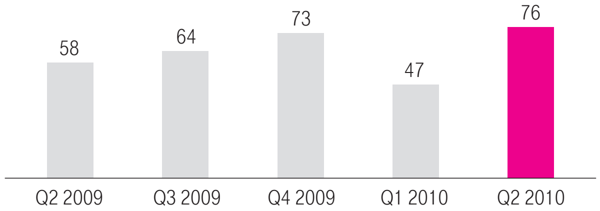
Systems Solutions.

Selected KPIs.

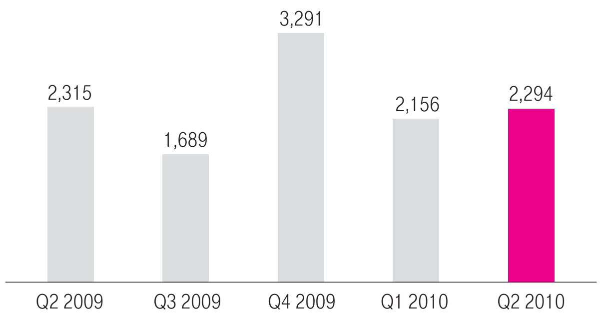
EBIT (millions of €)



Adjusted EBIT (millions of €)



New orders (millions of €)



		June 30, 2010	Mar. 31, 2010	Change June 30, 2010/ Mar. 31, 2010 %	Dec. 31, 2009	Change June 30, 2010/ Dec. 31, 2009 %	June 30, 2009	Change June 30, 2010/ June 30, 2009 %
New orders	**(millions of €)**	**4,450**	**2,156**	**n.a.**	**9,305**	**n.a.**	**4,325**	**2.9**
Computing & Desktop Services								
Number of servers managed and serviced	(units)	48,564	49,153	(1.2)	47,092	3.1	54,626	(11.1)
Number of workstations managed and serviced	(millions)	1.96	1.85	5.9	1.86	5.4	1.51	29.8
Systems Integration								
Hours billed	(millions)	4.7	2.4	n.a.	9.6	n.a.	4.8	(2.1)
Utilization rate	(%)	82.4	82.5	(0.1)p	81.3	1.1p	80.7	1.7p

Development of business.

In the first half of 2010 the Systems Solutions operating segment (T-Systems) secured strategically significant new deals in the ICT corporate customer market. As a result, new orders increased by 2.9 percent compared with the prior-year period, even though the global economy has not yet fully recovered. New deals were concluded, for example, with Deutsche Post DHL, DekaBank, the State of Hesse and the Swiss air-rescue service Rega. With minimum contract terms of five years and order volumes in some cases in the three-digit million range, T-Systems is consolidating the foundations for further growth. The new deals underline both the attractiveness of T-Systems' ICT services and its ability to provide these services worldwide.

The number of servers managed and serviced decreased by 11.1 percent year-on-year in the first half of 2010 due to the consolidation of systems taken over from customers and growing demand for dynamic computing, whereby customers receive broadband, computing capacity and memory as required, pay for what they use and share the infrastructure. By contrast, the number of workstations managed and serviced increased significantly year-on-year in the first half of 2010, mainly due to new orders. Systems Integration also developed positively. Nevertheless the effects of the economic crisis were still felt as customers canceled, postponed or curtailed projects. For this reason fewer hours were billed, although the effect was offset by a higher utilization rate.

Development of operations.

		Q1 2010 millions of €	**Q2 2010 millions of €**	Q2 2009 millions of €	Change %	**H1 2010 millions of €**	H1 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		2,131	2,242	2,179	2.9	4,373	4,285	2.1	8,798
Profit (loss) from operations (EBIT)		18	56	27	n.a.	74	38	94.7	(11)
Special factors affecting EBIT		(29)	(20)	(31)	35.5	(49)	(54)	9.3	(240)
Adjusted EBIT		47	76	58	31.0	123	92	33.7	229
Adjusted EBIT margin	(%)	2.2	3.4	2.7		2.8	2.1		2.6
Depreciation, amortization and impairment losses		(150)	(155)	(173)	10.4	(305)	(350)	12.9	(721)
EBITDA		168	211	200	5.5	379	388	(2.3)	710
Special factors affecting EBITDA		(28)	(20)	(31)	35.5	(48)	(54)	11.1	(213)
Adjusted EBITDA		196	231	231	-	427	442	(3.4)	923
Adjusted EBITDA margin	(%)	9.2	10.3	10.6		9.8	10.3		10.5
Cash capex		(148)	(220)	(171)	(28.7)	(368)	(332)	(10.8)	(681)
Employees (average)	(number)	47,446	47,480	44,863	5.8	47,463	44,656	6.3	45,328

Total revenue.

Total revenue in the Systems Solutions operating segment in the first half of 2010 amounted to EUR 4.4 billion, a year-on-year increase of 2.1 percent. The positive development of international business, as a result of several contracts concluded last year, continued in the reporting period, recording a substantial increase of 6.8 percent. Revenue in Germany remained unchanged. The new deals offset the general negative price trend in IT and telecommunications and the continued restrained demand for new systems integration projects.

Revenue generated with Deutsche Telekom amounted to EUR 1.2 billion in the first half of 2010, a decrease of 4.4 percent year-on-year. 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. The operating segment generated net revenue of EUR 3.1 billion, an increase of 4.8 percent compared with the first half of 2009. This positive trend which reflects T-Systems' newly adopted course of growth is mainly attributable to Computing Services. Many customers are already using so-called cloud services, which are already the basis for two thirds of SAP services for our customers. For companies like Shell and Philips, this means they receive services as required and pay only for what they have used. The operating segment also offers attractive systems integration services, with one in five of the world's largest international airports with 25 million or more passengers annually using airport solutions and services provided by T-Systems.

EBITDA, adjusted EBITDA.

In the first half of 2010, the Systems Solutions operating segment generated EBITDA of EUR 0.4 billion, a slight decrease of 2.3 percent compared with the prior-year period. The first few months of 2010 were marked by increased cost of materials as a result of the deals won at the end of 2009. These were partially offset by savings under Save for Service, the Company's comprehensive restructuring and efficiency enhancement program. Adjusted EBITDA totaled EUR 0.4 billion in the reporting period, a decrease of 3.4 percent.

EBIT, adjusted EBIT.

EBIT increased substantially compared with the first half of 2009. Save for Service, the comprehensive restructuring and efficiency enhancement program, had a positive impact, as did the lower level of depreciation, amortization and impairment losses due to the extension of the economic useful lives of several non-current assets. The adjusted EBIT margin was up from 2.1 percent in the first half of 2009 to 2.8 percent in the first half of 2010.

Cash capex.

At EUR 0.4 billion, cash capex in the reporting period increased year-on-year. Apart from the expansion of the dynamic computing platform, T-Systems invested in new deals and customer relationships in the first half of 2010. Positive effects of the efficiency enhancement measures, e.g., increasingly standardized ICT platforms, were partially offset by the addition of assets taken on as part of new deals.

Personnel.

Average headcount grew by 2,807 in the first half of 2010 to 47,463, an increase of 6.3 percent year-on-year. In Germany, by contrast, average headcount decreased by 633 or 2.5 percent in the first half of 2010 to 25,063. This reflects the staff restructuring measures in Germany, in particular at Systems Integration, as well as offshoring at Computing & Desktop Services. Average headcount abroad increased by 3,440 or 18.1 percent, 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 half of 2010, Vivento, Deutsche Telekom's personnel service provider, continued to secure additional external employment opportunities for civil servants and employees, predominantly in the public sector, while maintaining its long-term placement management system 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 9,700 employees at June 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 2,900 or so people were employed within the Group, especially in call centers, and around 2,600 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Vivento took on around 1,100 employees from the Group in the first half of 2010, while around 1,000 employees left Vivento in the reporting period to pursue new employment opportunities.

Development of operations.

		Q1 2010 millions of €	**Q2 2010 millions of €**	Q2 2009 millions of €	Change %	**H1 2010 millions of €**	H1 2009 millions of €	Change %	FY 2009 millions of €
Total revenue		565	583	612	(4.7)	1,148	1,230	(6.7)	2,410
Loss from operations (EBIT)		(365)	(426)	(344)	(23.8)	(791)	(653)	(21.1)	(1,249)
Depreciation, amortization and impairment losses		(188)	(181)	(190)	4.7	(369)	(449)	17.8	(833)
EBITDA		(177)	(245)	(154)	(59.1)	(422)	(204)	n.a.	(416)
Special factors affecting EBITDA		(5)	(63)	(12)	n.a.	(68)	(12)	n.a.	(101)
Adjusted EBITDA		(172)	(182)	(142)	(28.2)	(354)	(192)	(84.4)	(315)
Cash capex		(109)	(70)	(105)	33.3	(179)	(203)	11.8	(449)
Employees (average)	(number)	22,070	22,399	19,915	12.5	22,234	19,680	13.0	20,181
Of which: Vivento[a]	(number)	9,700	9,700	8,700	11.5	9,700	8,700	11.5	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 6.7 percent in the first six months of the 2010 financial year, mainly attributable to volume-driven decreases in revenue from call center services at Vivento and the decline in revenue at DeTeFleet Services GmbH, which was primarily due to lower revenues from vehicle sales.

EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Shared Services decreased significantly year-on-year in the first half of 2010, mainly due to income recorded in the previous year from the reclassification of real estate from assets held for sale to non-current assets. Higher headcount and lower revenue at Vivento also had a negative impact on EBITDA. Overall, EBITDA was negatively impacted by special factors of EUR 68 million in the reporting period, mainly involving expenses in connection with staff-related measures. In the first half of 2009, special factors of EUR 12 million had a negative effect on EBITDA.

EBIT.

Loss from operations (EBIT) increased by EUR 0.1 billion compared with the prior-year period. The decrease in adjusted EBITDA and the increase in special factors had a negative impact, partially offset by lower depreciation, amortization and impairment losses mainly related to Deutsche Telekom AG's real estate portfolio.

Personnel.

The average number of employees during the reporting period was 22,234. The increase of 2,554 employees was primarily attributable to the headcount increase at Vivento and 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 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.

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. The appeal lodged against this was rejected by the Berlin Higher Administrative Court on June 16, 2010. A new date for continuing the hearing in the arbitration court is expected to be set shortly. For further details, please refer to Deutsche Telekom's 2009 Annual Report.

ULL rate approvals.

On June 23, 2010, the Federal Administrative Court upheld the 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. Please refer to the 2009 Group management report for more detailed information on this legal dispute.

The economic environment in Greece.

The economic downturn in Greece has not yet bottomed out. Cuts in tax policy and government spending are currently impacting the 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 institutions expect results from the austerity measures and an economic upswing in Greece from the third quarter of 2011 onwards.

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 a law firm with investigating the lawfulness of these contracts. Magyar Telekom informed the U.S. authorities (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 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.

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

Benchmark bond issued.

Deutsche Telekom International Finance B.V. issued a benchmark euro bond for EUR 1.25 billion guaranteed by Deutsche Telekom AG on July 13, 2010. It is a 12-year bond with a coupon of 4.25 percent and a mark-up of 125 basis points over a euro swap with the same term.

Deutsche Telekom announces share buyback.

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). The share buyback is scheduled to begin on August 10, 2010 at the earliest – after the financial figures for the first half of 2010 have been published on August 5, 2010 – and to be completed by December 31, 2010 at the latest.

Development of revenue and profits.[3]

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 successful participated in the LTE frequency auction to secure spectrum for itself. At the same time, the aim is 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 joint venture of T-Mobile UK and Orange UK 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 be 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 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.[4] These payments are covered by free cash flow.

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

Deutsche Telekom's liquidity reserve at June 30, 2010, consisting of free credit lines as well as cash and cash equivalents, amounted to EUR 12.6 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 July 2010, Deutsche Telekom had issued securities with a nominal value of EUR 2.8 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 again take advantage of favorable conditions for issuances during 2010.

[3] 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.

[4] 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 buyback. It is also contingent upon the executive bodies adopting resolutions to this effect taking account of the Company's situation at the time.

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. With an intelligent handset portfolio, attractive rate plans and innovative applications, Deutsche Telekom will further develop the consumer and business customer markets through data services for cell phones and laptops.

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 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., smartphones) 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 cell phones 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 and 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 developing the next generation of mobile networks. Further investments are planned to improve and refine customer service and raise process efficiency.

In addition to the merger of the two operating segments Europe and Southern and Eastern Europe into the new Europe operating segment, the establishment of the joint venture in the United Kingdom as of April 1, 2010 also changed the structure of the segment's basis of consolidation. 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, 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 the 3G network investment. Results are expected to be positively impacted primarily by growth in non-voice services and a continued focus on cost saving initiatives, offset by market driven declines in voice revenues per customer and net losses of branded customers (wireless customers excluding MVNO and connected devices). Revenue and adjusted EBITDA in local currency are expected to be slightly lower in 2010 in an increasingly mature U.S. market. For 2011, T-Mobile USA expects positive developments in revenues and adjusted EBITDA. However, exchange rates, regulatory changes, and competitive pressures may significantly affect revenues and adjusted EBITDA in euros. 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 3G mobile communications networks, including the buildout of HSPA+ which offers 4G speeds.[5]

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 the business of T-Systems' customers will develop in the wake of the global financial and economic crisis.

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 EBITDA 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.

[5] Based on comparison with 4G network speeds currently available to mobile device users in the USA.

Interim consolidated financial statements.

Consolidated statement of financial position.

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	June 30, 2009 millions of €
Assets					
Current assets	15,471	23,012	(7,541)	(32.8)	20,096
Cash and cash equivalents	1,839	5,022	(3,183)	(63.4)	5,836
Trade and other receivables	7,236	6,757	479	7.1	8,195
Current recoverable income taxes	238	144	94	65.3	148
Other financial assets	2,808	2,001	807	40.3	1,937
Inventories	1,290	1,174	116	9.9	1,517
Non-current assets and disposal groups held for sale	84	6,527	(6,443)	(98.7)	344
Other assets	1,976	1,387	589	42.5	2,119
Non-current assets	117,313	104,762	12,551	12.0	112,806
Intangible assets	55,058	51,705	3,353	6.5	56,796
Property, plant and equipment	45,539	45,468	71	0.2	47,671
Investments accounted for using the equity method	8,008	147	7,861	n.a.	150
Other financial assets	3,003	1,739	1,264	72.7	1,707
Deferred tax assets	5,225	5,162	63	1.2	5,866
Other assets	480	541	(61)	(11.3)	616
Total assets	**132,784**	**127,774**	**5,010**	**3.9**	**132,902**
Liabilities and shareholders' equity					
Current liabilities	25,238	24,794	444	1.8	28,819
Financial liabilities	10,934	9,391	1,543	16.4	14,047
Trade and other payables	6,351	6,304	47	0.7	7,033
Income tax liabilities	670	511	159	31.1	448
Other provisions	2,995	3,369	(374)	(11.1)	2,791
Liabilities directly associated with non-current assets and disposal groups held for sale	-	1,423	(1,423)	n.a.	-
Other liabilities	4,288	3,796	492	13.0	4,500
Non-current liabilities	62,759	61,043	1,716	2.8	62,616
Financial liabilities	42,040	41,800	240	0.6	42,819
Provisions for pensions and other employee benefits	6,527	6,179	348	5.6	5,879
Other provisions	1,969	2,161	(192)	(8.9)	2,776
Deferred tax liabilities	8,299	7,153	1,146	16.0	7,551
Other liabilities	3,924	3,750	174	4.6	3,591
Liabilities	87,997	85,837	2,160	2.5	91,435
Shareholders' equity	44,787	41,937	2,850	6.8	41,467
Issued capital	11,165	11,165	0	-	11,165
Capital reserves	51,531	51,530	1	0.0	51,527
Retained earnings including carryforwards	(24,151)	(20,951)	(3,200)	(15.3)	(20,620)
Total other comprehensive income	(37)	(3,576)	3,539	99.0	(5,454)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	-	(2,162)	2,162	n.a.	-
Net profit (loss)	1,242	353	889	n.a.	(603)
Treasury shares	(5)	(5)	0	-	(5)
Issued capital and reserves attributable to owners of the parent	39,745	36,354	3,391	9.3	36,010
Non-controlling interests	5,042	5,583	(541)	(9.7)	5,457
Total liabilities and shareholders' equity	**132,784**	**127,774**	**5,010**	**3.9**	**132,902**

Consolidated income statement.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Net revenue	**15,531**	**16,238**	**(4.4)**	**31,343**	**32,140**	**(2.5)**	**64,602**
Cost of sales	(8,651)	(8,746)	1.1	(17,676)	(17,652)	(0.1)	(36,259)
Gross profit	**6,880**	**7,492**	**(8.2)**	**13,667**	**14,488**	**(5.7)**	**28,343**
Selling expenses	(3,627)	(4,059)	10.6	(7,282)	(8,055)	9.6	(15,863)
General and administrative expenses	(1,342)	(1,469)	8.6	(2,564)	(2,605)	1.6	(4,653)
Other operating income	367	253	45.1	674	640	5.3	1,504
Other operating expenses	(567)	(205)	n.a.	(755)	(2,212)	65.9	(3,319)
Profit from operations	**1,711**	**2,012**	**(15.0)**	**3,740**	**2,256**	**65.8**	**6,012**
Finance costs	(644)	(635)	(1.4)	(1,241)	(1,267)	2.1	(2,555)
Interest income	78	91	(14.3)	218	191	14.1	341
Interest expense	(722)	(726)	0.6	(1,459)	(1,458)	(0.1)	(2,896)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(23)	9	n.a.	(20)	14	n.a.	24
Other financial income (expense)	(41)	(389)	89.5	(162)	(504)	67.9	(826)
Profit (loss) from financial activities	**(708)**	**(1,015)**	**30.2**	**(1,423)**	**(1,757)**	**19.0**	**(3,357)**
Profit (loss) before income taxes	**1,003**	**997**	**0.6**	**2,317**	**499**	**n.a.**	**2,655**
Income taxes	(539)	(401)	(34.4)	(988)	(827)	(19.5)	(1,782)
Profit (loss)	**464**	**596**	**(22.1)**	**1,329**	**(328)**	**n.a.**	**873**
Profit (loss) attributable to	464	596	(22.1)	1,329	(328)	n.a.	873
Owners of the parent (net profit (loss))	475	521	(8.8)	1,242	(603)	n.a.	353
Non-controlling interests	(11)	75	n.a.	87	275	(68.4)	520

Earnings per share.

	Q2 2010	Q2 2009	Change %	H1 2010	H1 2009	Change %	FY 2009
Earnings per share							
Basic/diluted (€)	0.11	0.12	(8.3)	0.29	(0.14)	n.a.	0.08

Consolidated statement of comprehensive income.

	Q2 2010 millions of €	Q2 2009 millions of €	Change millions of €	H1 2010 millions of €	H1 2009 millions of €	Change millions of €	FY 2009 millions of €
Profit (loss)	**464**	**596**	**(132)**	**1,329**	**(328)**	**1,657**	**873**
Actuarial gains and losses on defined benefit pension plans	(107)	0	(107)	(297)	0	(297)	(461)
Revaluation due to business combinations	(1)	0	(1)	(1)	(33)	32	(38)
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	2,151	-	2,151	2,151	-	2,151	-
Change in other comprehensive income (not recognized in income statement)	1,922	(120)	2,042	3,550	52	3,498	(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)	1	(3)	4	(5)	(6)	1	(4)
Fair value measurement of hedging instruments							
Recognition of other comprehensive income in income statement	1	(87)	88	0	(26)	26	8
Change in other comprehensive income (not recognized in income statement)	23	108	(85)	16	33	(17)	(56)
Share of profit (loss) of investments accounted for using the equity method	(12)	-	(12)	(12)	-	(12)	-
Other income and expense recognized directly in equity	0	0	0	0	11	(11)	11
Income taxes relating to components of other comprehensive income	20	3	17	85	6	79	138
Other comprehensive income	**3,998**	**(99)**	**4,097**	**5,487**	**37**	**5,450**	**(613)**
Total comprehensive income	**4,462**	**497**	**3,965**	**6,816**	**(291)**	**7,107**	**260**
Total comprehensive income attributable to	4,462	497	3,965	6,816	(291)	7,107	260
Owners of the parent	4,593	320	4,273	6,777	(602)	7,379	(261)
Non-controlling interests	(131)	177	(308)	39	311	(272)	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 millions of €	Capital reserves millions of €	Retained earnings incl. carryforwards millions of €	Net profit (loss) millions of €
Balance at January 1, 2009	**11,165**	**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		1		
Profit (loss)				(603)
Other comprehensive income				
Transfer to retained earnings			44	
Balance at June 30, 2009	**11,165**	**51,527**	**(20,620)**	**(603)**
Balance at January 1, 2010	**11,165**	**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		1		
Profit (loss)				1,242
Other comprehensive income			(206)	
Transfer to retained earnings			39	
Balance at June 30, 2010	**11,165**	**51,531**	**(24,151)**	**1,242**

Issued capital and reserves attributable to owners of the parent							**Total**	Non-controlling interests	**Total shareholders' equity**
Total other comprehensive income						Treasury shares			
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 €	**millions of €**
(6,356)	**202**	**3**	**1,085**	**(11)**	**(334)**	**(5)**	**39,997**	**3,115**	**43,112**
							0	2,872	2,872
							0		0
							(3,386)	(841)	(4,227)
							1		1
							(603)	275	(328)
18	(33)	(8)	7	11	6		1	36	37
	(44)						0		0
(6,338)	**125**	**(5)**	**1,092**	**0**	**(328)**	**(5)**	**36,010**	**5,457**	**41,467**
(6,577)	**118**	**(3)**	**1,037**	**0**	**(313)**	**(5)**	**36,354**	**5,583**	**41,937**
(1)							(1)	(27)	(28)
							0		0
							(3,386)	(554)	(3,940)
							1	1	2
							1,242	87	1,329
5,745	(1)	(2)	4		(5)		5,535	(48)	5,487
	(39)						0		0
(833)	**78**	**(5)**	**1,041**	**0**	**(318)**	**(5)**	**39,745**	**5,042**	**44,787**

Consolidated statement of cash flows.

	Q2 2010 millions of €	Q2 2009 millions of €	H1 2010 millions of €	H1 2009 millions of €	FY 2009 millions of €
Profit (loss)	**464**	**596**	**1,329**	**(328)**	**873**
Depreciation, amortization and impairment losses	2,768	3,015	5,429	7,713	13,894
Income tax expense (benefit)	539	401	988	827	1,782
Interest income and interest expenses	644	635	1,241	1,267	2,555
Other financial (income) expense	41	389	162	504	826
Share of (profit) loss of associates and joint ventures accounted for using the equity method	23	(9)	20	(14)	(24)
(Profit) loss on the disposal of fully consolidated subsidiaries	356	(6)	356	(23)	(26)
Other non-cash transactions	(37)	(17)	45	(100)	(230)
(Gain) loss from the disposal of intangible assets and property, plant and equipment	20	15	40	33	51
Change in assets carried as working capital	(1,199)	306	(1,828)	14	1,936
Change in provisions	(529)	(814)	(542)	(1,191)	(891)
Change in other liabilities carried as working capital	83	(169)	68	(641)	(1,818)
Income taxes received (paid)	(242)	(211)	(487)	(499)	(928)
Dividends received	1	7	2	7	29
Net payments from entering into or canceling interest rate swaps	-	77	27	242	242
Cash generated from operations	**2,932**	**4,215**	**6,850**	**7,811**	**18,271**
Interest paid	(1,033)	(975)	(1,921)	(1,976)	(3,456)
Interest received	243	272	484	643	980
Net cash from operating activities	**2,142**	**3,512**	**5,413**	**6,478**	**15,795**
Cash outflows for investments in					
Intangible assets	(320)	(385)	(600)	(668)	(1,598)
Property, plant and equipment	(1,721)	(1,826)	(3,375)	(4,154)	(7,604)
Non-current financial assets	(833)	(16)	(906)	(96)	(176)
Investments in fully consolidated subsidiaries and business units	(115)	(68)	(398)	(68)	(1,007)
Proceeds from disposal of					
Intangible assets	5	-	6	2	7
Property, plant and equipment	83	103	184	162	369
Non-current financial assets	6	68	22	86	99
Investments in fully consolidated subsidiaries and business units	-	92	3	120	116
Net change in short-term investments and marketable securities and receivables	382	3	756	(387)	(320)
Net change in cash and cash equivalents due to the first-time full consolidation of OTE	-	-	-	1,558	1,558
Other	(418)	-	(416)	(93)	(93)
Net cash used in investing activities	**(2,931)**	**(2,029)**	**(4,724)**	**(3,538)**	**(8,649)**
Proceeds from issue of current financial liabilities	18,115	2,634	18,362	2,944	3,318
Repayment of current financial liabilities	(17,850)	(1,316)	(19,627)	(4,051)	(9,314)
Proceeds from issue of non-current financial liabilities	528	2,744	1,283	4,980	5,379
Repayment of non-current financial liabilities	(48)	(18)	(136)	(113)	(93)
Dividend payments	(3,843)	(3,814)	(3,844)	(3,886)	(4,287)
Proceeds from the exercise of stock options	0	0	0	0	2
Repayment of lease liabilities	(34)	(33)	(69)	(64)	(128)
Other	(8)	-	(8)	-	-
Net cash used in financing activities	**(3,140)**	**197**	**(4,039)**	**(190)**	**(5,123)**
Effect of exchange rate changes on cash and cash equivalents	115	43	167	60	58
Changes in cash and cash equivalents associated with assets and disposal groups held for sale	100	-	0	-	(85)
Net increase (decrease) in cash and cash equivalents	**(3,714)**	**1,723**	**(3,183)**	**2,810**	**1,996**
Cash and cash equivalents, at the beginning of the period	**5,553**	**4,113**	**5,022**	**3,026**	**3,026**
Cash and cash equivalents, at the end of the period	**1,839**	**5,836**	**1,839**	**5,836**	**5,022**

Selected explanatory notes.

Accounting policies.

In accordance with § 37 y of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in conjunction with § 37 w (2) WpHG, Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). 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 June 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 half-year 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 the 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). 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 (UK joint venture). 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 half 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	45	(388)	-	-	-	27	(316)
Cost of sales	(17)	304	-	-	-	(27)	260
Gross profit (loss)	**28**	**(84)**	**-**	**-**	**-**	**0**	**(56)**
Selling expenses	(12)	151	-	-	-	-	139
General and administrative expenses	(13)	(15)	-	-	-	6	(22)
Other operating income	1	4	-	-	-	21	26
Other operating expenses	-	(5)	-	-	-	(22)	(27)
Profit (loss) from operations	**4**	**51**	**-**	**-**	**-**	**5**	**60**
Finance costs	-	3	-	-	-	-	3
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	-
Other financial income (expense)	-	52	-	-	-	(11)	41
Profit (loss) from financial activities	**-**	**55**	**-**	**-**	**-**	**(11)**	**44**
Profit (loss) before income taxes	**4**	**106**	**-**	**-**	**-**	**(6)**	**104**
Income taxes	(1)	(11)	-	-	-	1	(11)
Profit (loss)	**3**	**95**	**-**	**-**	**-**	**(5)**	**93**

Business combinations and other corporate 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 45 million as a result of the acquisition of STRATO. Profit for the current period includes a profit at STRATO of EUR 3 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.

UK joint venture.

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 T-Mobile UK's major classes of assets and liabilities disposed of 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 1.8 billion as of June 30, 2010 compared with the end of 2009.

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

Non-current assets and disposal groups held for sale.

As of June 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. Further information can be found under “Changes in the composition of the Group.”

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

Intangible assets and property, plant and equipment.

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	June 30, 2009 millions of €
Intangible assets	55,058	51,705	3,353	6.5	56,796
Of which: UMTS licenses	6,345	6,637	(292)	(4.4)	10,208
Of which: U.S. mobile communications licenses	20,090	17,115	2,975	17.4	17,452
Of which: goodwill	21,108	20,334	774	3.8	21,233
Property, plant and equipment	45,539	45,468	71	0.2	47,671

The increase of 6.5 percent in the carrying amount of intangible assets as of June 30, 2010 is largely attributable to exchange rate effects totaling EUR 3.8 billion; for instance, the effects from the translation of U.S. dollars into euros had an impact of EUR 3.0 billion on U.S. mobile communications licenses.

Additions to assets.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Additions to assets	2,121	2,258	(6.1)	3,757	6,686	(43.8)	11,467
Intangible assets	363	394	(7.9)	653	3,091	(78.9)	4,091
Property, plant and equipment	1,758	1,864	(5.7)	3,104	3,595	(13.7)	7,376

In line with the Group’s investments, additions to assets decreased significantly in the first half of 2010 by EUR 2.9 billion compared with the first six months of the prior year. In addition to lower investments in property, plant and equipment, this decline is largely attributable to an effect from the first half of 2009.

The first-time full consolidation of the OTE group in the consolidated financial statements in the first half of 2009 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 June 30, 2010 increased by EUR 7.9 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 "Changes in the composition of the Group." Exchange rate effects of EUR 0.6 billion also increased the carrying amount of the joint venture as of June 30, 2010.

Other financial assets.

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €	Change millions of €	Change %	June 30, 2009 millions of €
Other financial assets	5,811	3,740	2,071	55.4	3,644
Of which: current	2,808	2,001	807	40.3	1,937

The EUR 2.1 billion increase in other financial assets resulted in part from a payment of EUR 1.3 billion in connection with the spectrum license auction following notification by the Federal Network Agency. Various actions have been filed against the spectrum auction held by the Federal Network Agency and have already been rejected by the court of first instance. Deutsche Telekom now assumes therefore that the outcome of the auction will stand and that the rapid roll-out of broadband mobile will not be obstructed. Due to the pending actions, however, the Federal Network Agency is currently not able to issue any assignment notices. A claim for reimbursement by the Federal Network Agency of the payment made is therefore reported under current other financial assets as of June 30, 2010. In addition, Deutsche Telekom and France Télécom S.A. each acquired a bond of EUR 0.8 billion for the newly established joint venture Everything Everywhere. This amount was recognized under non-current other financial assets as of June 30, 2010.

Financial liabilities.

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

	June 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	40,046	5,561	8,213	11,662	14,610
Liabilities to banks	4,775	1,083	1,302	2,058	332
Lease liabilities	1,878	139	238	230	1,271
Liabilities to non-banks from promissory notes	1,162	-	10	182	970
Other interest-bearing liabilities	904	588	116	77	123
Other non-interest-bearing liabilities	3,417	3,400	12	1	4
Derivative financial liabilities	792	163	178	449	2
Financial liabilities	52,974	10,934	10,069	14,659	17,312

Selected notes to the consolidated income statement.

Net revenue.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Net revenue	15,531	16,238	(4.4)	31,343	32,140	(2.5)	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.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Cost of sales	(8,651)	(8,746)	1.1	(17,676)	(17,652)	(0.1)	(36,259)

Notwithstanding the positive effects of the change in the composition of the Group brought about by the establishment of the joint venture in the United Kingdom and despite the decrease in revenue, the cost of sales increased slightly by 0.1 percent compared with the first half of 2009, partly as a result of the write-off of receivables from the German Main Customs Office for 2005 to 2009 and partly due to the inclusion of the OTE group in the consolidated group. Exchange rate effects also resulted in an increase in the cost of sales.

Selling expenses.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Selling expenses	(3,627)	(4,059)	10.6	(7,282)	(8,055)	9.6	(15,863)

Selling expenses decreased by 9.6 percent compared with the first half of 2009, primarily as a result of lower customer acquisition and retention costs. The first half of 2009, and the first quarter in particular, was marked by very aggressive sales activities. Changes in the composition of the Group also contributed to the decrease in selling expenses.

General and administrative expenses.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
General and administrative expenses	(1,342)	(1,469)	8.6	(2,564)	(2,605)	1.6	(4,653)

The decrease in general and administrative expenses compared with the first half of 2009 was mainly attributable to changes in the composition of the Group.

Other operating income/expenses.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Other operating income	367	253	45.1	674	640	5.3	1,504
Other operating expenses	(567)	(205)	n.a.	(755)	(2,212)	65.9	(3,319)

Other operating expenses included EUR 0.4 billion from the deconsolidation of T-Mobile UK. Further information can be found under “Changes in the composition of the Group.”

Profit/loss from financial activities.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Profit (loss) from financial activities	(708)	(1,015)	30.2	(1,423)	(1,757)	19.0	(3,357)
Finance costs	(644)	(635)	(1.4)	(1,241)	(1,267)	2.1	(2,555)
Interest income	78	91	(14.3)	218	191	14.1	341
Interest expense	(722)	(726)	0.6	(1,459)	(1,458)	(0.1)	(2,896)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(23)	9	n.a.	(20)	14	n.a.	24
Other financial income (expense)	(41)	(389)	89.5	(162)	(504)	67.9	(826)

The EUR 0.3 billion improvement in other financial expense compared with the first half of 2009 was primarily attributable to effects from interest added back to provisions and liabilities and from the measurement of derivatives.

Income taxes.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Income taxes	(539)	(401)	(34.4)	(988)	(827)	(19.5)	(1,782)

Despite significantly higher profit/loss before income taxes, income tax expense increased slightly compared with the first half of 2009. Income tax expense in the first half of 2009 was comparatively high as a result of goodwill impairment losses not to be considered for tax purposes. The same applies to the effect from the deconsolidation of T-Mobile UK in the first half of 2010, which had no tax effect. By contrast, a special levy imposed in Greece resulted in an increase in the Group's tax expense in the second quarter of 2010.

Personnel.

	Q2 2010	Q2 2009	Change %	H1 2010	H1 2009	Change %	FY 2009
Average number of employees	**251,579**	**260,380**	**(3.4)**	**255,306**	**254,853**	**0.2**	**257,601**
Domestic	127,401	130,682	(2.5)	127,799	131,047	(2.5)	130,477
International	124,178	129,698	(4.3)	127,507	123,806	3.0	127,124
Non-civil servants	222,953	228,735	(2.5)	226,513	223,062	1.5	226,460
Civil servants (domestic)	28,626	31,645	(9.5)	28,793	31,791	(9.4)	31,141
Trainees and student interns	8,941	9,515	(6.0)	9,208	9,889	(6.9)	9,805
Personnel costs (millions of €)	**(3,628)**	**(3,643)**	**0.4**	**(7,334)**	**(6,953)**	**(5.5)**	**(14,333)**

The average number of employees increased by 0.2 percent compared with the first half of 2009. The increase in average headcount due to the full consolidation for the first time of the OTE group, which had only been included in the consolidated financial statements from February 2009, was offset by the disposal of T-Mobile UK. The increase in the average international personnel ratio was attributable to offshore activities and the taking on of employees under the terms of large-scale contracts won in the Systems Solutions operating segment. The 2.5-percent reduction in Germany is mainly due to staff restructuring measures in the Systems Solutions operating segment and workforce reduction in the fixed-network operations of the Germany operating segment.

Personnel costs increased by 5.5 percent compared with the first half of 2009, driven primarily by higher personnel costs in the Europe operating segment, incurred in particular as a result of changes in the composition of the Group with the consolidation of the OTE group and of higher severance payments, by the taking on of employees in the Systems Solutions operating segment, and by the effects of collectively agreed pay rises in the Germany operating segment. These effects were partially offset by a decrease in personnel costs arising from the deconsolidation of T-Mobile UK.

Depreciation, amortization and impairment losses.

	Q2 2010 millions of €	Q2 2009 millions of €	Change %	H1 2010 millions of €	H1 2009 millions of €	Change %	FY 2009 millions of €
Amortization and impairment of intangible assets	(843)	(884)	4.6	(1,649)	(3,475)	52.5	(5,657)
Of which: mobile communications licenses	(185)	(249)	25.7	(372)	(491)	24.2	(905)
Of which: goodwill	-	(3)	n.a.	-	(1,806)	n.a.	(2,345)
Depreciation and impairment of property, plant and equipment	(1,925)	(2,131)	9.7	(3,780)	(4,238)	10.8	(8,237)
Total depreciation, amortization and impairment losses	(2,768)	(3,015)	8.2	(5,429)	(7,713)	29.6	(13,894)

Depreciation, amortization and impairment losses decreased by EUR 2.3 billion compared with the first half of 2009. This was due in particular to an impairment loss of EUR 1.8 billion on the goodwill of the cash-generating unit T-Mobile UK recognized in the first half of 2009, and a decrease in 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.

Other disclosures.

Notes to the consolidated statement of cash flows.

Net cash from operating activities.

Net cash from operating activities in the first six months of 2010 decreased by EUR 1.1 billion to EUR 5.4 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. Excluding this cash outflow, net cash from operations improved by EUR 0.2 billion as a result of the following major effects which in some cases offset each other.

Excluding cash outflows for spectrum, the net change in assets and liabilities carried as working capital increased by EUR 0.2 billion, mainly as a result of cash inflows of EUR 0.2 billion from the sale of receivables (factoring). No comparable cash inflows were recorded in the first half of 2009. In addition, the utilization of provisions, for instance for dealers' commissions and reimbursements, and of other provisions decreased by around EUR 0.2 billion year-on-year. By contrast, net cash inflows from canceling interest rate swaps decreased by EUR 0.2 billion, while net cash outflows for interest increased by EUR 0.1 billion.

Net cash used in investing activities.

Net cash used in investing activities totaled EUR 4.7 billion as compared with EUR 3.5 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 compared with 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. In addition, cash outflows for the acquisition of companies totaled EUR 0.4 billion in the first half of 2010 compared with only EUR 0.1 billion in the prior-year period. Furthermore, Deutsche Telekom acquired a stake of EUR 0.8 billion in a bond issued by the UK joint venture in the first half of 2010.

In an offsetting effect, cash outflows for intangible assets and property, plant and equipment, however, decreased by EUR 0.8 billion, primarily as a result of the postponement of capital expenditure in Germany and the United States partly due to weather conditions in the first quarter of 2010. In addition, cash inflows in current financial assets, including the addition of the cash and cash equivalents of the OTE group in the first half of 2009, decreased by EUR 0.4 billion compared with the prior-year period. Inflows from the return of cash collateral deposited in the prior year for the acquisition of STRATO totaling EUR 0.3 billion and the return of collateral deposited for hedging transactions amounting to a net total of EUR 0.5 billion in the first half of 2010 contributed to this development. This is compared with outflows amounting to EUR 0.4 billion in the first half of 2009, primarily for short-term cash deposits and the deposit of collateral for hedging transactions.

Net cash used in financing activities.

Net cash used in financing activities amounted to EUR 4.0 billion in the first half of 2010, compared with EUR 0.2 billion in the prior-year period.

This change was mostly attributable to EUR 3.7 billion lower year-on-year proceeds from the issue of non-current financial liabilities and EUR 0.2 billion higher net repayments of current financial liabilities.

The issue of financial liabilities in the first half of 2010 consisted in particular of the issue of commercial paper for a net amount of EUR 1.8 billion, the issue of medium-term notes for EUR 1.2 billion, drawdowns of short-term credit lines amounting to EUR 0.6 billion net, and the borrowing of funds from the UK joint venture totaling EUR 0.5 billion. This is compared with repayments in the same period of a U.S. dollar bond amounting to EUR 2.4 billion, a euro bond amounting to EUR 1.2 billion, a loan of EUR 0.5 billion from the European Investment Bank, and other net repayments totaling EUR 0.1 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 have been adjusted accordingly.

The following tables give an overall summary of Deutsche Telekom's operating segments and Group Headquarters & Shared Services for the second quarter and the first six 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.

Q2 2010 Q2 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	**5,806**	**391**	**6,197**	**1,327**	**(1,030)**	**0**	**40,439**	**24**
	5,851	369	6,220	1,274	(1,078)	(7)	51,953	19
Europe	**3,869**	**161**	**4,030**	**166**	**(886)**	**(6)**	**46,723**	**7,903**
	4,905	160	5,065	464	(1,048)	(8)	48,805	64
United States	**4,185**	**3**	**4,188**	**600**	**(520)**	**0**	**41,452**	**23**
	3,914	4	3,918	654	(522)	0	36,641	17
Systems Solutions	**1,610**	**632**	**2,242**	**56**	**(155)**	**0**	**8,654**	**58**
	1,502	677	2,179	27	(173)	0	8,854	50
Group Headquarters & Shared Services	**61**	**522**	**583**	**(426)**	**(173)**	**(8)**	**116,077**	**0**
	66	546	612	(344)	(164)	(26)	120,376	0
Total	**15,531**	**1,709**	**17,240**	**1,723**	**(2,764)**	**(14)**	**253,345**	**8,008**
	16,238	1,756	17,994	2,075	(2,985)	(41)	266,629	150
Reconciliation	**-**	**(1,709)**	**(1,709)**	**(12)**	**12**	**(2)**	**(120,561)**	**-**
	-	(1,756)	(1,756)	(63)	11	-	(133,727)	-
Group	**15,531**	**-**	**15,531**	**1,711**	**(2,752)**	**(16)**	**132,784**	**8,008**
	16,238	-	16,238	2,012	(2,974)	(41)	132,902	150

Half-year segment information.

H1 2010 H1 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	**11,610**	**776**	**12,386**	**2,498**	**(2,044)**	**0**	**40,439**	**24**
	11,820	731	12,551	2,599	(2,094)	(7)	51,953	19
Europe	**8,482**	**322**	**8,804**	**841**	**(1,743)**	**(8)**	**46,723**	**7,903**
	9,141	307	9,448	(819)	(1,962)	(1,817)	48,805	64
United States	**7,995**	**7**	**8,002**	**1,144**	**(983)**	**(1)**	**41,452**	**23**
	8,047	8	8,055	1,184	(1,053)	0	36,641	17
Systems Solutions	**3,142**	**1,231**	**4,373**	**74**	**(305)**	**0**	**8,654**	**58**
	2,998	1,287	4,285	38	(350)	0	8,854	50
Group Headquarters & Shared Services	**114**	**1,034**	**1,148**	**(791)**	**(340)**	**(29)**	**116,077**	**0**
	134	1,096	1,230	(653)	(320)	(129)	120,376	0
Total	**31,343**	**3,370**	**34,713**	**3,766**	**(5,415)**	**(38)**	**253,345**	**8,008**
	32,140	3,429	35,569	2,349	(5,779)	(1,953)	266,629	150
Reconciliation	**-**	**(3,370)**	**(3,370)**	**(26)**	**25**	**(1)**	**(120,561)**	**-**
	-	(3,429)	(3,429)	(93)	19	-	(133,727)	-
Group	**31,343**	**-**	**31,343**	**3,740**	**(5,390)**	**(39)**	**132,784**	**8,008**
	32,140	-	32,140	2,256	(5,760)	(1,953)	132,902	150

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	0
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.

There were no significant changes at June 30, 2010 to the contingencies reported in the 2009 consolidated financial statements, with the exception of the following matters.

The Greek government has taken a Ministerial Decision calling upon OTE to bear a maximum of EUR 0.3 billion of the extra burden put on the public pension fund by voluntary redundancy programs at OTE. Deutsche Telekom believes that the Ministry's demand is unsubstantiated. OTE therefore appealed the Ministerial Decision.

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.

Disclosures on leases.

There were no significant changes at June 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:

	June 30, 2010 millions of €	Dec. 31, 2009 millions of €
Maturity		
Up to 1 year	2,722	2,553
In 1 to 3 years	4,581	4,195
In 3 to 5 years	3,902	3,325
Over 5 years	7,209	14,475
	18,414	**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 assumed Hamid Akhavan's responsibilities in an acting capacity. Guido Kerkhoff assumed temporary responsibility for the Europe operating segment (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 (June 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.

Responsibility statement.

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the results of operations and financial position of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, August 5, 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 June 30, 2010, which are part of the half-yearly financial report pursuant to § 37 w 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, August 5, 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.

		H1 2010 millions of €	Special factors in H1 2010 millions of €	H1 2010 without special factors millions of €
Net revenue		31,343	-	31,343
Cost of sales		(17,676)	(244)[a]	(17,432)
Gross profit (loss)		**13,667**	**(244)**	**13,911**
Selling expenses		(7,282)	(30)[b]	(7,252)
General and administrative expenses		(2,564)	(65)[c]	(2,499)
Other operating income		674	13[d]	661
Other operating expenses		(755)	(411)[e]	(344)
Profit (loss) from operations (EBIT)		**3,740**	**(737)**	**4,477**
Profit (loss) from financial activities		(1,423)	(54)[f]	(1,369)
Profit (loss) before income taxes		**2,317**	**(791)**	**3,108**
Income taxes		(988)	280[g]	(1,268)
Profit (loss)		**1,329**	**(511)**	**1,840**
Profit (loss) attributable to		**1,329**	**(511)**	**1,840**
Owners of the parent (net profit (loss))		1,242	(463)	1,705
Non-controlling interests		87	(48)	135
Profit (loss) from operations (EBIT)		3,740	(737)	4,477
Depreciation, amortization and impairment losses		(5,429)	(4)	(5,425)
EBITDA		**9,169**	**(733)**	**9,902**
EBITDA margin	**(%)**	**29.3**		**31.6**
Personnel costs		(7,334)	(170)[h]	(7,164)
Personnel cost ratio	(%)	23.4		22.9

[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 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 reversal of provisions as part of the concluded sale of parts of companies and proceeds from the inclusion of negative goodwill in connection with an acquisition in the Systems Solutions operating segment.
[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, as well as non-staff-related restructuring.
[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] Mainly expenses for staff-related measures in the Germany and Europe operating segments and at Group Headquarters & Shared Services.

	H1 2009 millions of €	Special factors in H1 2009 millions of €	H1 2009 without special factors millions of €	FY 2009 without special factors millions of €
Net revenue	32,140	-	32,140	64,639
Cost of sales	(17,652)	(61)[a]	(17,591)	(35,823)
Gross profit (loss)	**14,488**	**(61)**	**14,549**	**28,816**
Selling expenses	(8,055)	(3)[b]	(8,052)	(15,780)
General and administrative expenses	(2,605)	(46)[c]	(2,559)	(4,447)
Other operating income	640	29[d]	611	1,418
Other operating expenses	(2,212)	(1,838)[e]	(374)	(849)
Profit (loss) from operations (EBIT)	**2,256**	**(1,919)**	**4,175**	**9,158**
Profit (loss) from financial activities	(1,757)	(137)[f]	(1,620)	(3,125)
Profit (loss) before income taxes	**499**	**(2,056)**	**2,555**	**6,033**
Income taxes	(827)	80[g]	(907)	(2,102)
Profit (loss)	**(328)**	**(1,976)**	**1,648**	**3,931**
Profit (loss) attributable to	**(328)**	**(1,976)**	**1,648**	**3,931**
Owners of the parent (net profit (loss))	(603)	(2,014)	1,411	3,390
Non-controlling interests	275	38	237	541
Profit (loss) from operations (EBIT)	2,256	(1,919)	4,175	9,158
Depreciation, amortization and impairment losses	(7,713)	(1,818)	(5,895)	(11,510)
EBITDA	**9,969**	**(101)**	**10,070**	**20,668**
EBITDA margin (%)	**31.0**		**31.3**	**32.0**
Personnel costs	(6,953)	(34)[h]	(6,919)	(13,804)
Personnel cost ratio (%)	21.6		21.5	21.4

[a] Mainly staff-related measures at Hellenic Telecommunications Organization S.A. (OTE) in the Europe operating segment and for staff-related measures in the Germany and Systems Solutions operating segments and for non-staff-related restructuring in the Systems Solutions operating segment. This is offset by proceeds from the involvement of the Hellenic Republic in a voluntary early retirement program of OTE in the Europe operating segment.
[b] Mainly expenses for staff-related measures in the Europe operating segment and for non-staff-related restructuring. This is offset by proceeds from the involvement of the Hellenic Republic in a voluntary early retirement program of OTE in the Europe operating segment.
[c] Mainly expenses for staff-related measures and non-staff-related restructuring. This is offset by proceeds from the involvement of the Hellenic Republic in an early retirement program of OTE in the Europe operating segment.
[d] In particular gains on the disposal of CAP Customer Advantage Program GmbH in the Germany operating segment and T-Systems Traffic GmbH in the Systems Solutions operating segment.
[e] Mainly impairment loss recognized on the goodwill of the cash-generating unit T-Mobile UK in the Europe operating segment.
[f] Expenses for interest added back to provisions for staff-related measures.
[g] Tax effects from special factors on profit before income taxes.
[h] Mainly expenses for staff-related measures at OTE in the Europe operating segment and for staff-related measures in the Germany and Systems Solutions operating segments. This is offset by proceeds from the involvement of the Hellenic Republic in an early retirement program of OTE in the Europe operating segment.

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 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 in 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]	
November 4, 2010	Report on the first three quarters of 2010, 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.

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. Indicator 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: 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 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. 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. A technology that may be used for the next-generation mobile communications network. LTE supports speeds of over 100 Mbit/s downstream and 50 Mbit/s upstream.

M2M - Machine-to-machine communication. 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 Report, one mobile communications card corresponds to one customer. The total was 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 communications 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 (return on capital employed) 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 revenue comprise revenues generated by mobile customers for services (i.e., voice services (MTR), including incoming and outgoing calls and data services) plus roaming revenues, monthly charges and revenues from visitor roaming.

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.

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).

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.

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.

Contacts.

Deutsche Telekom AG
Unternehmenskommunikation
Postfach 20 00, 53105 Bonn, Germany
Phone +49 (0) 228 1 81 49 49
Fax +49 (0) 228 1 81 9 40 04

This Interim Group Report can be downloaded from the Investor Relations site on the Internet at:
www.telekom.com/investor-relations

For further information on products of Deutsche Telekom AG:
www.telekom.com

Investor Relations, Bonn office
Phone +49 (0) 228 181 8 88 80
Fax +49 (0) 228 181 8 88 99
E-mail investor.relations@telekom.de

Investor Relations, New York office
Phone +1 212 424 2959
Phone +1 877 DT SHARE (toll-free)
Fax +1 212 424 2977
E-mail investor.relations@usa.telekom.de

The English version of the Interim Group Report for the first half 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. 642 200 193 (German)
KNr. 642 200 194 (English)

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