

Deutsche Telekom AG

Interim balance sheet and explanatory notes as of June 30, 2009
pursuant to § 125 in conjunction with § 63 (1) No. 3 UmwG

Deutsche Telekom AG

Interim balance sheet and explanatory notes as of June 30, 2009
pursuant to § 125 in conjunction with § 63 (1) No. 3 UmwG

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

Contents.

Interim balance sheet and explanatory notes of Deutsche Telekom AG as of June 30, 2009

2	Interim balance sheet as of June 30, 2009
4	Explanatory notes to the interim balance sheet as of June 30, 2009 (required disclosures that may optionally be disclosed in the notes)
4	Purpose of the interim balance sheet
4	Summary of accounting policies
8	Further classification of balance sheet items
12	Other disclosures

Interim balance sheet as of June 30, 2009.

millions of €	Note	Jun. 30, 2009	Dec. 31, 2008
ASSETS			
Noncurrent assets			
Intangible assets			
Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	1	697	610
Advance payments and construction in progress		330	420
		1,027	1,030
Property, plant and equipment			
Land and equivalent rights and buildings, including buildings on land owned by third parties		5,150	5,382
Technical equipment and machinery		12,040	12,508
Other equipment, plant and office equipment		219	209
Advance payments and construction in progress		581	716
		17,990	18,815
Financial assets			
Investments in subsidiaries		82,076	79,855
Loans to subsidiaries		739	432
Investments in associated and related companies		136	2,981
Other long-term loans		9	9
		82,960	83,277
		101,977	103,122
Current assets			
Inventories, materials and supplies			
Raw materials and supplies		10	11
Work in process		10	12
Merchandise		58	65
		78	88
Receivables and other assets			
Trade accounts receivable	2	1,064	1,059
Receivables from subsidiaries		3,168	2,277
Receivables from associated and related companies		5	8
Other assets		1,030	803
		5,267	4,147
Marketable securities			
Treasury shares		5	5
Other marketable securities		211	201
		216	206
Cash in hand, cash in banks, checks		2,875	960
		8,436	5,401
Prepaid expenses and deferred charges			
Discounts on loans		100	80
Other prepaid expenses and deferred charges		576	456
		676	536
Total assets		111,089	109,059

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

millions of €	Note	Jun. 30, 2009	Dec. 31, 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	3		
Capital stock		11,165	11,165
Contingent capital of €632 million (Dec. 31, 2008: €632 million)			
Additional paid-in capital		26,649	26,648
Retained earnings			
Treasury stock		5	5
Other retained earnings		15,895	15,895
		15,900	15,900
Unappropriated net income		1,629	5,297
		55,343	59,010
Accruals			
Pensions and similar obligations		2,753	2,630
Taxes		201	179
Other		5,517	5,049
		8,471	7,858
Liabilities	4		
Bonds and debentures		1,529	1,438
of which: convertible €0 million (Dec. 31, 2008: €0 million)			
Liabilities to banks		6,403	4,870
Advances received		5	4
Trade accounts payable		857	886
Payables to subsidiaries		33,961	30,625
Liabilities to associated and related companies		7	13
Other liabilities		4,382	4,305
of which: from taxes €494 million (Dec. 31, 2008: €541 million)			
of which: from social security €25 million (Dec. 31, 2008: €22 million)			
		47,144	42,141
Deferred income		131	50
Total shareholders' equity and liabilities		111,089	109,059

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

Explanatory notes to the interim balance sheet as of June 30, 2009 (required disclosures that may optionally be disclosed in the notes).

Purpose of the interim balance sheet.

Due to the planned spin-off of the T-Home unit from Deutsche Telekom AG, an interim balance sheet must be prepared pursuant to § 125 Sent. 1 in conjunction with § 63 (1) No. 3 of the German Reorganization and Transformation Act (Umwandlungsgesetz – UmwG).

Summary of accounting policies.

Basis of preparation.

The interim balance sheet of Deutsche Telekom AG¹ (hereinafter also referred to as Deutsche Telekom or the Company) is prepared in accordance with German GAAP, as specified in the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). § 125 Sent. 1 in conjunction with § 63 (2) UmwG states (translation): “The interim balance sheet is to be prepared in accordance with the provisions applied to the last annual balance sheet of the legal entity. Physical inventory taking shall not be required. The values reported in the last annual balance sheet may be adopted. However, amortization and depreciation, value adjustments and provisions as well as any material changes in the real values of assets by the closing date of the interim balance sheet are to be taken into account.”

The classification of the interim balance sheet conforms to § 266 HGB. Unless otherwise stated, all amounts shown are in millions of euros (€).

Accounting policies.

Purchased **intangible assets** are carried at acquisition cost and are amortized on a straight-line basis over their estimated useful lives.

As permitted by Postreform II, **property, plant and equipment** transferred to Deutsche Telekom on January 1, 1995 was recorded in the opening balance sheet of Deutsche Telekom at fair market values at that date. However, due to the short period of time that had elapsed since the measurement date for property, plant and equipment acquired since January 1, 1993, their carrying amount as of December 31, 1994 was recognized on a historical cost basis. The remaining useful lives and the depreciation methods applicable to these assets were not changed. The fair market values shown in the opening balance sheet have been carried forward as the acquisition costs.

Other items of property, plant and equipment are carried at acquisition or production cost, less scheduled depreciation. Production cost includes directly attributable costs and an appropriate allocation of indirect material and labor cost.

Nonscheduled write-downs to the lower of cost or market value are charged if an impairment of assets is assumed to be permanent.

Depreciation is charged using the straight-line method. The underlying standard useful lives are based on the official depreciation tables for tax purposes.

¹ Deutsche Telekom was registered with the Commercial Registry of the Bonn District Court (Amtsgericht – HRB 6794) under the name Deutsche Telekom AG on January 2, 1995.

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

In deviation from this rule, movable items of property, plant and equipment acquired in the period between January 1, 2006 and December 31, 2007 were depreciated in the financial accounts according to the declining-balance method at the maximum rate permitted by tax law; the straight-line method was applied as soon as this led to higher depreciation amounts.

As the declining-balance method is no longer permitted in the tax accounts following the 2008 Corporate Tax Reform Act, all movable items of property, plant and equipment added in the period from January 1, 2008 to December 31, 2008 are depreciated in the financial accounts using the straight-line method.

The German Act Implementing Tax Law Regulations of the Package of Measures "Securing Jobs by Strengthening Growth" (*Gesetz zur Umsetzung steuerrechtlicher Regelungen des Maßnahmenpakets Beschäftigungssicherung durch Wachstumsstärkung*) now again permits the declining-balance method of depreciation to be applied for tax purposes. As a result, all movable items of property, plant and equipment purchased after December 31, 2008 have been depreciated in the financial accounts using the declining-balance method at the maximum rate permitted by tax law; the straight-line method is applied as soon as this leads to higher depreciation amounts.

The following specific useful lives are applied to depreciation:

	Years
Buildings	25 to 50
Shop improvements and window displays	8
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment	4 to 10
Outside plant networks and cable conduit lines	15 to 35
Telecommunications power facilities	10
Other equipment, plant and office equipment	3 to 20

Additions to real estate and movable items of property, plant and equipment are depreciated ratably from the year of acquisition.

In accordance with tax regulations, all low-value assets acquired up to December 31, 2007 were written off in full in the financial accounts in the year of acquisition and presented as disposals in the statement of noncurrent assets. Since January 1, 2008, in line with the revised tax value limits applicable in the year of addition following the 2008 Corporate Tax Reform Act dated May 25, 2007, these assets have either been immediately written off in the financial accounts, or have been capitalized in the annual omnibus items of immaterial significance and depreciated over five years. These assets are presented as disposals in the statement of noncurrent assets when they are written off in full.

Noncurrent assets sold or otherwise disposed of are derecognized at their relevant carrying amount (cost less accumulated depreciation). A gain or loss is recognized in income for the difference between the proceeds from the sale and the carrying amount of the asset concerned.

Equity investments and **other financial assets** are carried at the lower of cost or market value. In the case of financial assets acquired in a foreign currency, the exchange rate at the transaction date is used to determine the acquisition cost; in the case of hedges, the hedging rate for the purchased foreign currency is used. Loan receivables correspond to the loan amounts less repayments and – if applicable – less any write-downs to the lower fair value. Nonscheduled write-downs are charged only if the impairment of financial assets is assumed to be permanent.

Raw materials and supplies and **merchandise** are recognized at acquisition cost, while **work in process** is carried at production cost. Based on normal capacity utilization, production cost includes directly attributable costs, such as direct material and labor costs, as well as special direct costs, plus an appropriate pro rata allocation of indirect material and labor costs and depreciation. General administration and selling costs as well as expenses for social amenities, voluntary benefits to personnel, and the

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

corporate pension plan are not included in production cost. The carrying amount of inventories is reduced to the lower of cost or market value at the balance sheet date. Adequate write-downs are charged for inventory risks resulting from obsolescence or impaired marketability.

Receivables, other assets, cash and cash equivalents and **prepaid expenses and deferred charges** are carried at their nominal value. Identified individual risks are accounted for through appropriate individual valuation adjustments, and general credit risks through general valuation adjustments of receivables. Low-interest and non-interest bearing items with more than one year remaining to maturity are discounted.

Marketable securities are carried at the lower of cost or market value at the balance sheet date.

Cash on hand denominated in foreign currencies is translated at the rate applicable at the balance sheet date. Foreign currency receivables and other foreign currency items included under cash and cash equivalents are measured at the lower of the exchange rate applicable on the transaction date or the rate applicable at the balance sheet date. Cash in banks (excluding fixed-term deposits) is measured at the bid rate, fixed-term bank deposits are measured at the middle rate of the bid and ask rates. Receivables from subsidiaries resulting from cash pooling are always translated at the middle rate of the bid and ask rates at the balance sheet date.

Deutsche Telekom has not exercised its option to recognize **deferred tax assets** in accordance with § 274 (2) HGB.

Stock options refer to what are known as equity-settled plans granted in the course of a contingent capital increase and are recognized at the date the options are exercised, and not at the grant date. Of the funds received by the Company on the exercise date, a proportionate amount of the shares issued is transferred to capital stock and any excess amount to capital reserves in accordance with § 272 (2) No. 1 HGB. By contrast, the mid-term incentive plans (MTIPs), being what is known as cash-settled plans, are recognized in the statement of income from the time of their implementation. For both cash-settled and equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Monte Carlo model.

Accruals for pensions and similar obligations are based on obligations to non-civil servants. Accruals as per June 30, 2009 are calculated through extrapolation on the basis of the actuarial opinion as of December 31, 2008. Direct and indirect obligations are recognized at the fiscal net present value in accordance with § 6a of the German Income Tax Act (Einkommensteuergesetz – EStG). If the value of the assets allocated is higher than the amount of the obligations for indirect commitments, the excess is not recognized.

The computations for the obligations are based on the 2005 G life expectancy tables published by Prof. Klaus Heubeck.

Tax and other accruals, including those for contingent losses and environmental liabilities, are computed in accordance with prudent commercial practice. Sufficient allowance is made for all identifiable risks when measuring these accruals.

Cost accruals are recognized when there is an obligation to recognize such liabilities under § 249 (1) HGB. This refers in particular to accruals for costs of deferred maintenance related to the financial year, but implemented within the first three months of the following year.

Accruals are not discounted, except for pensions and similar obligations, other employee-related accruals, the accrual for the civil service health insurance fund shortfall, the accrual for a collateral promise for pension and partial retirement obligations, and the accrual for impending losses from pending transactions.

Liabilities are recognized at the higher of nominal value or repayment amount. In instances in which the repayment amount of a liability is greater than the principal amount, the difference is recorded under prepaid expenses and deferred charges, and distributed on a time-proportionate basis over the term of the liability. Liabilities and other financial liabilities denominated in foreign currencies are carried at the higher of the exchange rate applicable on the transaction date or the rate applicable at the

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

balance sheet date. Liabilities to banks, excluding interest liabilities, are measured at the ask rate; interest liabilities and other liabilities (other financial liabilities) are measured at the middle rate of the bid and ask rates at the balance sheet date. Liabilities to subsidiaries resulting from cash pooling are always translated at the middle rate of the bid and ask rates at the balance sheet date.

In line with the imparity principle, unrealized losses relating to primary and derivative financial instruments are expensed when incurred. If financial instruments can be qualified as a valuation unit – hedged item and hedge transaction – one measurement at fair value per portfolio less accrued interest is applied as of the balance sheet date. If the financial instruments can be qualified as a valuation unit, the unrealized loss exceeding the positive fair values is recognized in net income or loss through an accrual for contingent losses, whereas unrealized gains are not recognized until realized.

This also applies to prepayment penalties, which are deemed to be receivables or payables. Prepayment penalties are generally agreed within the Group in the form of interest rate swaps, and arise from early loan repayments on the part of Deutsche Telekom. They are recognized in the balance sheet at fair value at the balance sheet date as receivables from / payables to subsidiaries. The receivables or payables are amortized on a straight-line and time proportionate basis. If the market value of the prepayment penalty is less than the carrying amount, an accrual for contingent losses is also recognized.

Settlement gains and losses from expired hedge transactions for rolling hedging (roll-over gains or losses) are reported separately as other assets or other liabilities.

Further classification of balance sheet items.

1. Statement of noncurrent assets.

millions of €	Acquisition costs								Balance at Jun. 30, 2009
	Balance at Jan. 1, 2009	Additions	Additions from transfers from Group companies	Additions from mergers	Disposals	Disposals from transfers to Group companies	Disposals from spin-offs, split-offs, and mergers	Reclassifications	
I. Intangible assets									
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	1,265	84	18	4	(222)	(25)	-	190	1,314
2. Advance payments	420	94	10	-	(4)	-	-	(190)	330
	1,685	178	28	4	(226)	(25)	-	-	1,644
II. Property, plant and equipment									
1. Land and equivalent rights and buildings, including buildings on land owned by third parties	12,238	6	35	-	(106)	-	-	1	12,174
2. Technical equipment and machinery	57,708	458	-	133	(307)	-	-	386	58,378
3. Other equipment, plant and office equipment	975	19	74	43	(11)	-	-	5	1,105
4. Advance payments and construction in progress	716	257	-	4	(4)	-	-	(392)	581
	71,637	740	109	180	(428)	-	-	-	72,238
III. Financial assets									
1. Investments in subsidiaries	81,384	104	-	-	(35)	-	(714)	3,068	83,807
2. Loans to subsidiaries	479	342	-	-	(35)	-	-	-	786
3. Investments in associated and related companies	3,302	-	-	-	(7)	-	-	(3,068)	227
4. Other long-term loans	9	-	-	-	-	-	-	-	9
	85,174	446	-	-	(77)	-	(714)	-	84,829
Total noncurrent assets	158,496	1,364	137	184	(731)	(25)	(714)	-	158,711

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

Depreciation, amortization and write-downs									Net carrying amounts		
Balance at Jan. 1, 2009	Additions	Additions from transfers from Group companies	Additions from mergers	Disposals	Disposals from transfers to Group companies	Disposals from spin-offs, split-offs, and mergers	Reclassifications	Write-ups	Balance at Jun. 30, 2009	Balance at Jun. 30, 2009	Balance at Dec. 31, 2008
(655)	(180)	(10)	(3)	220	11	-	-	-	(617)	697	610
-	-	-	-	-	-	-	-	-	-	330	420
(655)	(180)	(10)	(3)	220	11	-	-	-	(617)	1,027	1,030
(6,856)	(242)	(19)	-	84	-	-	-	9	(7,024)	5,150	5,382
(45,200)	(1,328)	-	(87)	277	-	-	-	-	(46,338)	12,040	12,508
(766)	(40)	(50)	(40)	10	-	-	-	-	(886)	219	209
-	-	-	-	-	-	-	-	-	-	581	716
(52,822)	(1,610)	(69)	(127)	371	-	-	-	9	(54,248)	17,990	18,815
(1,529)	-	-	-	28	-	-	(230)	-	(1,731)	82,076	79,855
(47)	-	-	-	-	-	-	-	-	(47)	739	432
(321)	-	-	-	-	-	-	230	-	(91)	136	2,981
-	-	-	-	-	-	-	-	-	-	9	9
(1,897)	-	-	-	28	-	-	-	-	(1,869)	82,960	83,277
(55,374)	(1,790)	(79)	(130)	619	11	-	-	9	(56,734)	101,977	103,122

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

2. Receivables and other assets.

millions of €	Jun. 30, 2009	Dec. 31, 2008
Trade accounts receivable of which: with a remaining maturity of more than one year €0 million (Dec. 31, 2008: €0 million)	1,064	1,059
Receivables from subsidiaries of which: with a remaining maturity of more than one year €144 million (Dec. 31, 2008: €177 million)	3,168	2,277
Receivables from associated and related companies of which: with a remaining maturity of more than one year €0 million (Dec. 31, 2008: €0 million)	5	8
Other assets of which: with a remaining maturity of more than one year €4 million (Dec. 31, 2008: €3 million)	1,030	803
	5,267	4,147

3. Statement of changes in shareholders' equity.

	Capital stock		Additional paid-in capital	Retained earnings		Unappropriated net income	Total
	(authorized and issued capital)			Treasury stock	Other retained earnings		
	thousands of shares	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
As of Dec. 31, 2008	4,361,320	11,165	26,648	5	15,895	5,297	59,010
2001 Stock Option Plan	-	-	-	-	-	-	-
T-Mobile USA/Powertel stock options	-	-	1	-	-	-	1
Distribution for the 2008 financial year	-	-	-	-	-	(3,386)	(3,386)
Loss	-	-	-	-	-	(282)	(282)
As of Jun. 30, 2009	4,361,320	11,165	26,649	5	15,895	1,629	55,343

The loss reported for the first six-month period of the financial year 2009 is in particular due to not recognized earnings from profit transfer agreements. For more details, please refer to the "Other disclosures" section.

4. Liabilities.

millions of €	Jun. 30, 2009				Dec. 31, 2008			
	Total	of which			Total	of which		
		due within 1 year	due > 1 - 5 years	due > 5 years		due within 1 year	due > 1 - 5 years	due > 5 years
Debt								
Bonds and debentures	1,529	-	642	887	1,438	205	377	856
Liabilities to banks	6,403	3,576	1,931	896	4,870	1,636	1,269	1,965
	7,932	3,576	2,573	1,783	6,308	1,841	1,646	2,821
Other liabilities								
Advances received	5	5	-	-	4	4	-	-
Trade accounts payable	857	857	-	-	886	885	1	-
Payables to subsidiaries	33,961	11,617	13,841	8,503	30,625	12,401	7,154	11,070
Liabilities to associated and related companies	7	7	-	-	13	13	-	-
Other liabilities	4,382	1,789	1,422	1,171	4,305	1,967	1,304	1,034
of which: from taxes	494	494	-	-	541	541	-	-
of which: from social security	25	6	13	6	22	4	12	6
	39,212	14,275	15,263	9,674	35,833	15,270	8,459	12,104
Total liabilities	47,144	17,851	17,836	11,457	42,141	17,111	10,105	14,925

5. Guarantees and commitments.

millions of €	Jun. 30, 2009	Dec. 31, 2008
Liabilities from guarantees	648	575
Liabilities arising from warranty agreements of which: to subsidiaries €0 million (Dec. 31, 2008: €0 million)	26,883	27,271
	27,531	27,846

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.

Other disclosures.

Profit and loss transfers.

Deutsche Telekom AG has entered into profit transfer agreements with a large number of its German subsidiaries. These contracts require Deutsche Telekom AG to absorb losses of subsidiaries and require the subsidiaries to transfer their profits to Deutsche Telekom AG.

Obligations from loss transfers and receivables from profit transfers do legally arise at the end of the respective subsidiary's financial year, only. Therefore, on the basis of the realization principle, Deutsche Telekom AG's interim balance sheet as of June 30, 2009 does not recognize any receivables – and accordingly also no income – from profit transfers. For the purposes of computing the statistical profit from profit transfer agreements, profits totaling €1.5 billion were reported for the first six-month period of the financial year 2009 from subsidiaries that have concluded a profit transfer agreement with Deutsche Telekom AG.

In line with the imparity principle, however, Deutsche Telekom AG recognized accruals of €574 million for obligations from loss absorptions in its interim balance sheet as of June 30, 2009. The amount of the accruals is measured on the basis of the losses reported for the first six month period of the financial year 2009 by subsidiaries that have entered into a profit transfer agreement with Deutsche Telekom AG.

Bonn, August 4, 2009

Deutsche Telekom AG
Board of Management

René Obermann

Hamid Akhavan

Dr. Manfred Balz

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Guido Kerkhoff

Thomas Sattelberger

Disclaimer: This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.