OFFERING MEMORANDUM **CONFIDENTIAL**

Deutsche Telekom International Finance B.V.

$1,250,000,000 3.125% Notes due April 11, 2016

Guaranteed as to Payment of Principal and Interest by Deutsche Telekom AG

Pursuant to this offering memorandum, Deutsche Telekom International Finance B.V. ("Finance" or the "Issuer") is offering $1,250,000,000 3.125% Notes due April 11, 2016 (the "Notes"). Deutsche Telekom AG ("Deutsche Telekom" or the "Guarantor") is the guarantor of the Notes.

Finance will pay interest on the Notes on April 11 and October 11 of each year, beginning on October 11, 2011 at an annual rate of 3.125%.

Finance may redeem the Notes on the terms described in this offering memorandum under "*Description of the Notes and Guarantees—Optional Redemption*". Finance may also redeem the Notes at 100% of their principal amount plus accrued interest if certain tax events occur as described under "*Description of the Notes and Guarantees—Optional Tax Redemption*".

Finance intends to apply to list the Notes on the regulated market of the Luxembourg Stock Exchange.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 15.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state or other securities laws. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers ("QIBs") in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A") and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*".

Issue Price: 99.899% plus accrued interest from April 11, 2011 if settlement occurs after that date.

The Notes will be represented by one or more global notes registered in the name of The Depository Trust Company ("DTC"), as depositary, or a nominee of DTC. Beneficial interests in the Notes will be shown on, and transfers thereof, will be effected through, records maintained by DTC, Clearstream Banking, *société anonyme* ("Clearstream") and Euroclear Bank SA/NV ("Euroclear"), and their respective participants. See "*Book-Entry; Delivery and Form; Summary of Provisions Relating to the Notes in Global Form*" and "*Transfer Restrictions*".

The Initial Purchasers (as defined in "*Plan of Distribution*") expect to deliver the Notes against payment in immediately available funds on or about April 11, 2011.

Joint Bookrunning Managers

Citi **Credit Suisse** **Goldman, Sachs & Co.**

Co-Lead Managers

COMMERZBANK J.P. Morgan BofA Merrill Lynch Mitsubishi UFJ Securities SOCIETE GENERALE

April 4, 2011

We are responsible for the information contained in this offering memorandum. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is confidential. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of the Notes described in this offering memorandum. You may not reproduce or distribute this offering memorandum, in whole or in part, and you may not disclose any of the contents of this offering memorandum or use any information herein for any purpose other than considering a purchase of the Notes. You agree to the foregoing by accepting delivery of this offering memorandum.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Each investor in the Notes will be deemed to make certain representations, warranties and agreements regarding the manner of purchase and subsequent transfers of the Notes. These representations, warranties and agreements are described in "*Transfer Restrictions*."

The Initial Purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. Neither we, nor the Initial Purchasers, nor any of our or their respective representatives make any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. Notwithstanding anything herein to the contrary, investors may disclose to any and all persons, without limitation of any kind, the U.S. federal or state income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating such tax treatment and tax structure. However, any information relating to the U.S. federal income tax treatment or tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent reasonably necessary to enable any person to comply with applicable securities laws. For this purpose, "tax structure" means any facts relevant to the U.S. federal or state income tax treatment of the offering but does not include information relating to the identity of the issuer of the securities, the issuer of any assets underlying the securities, or any of their respective affiliates that are offering the securities.

IN CONNECTION WITH THE OFFERING, GOLDMAN, SACHS & CO. ACTING FOR THE BENEFIT OF THE INITIAL PURCHASERS, MAY PURCHASE AND SELL NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY INCLUDE OVER-ALLOTMENT, SYNDICATE COVERING AND STABILIZING TRANSACTIONS. OVER-ALLOTMENT INVOLVES SALES OF NOTES IN EXCESS OF THE PRINCIPAL AMOUNT OF THE NOTES TO BE PURCHASED IN THE OFFERING, WHICH CREATES A SHORT POSITION. SYNDICATE COVERING INVOLVES PURCHASES OF THE NOTES IN THE OPEN MARKET AFTER THE DISTRIBUTION HAS BEEN COMPLETED IN ORDER TO COVER SHORT POSITIONS CREATED. STABILIZING TRANSACTIONS CONSIST OF CERTAIN BIDS OR PURCHASES OF NOTES MADE FOR THE PURPOSE OF PEGGING, FIXING OR MAINTAINING THE PRICE OF THE NOTES. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION.

ANY STABILIZATION ACTION MAY BEGIN ON THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL PRICE OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME BUT MUST END NO LATER THAN 30 CALENDAR DAYS THEREAFTER. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document of any of its contents.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area (the "EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in the Federal Republic of Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require the Issuer, the Guarantor or any Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Guarantor nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or the Initial Purchasers to publish or supplement a prospectus for such offer.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU..

This EEA selling restriction is in addition to any other selling restrictions set out in this offering memorandum.

TABLE OF CONTENTS

DEFINED TERMS AND FINANCIAL INFORMATION

As used in this offering memorandum, unless the context otherwise requires, the terms “we”, “us”, “our”, “company”, and “Group” refer to Deutsche Telekom AG and its consolidated subsidiaries. The “Guarantor” refers to Deutsche Telekom AG.

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

Unless otherwise indicated, the financial information contained in this offering memorandum has been prepared in accordance with the requirements of the International Financial Reporting Standards (“IFRS”) as adopted for use in the EU by the European Commission.

In this offering memorandum, increases in negative numbers are expressed as positive percentages.

AVAILABLE INFORMATION

For so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, during any period during which the Guarantor is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Issuer and the Guarantor will make available on request to each holder in connection with any resale thereof and to any prospective purchaser of such Notes from such holder, in each case upon request, the information specified in and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

A form of the fiscal and paying agency agreement to be entered into by Deutsche Telekom, Finance and Deutsche Bank Trust Company Americas, as fiscal agent, appears as Schedule A to this offering memorandum.

MARKET, RANKING AND OTHER DATA

The data included in this offering memorandum regarding markets, including the size of certain market segments and the Guarantor’s position within these markets, are based on independent industry publications, reports of government agencies or other published industry sources and the Guarantor’s estimates based on its management’s knowledge and experience in the market segments in which it operates. The Guarantor’s estimates are based on information obtained from customers, suppliers, trade and business organizations and other contacts in the market segments in which it operates. The Guarantor has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. The Guarantor believes these estimates to be accurate as of the date of this offering memorandum. However, this information may prove to be inaccurate because of the method by which the Guarantor obtained some of the data for these estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties.

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

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Forward-looking statements are statements that are not historical facts. Examples of forward-looking statements include statements concerning:

- plans, objectives and expectations relating to future operations, products and services;
- our prospective share of new and existing markets;
- plans, objectives and expectations for our cost savings and workforce reduction programs and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives;
- the potential impact of regulatory actions on our financial condition and operations;
- our shareholder remuneration policy and the payment of dividends and/or conduct of possible share repurchases;
- the timing and course of, and prospective application of proceeds from, our sale of T-Mobile USA to AT&T, Inc. ("AT&T");
- the possible outcomes and effects of litigation, investigations, contested regulatory proceedings and other disputes;
- future general telecommunications sector and macroeconomic growth rates; and
- our future revenues, expenditures and performance.

Forward-looking statements generally are identified by the words "expect", "anticipate", "believe", "intend", "estimate", "aim", "goal", "plan", "will", "will continue", "seek", "outlook", "guidance" and similar expressions.

Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among others:

- changes in general economic and business conditions, including a continuous deterioration in the economic environment, in the markets in which we and our subsidiaries and associated companies operate;
- the level of demand for telecommunications services in the markets we serve, particularly for wireless telecommunications services, broadband access lines, voice and data traffic, new higher-value products and services, and new rate offerings;
- changes in government policies and new legislation;
- regulatory developments and changes, including with respect to the levels of tariffs, terms of interconnection, customer access, international settlement arrangements and the availability and allocation of radio spectrum for mobile telecommunications use;
- our ability to secure and retain the licenses needed to offer new and existing services and the cost of these licenses and related network infrastructure build-outs, particularly with respect to advanced services;

- competitive forces, including pricing pressures, technological developments and alternative routing developments, all of which affect our ability to gain or retain market share and revenues in the face of competition from existing and new market entrants;

- the effects of our customer acquisition and retention initiatives, particularly in the fixed-line voice telephony business, the mobile telecommunications business and our interconnection business;

- the effects of industry consolidation on the markets in which we operate, particularly with respect to our mobile and leased lines businesses;

- the success of new business, operating and financial initiatives, many of which involve substantial start-up costs and are untested, and of new systems and applications, particularly with regard to the integration of service offerings;

- our ability to achieve cost savings and realize productivity improvements, particularly with respect to our workforce-reduction initiatives, while at the same time enhancing customer service quality;

- the impact of other significant strategic or business initiatives, including acquisitions, dispositions and business combinations;

- our ability to attract and retain qualified personnel, particularly in view of our cost reduction efforts;

- concerns over health risks associated with the use of wireless mobile devices and other health and safety risks related to radio frequency emissions;

- risks of infrastructure failures or damage due to external factors, including natural disasters, intentional wrongdoing, sabotage, acts of terrorism or similar events;

- the outcome of litigation, disputes and investigations in which we are involved or may become involved;

- risks and uncertainties relating to the benefits anticipated from our international expansion, including in Southern and Eastern Europe;

- risks and costs associated with integrating our acquired businesses and with selling or combining businesses or other assets, including the sale of T-Mobile USA;

- the termination of, or delays in, our agreed sale of T-Mobile USA to AT&T;

- the progress of our domestic and international investments, joint ventures, partnerships and alliances;

- the effects of foreign exchange rate fluctuations, particularly in connection with subsidiaries operating outside the euro zone;

- instability and volatility in worldwide financial markets;

- the availability, terms and deployment of capital, particularly in view of our financing alternatives, actions of the rating agencies, developments in the banking sector and the impact of regulatory and competitive developments on our capital outlays; and

- the level of demand in the market for our debt obligations, and for the debt obligations of our subsidiaries and associated companies, and our shares, as well as for assets that we may decide to sell, which may affect our financing and acquisition strategies.

If these factors or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance and future actions may materially differ from those expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved or that we will be able to achieve our policy aims. When reviewing forward-looking statements contained in this document, investors and others should carefully consider the foregoing factors, as well as other uncertainties and events and their potential impact on our operations and businesses. You should refer to "*Risk Factors*" in this offering memorandum, for additional information on these and other risks and uncertainties.

LIMITATION ON ENFORCEMENT OF U.S. LAWS AGAINST THE GUARANTOR, THE ISSUER, THEIR MANAGEMENT AND OTHERS

The members of Deutsche Telekom's and Finance's respective Supervisory and Management Boards are citizens or residents of countries other than the United States and their assets may be located outside the United States. As a result, you may not be able to effect service or process within the United States on such persons, or to enforce judgments of courts of the United States against them, whether or not predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

Under German law, a stock corporation may indemnify its officers, and, under certain circumstances, German labor law requires a stock corporation to do so. However, a stock corporation may not, as a general matter, indemnify members of the Management Board or the Supervisory Board. Certain limited exceptions may apply if the indemnification is in the legitimate interest of the stock corporation. Deutsche Telekom's articles of incorporation do not contain provisions regarding the indemnification of its directors and officers. A German stock corporation may purchase directors' and officers' insurance. Deutsche Telekom has obtained liability insurance for members of its Supervisory Board and its Management Board and certain of its officers. This includes insurance against liabilities under the Securities Act.

The laws of the Netherlands make no compulsory provision for the indemnification of members of the Supervisory or Management Boards of a Dutch limited liability company. Finance's articles of incorporation do not contain provisions regarding the indemnification of its directors and officers. Deutsche Telekom has obtained liability insurance for members of Finance's Supervisory Board and its managing directors, including insurance against liabilities under the Securities Act.

The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. In general, the enforcement of a final judgment of a United States court requires a declaration of enforceability by a German court in a special proceeding. Therefore, a final judgment for the payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, may not be enforceable, either in whole or in part, in Germany. In addition, awards of punitive damages in actions brought in the United States or elsewhere are generally unenforceable in Germany.

The United States and The Netherlands do not currently have a treaty or convention providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a judgment rendered by a court in the United States will not be automatically recognized and enforced by the Dutch courts. However, if the party in whose favor a final and definitive judgment for the payment of money has been rendered by a competent court in the United States which is enforceable in the United States brings a new suit in a competent Dutch court, such party may submit to such court in The Netherlands the final judgment which has been rendered in the United States. Based on case law, the Dutch court may be expected to recognize, give res judicata to and render a judgment in accordance with the foreign judgment insofar as it finds that the jurisdiction of the foreign court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed and except to the extent that the foreign judgment contravenes Dutch public policy or an existing Dutch judgment.

SPECIAL NOTE ON NON-GAAP FINANCIAL MEASURES

In this offering memorandum, we have presented EBITDA, adjusted EBITDA, net debt and free cash flow, which are non-GAAP financial measures. A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure (which for these purposes we mean the most comparable measure presented in accordance with International Financial Reporting Standards, or IFRS). Our non-GAAP financial measures are not governed by IFRS and other companies may not compute these non-GAAP measures using the same method as Deutsche Telekom. Therefore, these measures may not be comparable with measures with the same or similar title that are reported by other companies.

The non-GAAP measures in this offering memorandum should not be viewed in isolation as an alternative to profit (loss) from operations, net profit (loss), net cash from operating activities, the financial liabilities reported in our consolidated balance sheet or other financial information presented in accordance with IFRS. We urge you to review the reconciliations of the non-GAAP measures to IFRS financial measures and other financial information contained in this offering memorandum. We also urge you not to rely on any single financial measure to evaluate our business but instead to form your view on our business with reference to our audited annual consolidated financial statements included elsewhere in this offering memorandum and the other information we present in this offering memorandum.

EBITDA

We define EBITDA as profit (loss) from operations (EBIT) plus depreciation, amortization and impairment losses. We base our definition of EBITDA on profit (loss) from operations because this method of computation allows EBITDA to be derived in a uniform manner on the basis of a measure of earnings that is published for the operating segments and the Group as a whole. For a reconciliation of EBITDA to profit from operations, see "*Development of Our Business—Reconciliation of EBITDA and adjusted EBITDA*."

Special factors

EBITDA at the Group and segment levels was affected by a number of special factors relating to our operating activities in the reporting period as well as the prior-year periods. We believe that these special factors make it more difficult to compare EBITDA at the Group and segment levels with corresponding figures for prior periods. Adjustments are made irrespective of whether the relevant income and expenses are reported in profit (loss) from operations, profit (loss) from financial activities or tax expense.

We have grouped the special factors affecting EBITDA into the following four categories.

- Staff-related measures comprise expenses related to staff reduction initiatives or other programs to reduce headcount, including severance payments and early retirement.
- Non-staff-related restructuring comprises expenses relating to restructuring programs or other costs unrelated to our operations, such as costs associated with terminating contracts.
- Gains and losses related to deconsolidation, disposals and acquisitions that arise at the time of the transaction.
- Other includes items that are unrelated to our operations.

Adjusted EBITDA

We define adjusted EBITDA as EBITDA excluding the effect of the special factors described above.

Our senior operating decision-makers use adjusted EBITDA as a performance indicator for managing our business activities, assessing our operating performance and measuring the performance of our operating segments. They believe that adjusted EBITDA permits them to better evaluate and compare developments over several reporting periods because the items excluded in calculating adjusted EBITDA have, in their view, little or no bearing on our underlying daily operating performance. However, adjusted EBITDA should be viewed in addition to, and not as a substitute for, the information prepared in accordance with IFRS that is contained in this offering memorandum. For a reconciliation of adjusted EBITDA to profit from operations, see "*Development of Our Business—Reconciliation of EBITDA and adjusted EBITDA.*"

Free cash flow

We define free cash flow as net cash from operating activities:

- less net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment;
- plus proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment;
- plus outflows for the acquisition of mobile communications licenses (spectrum).

Our management uses free cash flow as an indication of the cash generating ability of our businesses and our ability to pay for discretionary and non-discretionary expenditures not included in the measure, such as payments pursuant to our shareholder remuneration policy, debt repayments or acquisitions. However, free cash flow should not be used to determine the financial position of the Group or considered as a substitute for any IFRS financial measure. You should not assume that free cash flow is freely available for discretionary application by management, since a number of expenditures not included in the measure are non-discretionary. For a reconciliation of free cash flow to net cash from operating activities, see "*Development of Our Business—Condensed consolidated statement of cash flows and reconciliation of free cash flow*."

Net debt

We define net debt as total financial liabilities minus accrued interest, liabilities from corporate transactions, cash and cash equivalents, current financial assets available for sale or held for trading, derivative financial assets, other financial assets and items that we believe are unrelated to our liability position, e.g., customer overpayments of their accounts. Other financial assets include all cash collateral paid for negative fair values of derivatives as well as other interest-bearing financial assets. For a reconciliation of net debt to financial liabilities, see "*Development of Our Business—Financial liabilities—Reconciliation of net debt*."

EXCHANGE RATE INFORMATION

The following table shows, for the periods indicated, the average, high and low exchange rates for euros, expressed in U.S. dollars per EUR 1.00, as published by the European Central Bank:

Year or Month	Average[1]	High	Low
		(in $ per €)	
2006	1.2630		
2007	1.3797		
2008	1.4726		
2009	1.3963		
2010	1.3207		
2010			
October		1.4101	1.3705
November		1.4244	1.2998
December		1.3435	1.3064
2011			
January		1.3716	1.2903
February		1.3834	1.3440
March		1.4211	1.3773

[1] The average of the exchange rates on the last business day of each month during the relevant period.

On April 1, 2011, the exchange rate was USD 1.4141 per EUR 1.00.

SUMMARY

Deutsche Telekom AG

We are the largest provider of telecommunications services in Germany and one of the world's largest telecommunications companies in terms of 2010 consolidated net revenue. In 2010, our consolidated net revenue totaled EUR 62.4 billion compared to EUR 64.6 billion in 2009.

We have organized our business activities into the following four operating segments:

- Germany, which combines all of our fixed-network and mobile activities in Germany and also includes wholesale telecommunications services for third-party domestic carriers and service providers as well as our Group's other operating segments;
- Europe, which comprises:
  - all of our fixed-network and mobile communications operations in Greece, Romania, Hungary, Croatia, Slovakia, the F.Y.R.O Macedonia and Montenegro;
  - all activities of our mobile communications companies in Poland, the Czech Republic, the Netherlands, Austria, Bulgaria and Albania;
  - our interest in the joint venture, Everything Everywhere, in the United Kingdom; and
  - our International Carrier Sales and Solutions unit, which mainly provides wholesale telecommunications services for our Group's other operating segments;
- the United States, which comprises all of our mobile activities in the U.S. market; and
- Systems Solutions, which bundles business with information and communications technology products and solutions for large multinational corporations and public institutions under the T-Systems brand.

Our Group Headquarters and Shared Services function includes our service headquarters and our subsidiaries that are not allocated to the operating segments described above.

On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Our registered address is Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, and our telephone number is +49 228-181-0. Our agent in the United States is Deutsche Telekom, Inc., 14 Wall Street, Suite 6B, New York, New York 10005.

For more detailed information about our business, please refer to the sections entitled "*Description of Our Business*" and "*Development of Our Business*" in this offering memorandum.

Deutsche Telekom International Finance B.V.

We incorporated Finance in The Netherlands on October 30, 1995. Finance is our wholly-owned subsidiary whose principal purpose is raising funds for us. The authorized share capital of Finance consists of 5,000 shares of common stock at a par value of EUR 453.78 each. The issued share capital amounts to EUR 453,780 and consists of 1,000 shares of common stock at a par value of EUR 453.78. The remaining 4,000 shares are unissued.

Finance's corporate seat and registered address is Herengracht 124-128, 1015 BT Amsterdam, The Netherlands, and its telephone number is +31 20 794 45 00. Finance's agent in the United States is Deutsche Telekom, Inc., 14 Wall Street, Suite 6B, New York, New York 10005.

Our Risks and Challenges

Our business is subject to many material risks and challenges. For a detailed discussion of these risks as well as other considerations relevant to an investment in the Notes, see "*Risk Factors*" and other information included in the offering memorandum.

Our key risks and challenges include the following:

- ***Worldwide economic conditions.*** An economic downturn, a substantial slowdown in economic growth or deterioration in consumer spending could adversely affect our customers' purchases of our products and services in each of our operating segments, which could have a negative impact on our operating results and financial condition.

- ***Regulation and other government intervention.*** Because we operate in heavily regulated business environments, decisions that regulatory authorities impose on us restrict flexibility in managing our business and may force us to offer services to competitors, or reduce the prices we charge for our products and services, either of which could have a material negative impact on our revenues, profits and market shares. In particular, our operations in some countries in our Europe operating segment face potential risks as a result of the challenging macroeconomic situation, including the related taxes on telecommunications companies that were recently imposed in some of these countries.

- ***Competition.*** We face intense competition in all areas of our business, which could lead to reduced prices for our products and services and a decrease in market share in certain service areas, thereby adversely affecting our revenues and net profit.

- ***Litigation.*** We are continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on our results of operations and financial condition.

- ***Investments for new products and services.*** Some of our investments required to develop future products and services, such as investments in new spectrum licenses, may involve substantial cash outlays with no certainty of market acceptance or regulatory non-interference.

For information on risks related to the sale of T-Mobile USA, please see "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Selected Financial Data

The following table presents selected consolidated financial and operating information. This selected consolidated financial and operating information should be read together with the section of this offering memorandum entitled "*Development of Our Business*", and our consolidated financial statements and the notes that are included elsewhere in this offering memorandum.

This selected consolidated financial information is extracted or derived from our consolidated financial statements and the notes thereto, which have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (formerly Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft) ("E&Y") and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("PwC") and have been included elsewhere in this offering memorandum.

Selected Consolidated Financial Data of the Deutsche Telekom Group

	For the year ended December 31,		
	2010	2009	2008
	(billions of €, except as otherwise indicated)		
Income Statement Data			
Net revenue	62.4	64.6	61.7
Domestic	27.3	28.0	28.9
International	35.1	36.6	32.8
Profit from operations	5.5	6.0	7.0
Profit (loss) attributable to owners of the parent (net profit (loss))	1.7	0.4	1.5
Cash Flow Data			
Net cash from operating activities	14.7	15.8	15.4
Net cash used in investing activities	(10.7)	(8.6)	(11.4)
Net cash used in financing activities	(6.4)	(5.1)	(3.1)
Ratios and Selected Data			
Cash capex[1]	(9.9)	(9.2)	(8.7)
Number of employees averaged over the year (full-time employees excluding trainees) (thousands)	252	258	235
Net revenue per employee (thousands of euro)[2]	247.2	250.8	262.5
Earnings per share—basic and diluted (euro)	0.39	0.08	0.34
Weighted average number of ordinary shares outstanding (basic) (millions)	4,334	4,340	4,340
Total number of ordinary shares at the reporting date (millions)	4,321	4,361	4,361
Dividend per share (euro)[3]	0.70	0.78	0.78
Dividend per share (U.S. dollar)[4]	0.94	1.22	1.09

1 Cash outflows for investments in intangible assets and property, plant and equipment in accordance with the statement of cash flows.

2 Calculated on the basis of the average number of employees for the year, excluding trainees, apprentices and student interns.

3 Dividends per share are presented on the basis of the year in respect of which they are declared, not the year in which they are paid.

4 Dividend amounts have been translated into U.S. dollars (using exchange rates published by the European Central Bank) for the relevant dividend payment date, which occurred during the second quarter of the following year, except for the 2010 amount, which has been translated using the applicable rate on December 31, 2010. As a result, the actual U.S. dollar amount at the time of payment may vary from the amount shown here.

	As of December 31,		
	2010	2009	2008
	(billions of €)		
Data from the Statement of Financial Position			
Total assets	127.8	127.8	123.1
Total financial liabilities[1]	50.5	51.2	46.6
Shareholders' equity	43.0	41.9	43.1

1 As reported in the consolidated statement of financial position.

Summary of the Offering

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the Notes, please refer to the section of this offering memorandum entitled "Description of the Notes and Guarantees."

Notes offered .... $1,250,000,000 3.125% Notes due April 11, 2016.

Issuer .... Deutsche Telekom International Finance B.V.

Guarantee .... Deutsche Telekom will unconditionally and irrevocably guarantee to each holder of the Notes the due and punctual payment of the principal and interest relating to the Notes including any additional amounts described below. Each Guarantee will be a direct unsubordinated unsecured obligation of Deutsche Telekom AG. The Guarantee is described under "*Description of the Notes and Guarantees — Guarantees*."

Fiscal and Paying Agency Agreement .... The Notes will be issued under a fiscal and paying agency agreement (the "Agreement"), among Deutsche Telekom, Finance and Deutsche Bank Trust Company Americas, as fiscal agent. The Agreement is more fully described under "*Description of the Notes and Guarantees*" and the form of fiscal and paying agency agreement appears as Schedule A to this offering memorandum.

Date interest starts accruing .... April 11, 2011.

Issue price .... 99.899% of the principal amount of the Notes.

Maturity date .... April 11, 2016.

Interest rate .... 3.125% per annum.

Interest payment date .... Every April 11 and October 11, beginning on October 11, 2011. If any payment is due on a day that is not a business day, we will make the required payment on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day

Additional Amounts ...... The Netherlands or Germany may require the Issuer or the Guarantor to withhold amounts from payments on the principal or interest on the Notes or any amounts to be paid under the Guarantees, as the case may be, for taxes or any other governmental charges. If the relevant jurisdiction requires a withholding of this type, the Issuer or the Guarantor, as the case may be, will, subject to some exceptions (as more fully described below under "*Description of the Notes and Guarantees – Additional Amounts*"), pay additional amounts in respect of those payments of principal and interest so that the amount you receive after such taxes and governmental charges will equal the amount that you would have received if no such taxes and governmental charges had been applicable.

Optional Redemption ..... The Issuer may redeem any series of Notes, in whole or in part, at any time. Upon redemption, the Issuer will pay a redemption price equal to the greater of (i) 100% of the principal amount of the relevant series of Notes plus accrued interest (and Additional Amounts, if any) to the date of redemption or (ii) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest (and Additional Amounts, if any) on the relevant series of Notes (for the purpose of this calculation not including any portion of such payments of interest accrued as of the date of redemption), plus, for the avoidance of doubt, accrued interest (and Additional Amounts, if any) to the date of redemption. The present values will be determined by discounting the remaining principal and interest payments to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), using the adjusted treasury yield.

The Issuer will give notice to DTC of any redemption we propose to make at least 30 days, but not more than 60 days, before the redemption date. Notice by DTC to participating institutions and by these participants to street name holders of indirect interests in the series of debt securities will be made according to arrangements among them and may be subject to statutory or regulatory requirements.

Optional tax redemption .... In the event of various tax law changes after the date of this offering memorandum and other limited circumstances that would require the Issuer or the Guarantor to pay Additional Amounts or deduct or withhold tax on any payment to the Issuer to enable the Issuer to make any payments in relation to the Notes, subject to certain exceptions the Issuer (or, if applicable, the Guarantor) may redeem the Notes at any time at its option, as a whole or in part, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the notes then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any) to (but excluding) the redemption date.

Calculation of interest .... If interest is required to be calculated for any period less than a year, other than with respect to regular semi-annual interest payments, it will be calculated based on a 360-day year consisting of twelve 30-day months.

Business day .... A business day is each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City generally are authorized or obligated by law or executive order to close.

Securities codes ....

CUSIP (Rule 144A):	25156P AP8
CUSIP (Regulation S):	N2557F FA7
ISIN (Rule 144A):	US25156PAP80
ISIN (Regulation S):	USN2557FFA77
Common Code (Regulation S):	061640690

Denomination .... Minimum denominations of $150,000 and integral multiples of $1,000 in excess thereof.

Regular record dates for interest .... March 27th or September 26th immediately preceding the relevant interest payment date, whether or not such day is a business day.

Defeasance .... The Notes are subject to the provisions on defeasance that are described under "*Description of the Notes and Guarantees — Discharge and Defeasance*" and "*Description of the Notes and Guarantees — Covenant Defeasance*."

Ranking .... The Notes and Guarantees are not secured by any property or assets of Finance or Deutsche Telekom and will rank equally with all of their respective other unsecured and unsubordinated indebtedness.

Form of the Notes .... The Notes will initially be issued to investors in book-entry form only. Fully-registered Global Notes (as defined herein) representing the total aggregate principal amount of the Notes will be issued and registered in the name of a nominee for DTC, the securities depositary for the Notes, for credit to accounts of direct or indirect participants in DTC, including Euroclear and Clearstream. Unless and until Notes in definitive certificated form are issued, the only Holder will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Except as described in this offering memorandum, a beneficial owner of any interest in a Global Note will not be entitled to receive physical delivery of definitive Notes. Accordingly, each beneficial owner of any interest in a global Note must rely on the procedures of DTC, Euroclear, Clearstream, or their participants, as applicable, to exercise any rights under the Notes.

Governing law................ The Notes, the Guarantees and the Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Additional issues........... The Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes, maturing on the same maturity date and having the same terms and conditions as the previously outstanding Notes of that series in all respects (or in all respects except for the issue date and the amount and the date of the first payment of interest thereon) in accordance with applicable laws and regulations and pursuant to the Agreement (including with respect to the Guarantor and the Guarantees). Additional notes issued in this manner shall be consolidated with and form a single series with previously outstanding Notes.

Fiscal agent, paying agent, transfer agent and registrar .... Deutsche Bank Trust Company Americas.

Notices............................ So long as any Notes are represented by a global note and such global note is held on behalf of a clearing system, notices to the holders of Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders (except that (i) if and for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a daily newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, and (ii) in the event that the Notes are listed on any other stock exchange, notices shall also be given in accordance with the rules of that stock exchange) or, if any such delivery is not practicable, by publication in a leading English language daily newspaper having general circulation in Europe. Any such notice will be deemed to have been given on the date of first publication or, if published more than once or on different dates, on the first date on which publication is made.

Listing and admission to trading................ The Issuer is applying to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Regulated Market of the Luxembourg Stock Exchange.

RISK FACTORS

Before deciding to purchase the Notes, prospective investors should carefully review and consider the following risk factors and the other information contained in this offering memorandum, in particular the information contained in "Legal Proceedings". The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on our business, results of operations, financial condition and cash flows, and may affect our ability to fulfill our obligations under the Notes and the Guarantees. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. Investing in the Notes could involve additional risks and uncertainties of which we may not currently be aware, or which we may currently not consider material. An investment in the Notes is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to absorb any potential loss stemming therefrom. The following discussion contains a number of forward-looking statements. Please refer to the "Forward-Looking Statements" discussion in this offering memorandum for cautionary information.

Risks Related to our Business

An economic downturn, a substantial slowdown in economic growth or deterioration in consumer spending could adversely affect our customers' purchases of our products and services in each of our operating segments, which could have a negative impact on our operating results and financial condition.

Our business is influenced by general economic conditions in Germany, Europe and the United States. Although the global economy recovered further in 2010, the recovery lost a little of its momentum in the last six months of 2010. Continued exchange rate and financial market volatility, pressure on private consumption owing to high unemployment in some countries and the dangers arising from high levels of national debt in many countries present risks for the continued economic recovery.

In particular, our operations in some countries in our Europe operating segment face potential risks as a result of the challenging macroeconomic situation, including the related taxes on telecommunications companies that were recently imposed in some of these countries. The development of the fragile economic situation in Greece, Hungary, Romania and Croatia, and its resulting effect on our revenue development, remains uncertain.

If the economies in Germany, Europe and the United States resume the deterioration experienced in 2008 and 2009, or if growth remains at low levels as the recovery weakens, the level of demand by our individual customers for our products and services and the willingness of our business customers to invest in information and communications technology ("ICT") may weaken. This could, in turn, negatively impact our revenue development, including in the future growth areas on which we plan to focus, and jeopardize the attainment of our growth targets, such as those relating to data services in mobile telecommunications, or those relating to broadband products and services.

Because we operate in heavily regulated business environments, decisions that regulatory authorities impose on us restrict flexibility in managing our business and may force us to offer services to competitors, or reduce the prices we charge for our products and services, either of which could have a material negative impact on our revenues, profits and market shares.

We are subject to strict regulation in all of our fixed-line and mobile markets in Europe and the United States. Government agencies regularly intervene in the offerings and in the pricing of our fixed-line and mobile products and services. Regulation can impede our ability to grow and to react to the initiatives of competitors and technological change.

The EU 2009 Telecommunications Framework is currently being implemented by member states. Whether the revised regulatory framework will increase or decrease the regulatory burden on us will depend on the manner in which revised directives are subsequently implemented in the EU Member States, and how the revised regulatory framework will be applied by the respective National Regulatory Authorities ("NRAs"). For example, the German Telecommunications Act ("TKG") must be amended by the end of May 2011 primarily to reflect the EU framework, which was revised to encourage operators to invest in new high-speed networks. It is also expected that the TKG will be amended to reflect new consumer protection requirements.

On September 20, 2010, the European Commission issued its Recommendation on regulated access to Next-Generation Access Networks ("NGAs"), containing guidelines to be observed as much as possible by NRAs when requiring market-dominant companies to grant access to these networks. The recommendation basically requires regulated access to physical infrastructure on a wholesale basis and in the broadband-access market. The European Commission expects current rate and access regulations developed for copper networks to also be applied to new fiber networks. This may cause a decrease in our revenues and may impact the extent and timing of our NGA build-out.

The German telecommunications regulatory framework implemented by the Federal Network Agency (*Bundesnetzagentur*) has a particularly significant impact on our domestic business. So far, we have been exempted from regulation on the basis of a loss of significant market power in markets of relatively minor importance only, such as the market for fixed-line international calls.

Additionally, since we are offering mobile and fixed-line triple-play services (triple-play includes high-speed Internet access, communications services and entertainment offerings), media regulation may become increasingly important to our business. This regulation might restrict our ability to provide media services, including the delivery of content, and could also result in additional costs for technical implementation measures needed to comply with increased regulation.

Mobile Telecommunications Operations

Regulatory authorities supervise our mobile telecommunications operations in the countries in which we operate. We expect a tightening of regulatory control in the area of mobile telecommunications, with a probable negative effect on pricing and revenues, for example as a result of further reductions in international roaming charges for the wholesale and retail voice market, international data and SMS roaming charges, call termination charges and possible access regulation in some markets. In Europe, NRAs and various EU bodies have the power to regulate based on market investigations or reviews.

With respect to international roaming charges, an EU-wide regulation, valid until June 2012, is presently in place and – accompanied by transparency measures – sets price ceilings for retail voice, retail SMS and wholesale voice, SMS and data tariffs. The European Commission is currently planning new measures to be implemented beyond 2012 with lower price ceilings supported by the slogan "roam like home", an inclusion of retail data and structural measures to foster competition. This expansion of existing regulation has an additional negative effect on our roaming revenues.

Mobile call termination charges are also subject to regulatory measures in countries with mobile telecommunications operations that can have a negative effect on revenues. Various reviews of call termination rates and court proceedings relating to regulatory measures are pending in several of those markets. The European Commission intends to further reduce the termination rates significantly and has therefore issued a recommendation that defines details for the calculation of termination rates by the NRAs. The recommendation was adopted in May 2009 and has to be fully applied from 2013 at the latest. Any reductions in termination rates may have an adverse effect on the profitability of our mobile telecommunications operations in Europe.

Our operations in the United States are regulated primarily by the Federal Communications Commission ("FCC") and by various other federal, state and local governmental agencies. These governmental agencies may also exercise jurisdiction over mobile telecommunications operators. The FCC is continually considering whether to establish new rules and policies, many of which, if implemented, could impose significant costs and burdens on our business. The most significant areas of concern include whether the FCC makes available additional spectrum for next generation wireless offerings in a reasonable timeframe and ensures that existing spectrum holdings remain free and clear of any radio interference.

The FCC passed a new regulatory order for mobile and fixed-network broadband access for Internet services on December 21, 2010. It is focused on ensuring transparency regarding network management practices, performance and the commercial terms of broadband Internet access services, prohibiting the blocking of access to lawful content by mobile and fixed-network broadband Internet access providers, and prohibiting unreasonable content discrimination by providers of fixed-network broadband Internet access. In addition, the regulator is allowing use-dependent pricing and requires that every provider of broadband Internet access manages its network sensibly in the future and protects it against overloads and abuse.

In addition, many state and local governments regulate various aspects of wireless operations, affecting our business practices and the carrier-customer relationship. In particular, consumer regulation at the federal or state level can impact a variety of carrier practices in this area including for example early termination fees, trial periods, billing practices and marketing. Any state or federal regulation could have a potentially adverse effect on our mobile telecommunications business in the United States, as would any failure to comply with applicable regulations. Some U.S. states have taken actions to regulate various aspects of wireless operations including customer billing, termination of service arrangements and advertising. Any of those agencies could adopt regulations or take other actions that could adversely affect our business. If we fail to comply with applicable regulations, we may be subject to sanctions, which may have an adverse effect on our mobile telecommunications business in the United States.

Fixed-Network Operations

We believe that, for the foreseeable future, the Federal Network Agency is likely to consider us a provider with significant market power in various German markets for public voice telephony services in the fixed-line network and in other markets, including most of those in which we held monopoly rights in the past. Access and price regulation apply primarily to telecommunications services that are considered to involve an operator with "significant market power." As a result, we expect that the strict regulatory provisions of the German Telecommunications Act relating to providers with significant market power will continue to be applied to our activities in those markets. Considering that in many markets our competitors are unlikely to gain significant market power in the near future, we expect that we will have to compete in important markets with providers not subject to these regulatory obligations. Therefore, these competitors may be expected to have more flexibility than we have in terms of the types of services offered and customers served, pricing and the granting of network access.

The Federal Network Agency recently issued two decisions concerning the regulation of NGAs. On September 17, 2010, the Federal Network Agency decided that very high-speed digital subscriber line ("VDSL") and fiber to the home ("FTTH") access forms part of the regulated wholesale regime for digital subscriber lines ("DSL"). Ethernet based bitstream access will also be subject to regulation. In order to implement the decision, we must submit an amended reference offer. Related tariffs will be subject to ex-post price controls. In September 2010, the Federal Network Agency also published a draft decision concerning access to the local loop. This draft confirms the existing scope of our obligations but in addition foresees the expansion of regulation to include pure fiber-optic access to unbundled local loops ("ULLs"). FTTH wholesale products will be subject to ex-post price controls. The final decision will be published after consultation with the European Commission. The extension of the scope of our obligations will make it easier for competitors to offer products at our expense, which could have a negative impact on our revenue and results of operations.

We re-applied for rates for the ULL line on January 20, 2011. We expect a preliminary decision in the first half of 2011. The level of the ULL rate is a decisive factor in the profitability of our nationwide infrastructure in Germany. It also generates incentives for the further expansion of broadband, particularly the roll-out of new fiber-optic networks.

We are involved in a number of pending legal proceedings regarding decisions of the Federal Network Agency that concern access charges relating to the local loop. The Federal Network Agency's rulings on the ULL monthly charges from 1999 and on the ULL one-time charges from 2001 and 2002 have been revoked with final and binding effect. The Federal Network Agency must now decide again on these charges. The Federal Administrative Court has not formally stipulated preliminary rates with which the Federal Network Agency has to agree, so it is generally not clear whether and to what extent rates will be changed. The Federal Network Agency approved new one-time ULL rates for the period April 2002 through June 2003 in its decision dated January 19, 2011. Compared with the decision in 2002, the rates were reduced by between 3% and 8% for the most important rates, which relate to the provision of customer data to providers of telephone directory inquiry services and takeovers of existing lines, and between 11% and 15% for termination rates. The rates decision applied only for plaintiffs who prevailed in the court case. This is because, under the Telecommunications Act in its 2002 version, the rates only applied to individual agreements.

Our fixed-line subsidiaries in Southern and Eastern Europe are subject to regulatory provisions and risks that are similar to those affecting our fixed-line operations in Germany. For example, we are designated an operator with significant market power in most fixed-line markets in which we operate, including in Hungary, Slovakia, Croatia and Greece. The business impact of increased regulation on our subsidiaries in Southern and

Eastern Europe will depend on the way in which NRAs use their powers, and the extent to which our competitors take advantage of regulatory decisions designed to foster increased competition.

For further information regarding the matters discussed above and other aspects of the regulatory environments to which our businesses are subject, see "*Description of Our Business—Markets and Regulation*" and "*Legal Proceedings*."

We face intense competition in all areas of our business, which could lead to reduced prices for our products and services and a decrease in market share in certain service areas, thereby adversely affecting our revenues and net profit.

Germany

In Germany, fixed-line network voice telephony service revenues and prices have continued to decline, primarily due to intense competition and adverse decisions imposed by the NRAs, and also due to customers' ongoing substitution of mobile telecommunications and VoIP services for fixed-line usage.

Due to competitive pressures from cable operators and fixed-line carriers, we continued to lose market share in 2010. We expect a further increase in competition from cable operators, which are able to provide telecommunications services without having to build out their own network or lease access to our network. In particular, cable operators are increasingly offering product bundles that include telephone and broadband access lines in more regions throughout Germany. Competitive pressure is also increasing from competitors that have traditionally operated outside the telecommunications sector, such as major consumer electronics companies. Furthermore, the switch of mobile operators' focus from pure mobile services towards fixed-line offerings, regulatory actions by the Federal Network Agency and the increasing quality and acceptance of VoIP services will increase pressure on our market shares, revenues and margins.

Additional local and regional network operators are expanding their presence to include other major cities and regions. In the future, we could face even fiercer competition and lose further market share if our competitors were to combine their businesses.

Existing mobile substitution effects are intensified by the proliferation of Mobile Virtual Network Operators ("MVNOs"). Reduced prices for mobile telecommunications services (e.g., on the basis of lower flat rates without call-based charges and regulatory decisions regarding mobile telephony termination rates) could further increase pricing pressure on our fixed-line services. Furthermore, mobile operators are increasingly engaging in reselling DSL product bundles provided by other fixed-line operators, and this continues to have an adverse effect on our fixed-line network revenues.

The German markets for Internet access and portal services, especially within the broadband market, have been, and will continue to be, highly competitive and are increasingly saturated. Prices for broadband flat rates have been steadily declining. Our future competitive position in the broadband/fixed-network business in Germany will be affected by pricing, network speed and reliability, services offered, customer support and our ability to be technologically adept and innovative. The regulatory environment can also exert a significant influence on the level of competition. We expect that our competitors will continue to pursue new broadband customers aggressively. In the market for portal services and content, competition is also intense due to low barriers to entry. In addition, a weaker economy may increase pressure on our revenues and margins in these markets. Furthermore, recent regulatory decisions have required us to offer to our competitors an IP Bitstream Access product, which enables our competitors to expand their operations throughout Germany without building their own infrastructure.

Part of the challenge in the fixed-network business in Germany continues to be the improvement of our reputation for customer service while implementing cost-saving measures. If we do not continue to improve our customer service sustainably, there is a risk that we might not stop our overall continuing loss of fixed-network customers in the German market.

Competition in the German mobile telecommunications segment with established players such as Vodafone, E-Plus and O_2 is intensive and can be expected to increase further in the future. Growing competition is also fostered by resellers and "no-frills" operators, offering discount rates without significant minimum-contract term obligations. With our "Congstar" brand, we also participate in this market, primarily as a measure to prevent churn from our established "T-Mobile" premium brand.

In terms of the mobile share of "total telecommunications minutes", Germany consistently lags behind the European average. Although the number of "mobile minutes" is still growing in Germany, the respective growth rates have declined constantly since 2008. This makes it more difficult to compensate for price declines by higher usage.

As the German market for mobile telecommunications has become increasingly saturated, the focus of competition has been shifting from customer acquisition to customer retention, and increasing the quality and value of existing customers. Accordingly, if we are unable to offer increased quality and better value to our customers, our market share and revenues may not grow as we have anticipated in our plans.

Europe

Competition in the European mobile telecommunications markets run by our Europe operating segment is intense and can be expected to increase in the future. In addition to facing intense competition, our Southern and Eastern European companies face difficult economic conditions. Growing competition results, to a different extent in each regional market, from the market entry of alternative carriers (such as cable TV operators) or low cost carriers (such as MVNOs), technology shifts (such as IP-based telecommunications networks) and from market consolidation.

If prices for mobile telecommunications services continue to decline through competition and/or regulation more than anticipated and this decline is not compensated for by higher usage, planned objectives may not be achieved. In addition, mobile network operators' expansion of product offerings into the fixed-line sector may result in a competitive disadvantage for our mobile telecommunications operations in countries in which we offer only mobile communications services. Moreover, technologies such as W-LAN, WiMax and Voice over Internet Protocol ("VoIP"), which can be used with existing hardware and platforms, could drive voice and data traffic from mobile networks, which could lead to significant price and revenue reductions.

In Greece, risk exists in the area of infrastructure roll-out, including VDSL and FTTX (a broadband network architecture that uses optical fiber as all or part of the local loop). The Greek government announced an initiative to support a passive optical network across Greece that would provide open access to all fixed-network providers and, as a result, increase competition. The impact of this development on OTE and the related financial risk to us cannot be quantified at this point.

Demand for telecommunications services is still suffering due to unemployment, government austerity packages and tax increases. In particular, economic growth prospects for Greece, Croatia and Romania are uncertain. In Hungary, the government approved an act imposing a special telecommunications tax, which will be levied on annual net sales based on electronic telecommunications services. Any measures of public budget reorganization in countries facing recession and burdening additional taxes will decrease our planned results.

As European markets have become increasingly saturated, the focus of competition has been shifting from customer acquisition to customer retention, and increasing the quality and value of existing customers. Accordingly, if we are unable to offer increased quality and better value to our customers, our market share and revenues may not grow as we have anticipated in our plans.

United States

In the United States, each of T-Mobile USA's three main national competitors – AT&T, Verizon Wireless and Sprint/Nextel – is significantly larger than T-Mobile USA. Their scale could afford them significant structural and competitive advantages in this market. This situation presents T-Mobile USA with a long-term challenge to compete effectively in terms of pricing, products, coverage and the introduction of new technologies and services. Also, AT&T and Verizon continue to be better positioned to leverage economies of scale with regard to capital investments and marketing messages. Intense competition from various regional and other small national operators also exists in T-Mobile USA's markets. Some of these competitors operate using alternative business models that have the potential to negatively affect T-Mobile USA's ability to attract and retain customers, such as low-cost unlimited prepaid offerings from regional carriers Leap and MetroPCS, as well as Boost.

In addition to traditional competitors, the entrance and influence of manufacturers, service providers, cable providers and other new market participants, could put further pressure on the wireless industry in general and T-Mobile USA in particular.

The incumbent wireless industry is experiencing disruptive innovation on many fronts. For example, Apple transformed the device market with the launch of the iPhone, Clearwire hopes to transform the market with fixed mobile convergence and Google introduced its open-source Android operating system in 2008. While smartphone use is expected to continue to grow, tablet sales are beginning to gain traction. Apple launched its iPad tablets with AT&T in April 2010. Rapid penetration of smartphones and tablets will require carriers to invest in device subsidization and network improvements.

Despite the continued difficult economic context, the wireless industry is faring better than many industries (wireless spending is becoming less discretionary in the U.S.), but the industry is not immune from the cost-reduction efforts of consumers and changes in consumer creditworthiness. As the overall drop in customer growth intensifies, and price competition for contract customers becomes greater, comprehensive 3G coverage and quality as well as attractive "smartphone" offerings will be key to T-Mobile USA's sustained commercial success. Further, an adequate access to additional spectrum is essential for sustaining the 4G deployment as well as to service the projected exponential growth in data consumption. For T-Mobile USA and the market as a whole, there will continue to be considerable pressure toward consolidation.

Since T-Mobile USA is a significant contributor to our overall revenues and customer growth, a further slowdown or decline in the business of T-Mobile USA could have a material adverse effect on the attainment of the growth targets and profitability of our Group as a whole in 2011.

On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Systems Solutions

Our Systems Solutions business is subject to risks associated with the general and regional economies of its customers and the willingness and ability of its customers to invest in information and communications technology services and products. The ICT market is shaped by long sales cycles, severe competition and declining prices. The result is downward pressure on revenues and margins, which has been exacerbated by the global economic crisis.

The ICT market in our Systems Solutions operating segment is also experiencing intense competition, falling prices, restraint in the awarding of projects, and long sales cycles. Intense cost pressure in the private sector and particularly in the public sector means that the balance between differentiation (softening of price competition) and standardization (cost cutting) remains critical. This creates a potential risk of revenue losses and declining margins for T-Systems. On the one hand, the situation has fundamentally improved due to the economic upturn, especially in Germany. On the other, the market for big deals has become even more challenging, which could adversely affect T-Systems' ICT business.

Depending on the economic development and their impact on our customers in 2011, T-Systems will continue to be affected. For example, cost-cutting programs and postponement or cancellation of investments of our customers can have a negative impact on T-Systems' revenues and margins. In this business environment, further cost reductions will force T-Systems to rely on the development of lower cost near- and off shore capacities in both IT Outsourcing and the System Integration business.

In addition, the international growth potential of T-Systems may be constrained by its limited brand recognition in some national markets, at least compared to that of competitors who may be more established there, particularly as this relates to maintaining and increasing business with multinational companies outside of Germany. Additionally the relatively small size of some international T-Systems units may require expensive additional management resources from Germany.

If T-Systems' focus on multinational customers and its service offerings, such as dynamic services or cloud computing are not successful, T-Systems may lose market share to its competitors, suffer reduced revenues and incur losses.

For more information, see "*Description of Our Business*" and "*Development of Our Business*."

We may realize neither the expected level of demand for our products and services, nor the expected level or timing of revenues generated by those products and services, as a result of lack of market acceptance, technological change or delays from suppliers, which could adversely affect our cash flows.

There is a risk that we will not succeed in making customers sufficiently aware of existing and future value-added services or in creating customer acceptance of these services at the prices we would want to charge. There is also a risk that we will not identify trends correctly, or that we will not be able to bring new services to market as quickly or price-competitively as our competitors. These risks exist, in particular, with respect to our anticipated future growth drivers in the mobile telecommunications area, such as mobile data services or other advanced technologies (which are supported by advanced "smartphone" products), and in the fixed-line telecommunications area, such as triple-play services, which include telephone, Internet and television services.

Under the "Entertain" product name, we provide our customers in Germany with comprehensive triple-play offerings. The market acceptance for these new products and services could be negatively affected by an unwillingness to pay for additional features. Since the content and technology of the product are very complex, we may find it difficult to convey an understanding of the product's benefits to our customers via our traditional sales channels. In addition, some of our competitors offer similar or pared-down products. These factors could lead to a potential reduction of the perceived value of "Entertain" to our customers with adverse effects on our pricing models, revenues and profit margins.

Further, as a result of rapid technological progress, and the trend towards technological convergence, there is a danger that new and established information and telecommunications technologies or products may not only fail to complement one another, but in some cases may even substitute for one another. An example of this is VoIP, a technology that is already established in the business customer market. VoIP has now reached the consumer market as well and, as a technology that competes directly with traditional fixed-line telephony services, VoIP has the potential to reduce further our market share and revenues in our fixed-line business. The introduction of mobile handsets with VoIP functionality may also adversely affect our pricing structures and market share in our mobile voice telephony business. If we do not appropriately anticipate the demand for new technologies, and adapt our strategies and cost structures accordingly, we may be unable to compete effectively, with the result that our business activities, financial condition and results may suffer.

Some of our investments (such as in new spectrum licenses) to develop future products and services may involve substantial cash outlays with no certainty of market acceptance or regulatory non-interference with license requirements.

There is a risk that the return on our investments, in particular in new spectrum licenses and network infrastructure (*e.g.*, for 4G services), may negatively deviate from our plans. In addition to the negative impact on our cash flows, this could result in significant write-downs of the value of spectrum or other licenses or other network-related investments. In 2010, we purchased spectrum licenses in Germany through an auction by the Federal Network Agency for EUR 1.3 billion.

Should we face a continuously deteriorating economic climate, we may decide, or be required, to scale back capital expenditures. We believe that we have flexibility in terms of the amount and timing of our capital expenditure program, but a lasting reduction in capital expenditure levels below certain thresholds could affect our future growth, in particular in our mobile operations.

Failure to achieve our planned reduction and restructuring of personnel or our human resources-related cost-savings goals could negatively affect our reputation and the achievement of our financial objectives and profitability.

Staff restructuring within the Deutsche Telekom Group in Germany continued on a socially conscious basis in 2010. It was implemented essentially by means of voluntary redundancies, partial and early retirement, and employment opportunities for civil servants and employees offered by Vivento, especially in the public sector. In the future, we will continue to restructure our workforce as required. If it is not possible to implement the corresponding measures to the extent planned or not at all, this may have negative effects on our financial targets and profitability as well as our reputation.

The successful realization of any staff reduction program depends on a range of factors that are beyond our control, such as general developments in the labor market, the demand for our retrained labor force and the level of acceptance of the various severance offers and other voluntary reduction measures. If the planned staff reduction targets are not achieved, this would have a negative effect on our operating expenses and profitability.

As a result of dispositions of certain non-core businesses in Germany, there is an increased risk of return of civil servants transferred out of the Group, which could have a negative impact on our staff and cost reduction objectives.

Our employees who have civil servant status can, based on German civil service law, only be completely transferred to the buyer of a business from us in exceptional cases. Therefore, as a general matter, such transferred civil servants are placed on leave of absence while employed with the transferred business unit. Accordingly, in the event of termination of employment with the transferred business unit, there is a risk that such civil servants will return to the Deutsche Telekom Group. There are currently around 3,000 civil servants that can avail themselves of this right of return to the Deutsche Telekom Group. This risk of return can be reduced by an agreement on compensation payments, but it cannot be completely eliminated.

If further Group units employing civil servants are disposed of, the risk of additional civil servants returning after the end of their temporary leave may again increase. For further information regarding general human resources-related matters, see "*Directors, Senior Management and Employees*."

Alleged health risks of wireless communications devices have led to litigation affecting markets with our mobile telecommunications operations subsidiaries, and could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations and, as a result, adversely affect the financial condition and results of operations of our wireless services business.

Media reports have suggested that radio frequency emissions from wireless mobile devices and cell sites may raise various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing. The World Health Organization has declared that, on the basis of current scientific knowledge, there are no known adverse effects on health from emissions at levels below internationally recognized health and safety standards. However, we cannot provide assurance that research in the future will not establish links between radio frequency emissions and health risks.

Whether or not such research or studies conclude there is a link between radio frequency emissions and health, popular concerns about radio frequency emissions may discourage the use of wireless devices and may result in significant restrictions on the location and operation of cell sites by our mobile telecommunications subsidiaries and the usage of our wireless devices, telephones or products using wireless technology. Such restrictions on use could have material adverse effects on our results of operations.

T-Mobile USA is subject to current and potential litigation relating to these health concerns. Several class action and individual lawsuits have been filed in the United States against T-Mobile USA and several other wireless service operators and wireless telephone manufacturers, asserting product liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless mobile devices. The complaints seek substantial monetary damages as well as injunctive relief. To date, the cases filed against T-Mobile USA have been dismissed by the trial courts, although one class action case is pending on appeal. The defense of lawsuits alleging adverse health effects from wireless telephone use may divert management's attention, and T-Mobile USA may be required to pay significant awards or settlements and incur significant expenses in defending these lawsuits.

We do not know whether legislators, regulators or private litigants will refrain from taking other actions adverse to us, based on the purported health-related risks associated with radio frequency emissions. Any such litigation, legislation or adverse actions may result in additional costs and loss of revenues in our mobile communications businesses. For more information, see "*Legal Proceedings*."

We regularly engage in large-scale programs to reshape our information technology (IT) and network infrastructure to adapt to changing customer needs and organizational and accounting requirements. The implementation of any of these programs may require substantial investments and a failure to effectively plan and monitor them could lead to misallocations of resources and impaired processes with negative consequences for our operations.

Our IT and network resources and infrastructure represents our organizational and technical backbone. This infrastructure is the basis for innovative telecommunications products and services that we offer or plan to offer in the future. We implemented comprehensive programs in 2010 to adapt our IT systems and infrastructure to changing customer needs and our new organizational structure resulting from the consolidation of our fixed-line and mobile networks in Germany. We plan to continue these programs in 2011. In addition, we may be required to make substantial IT infrastructure investments in response to new accounting standards scheduled to be released in 2011.

Due to the enormous complexity of the implementation of this IT initiative, malfunctions, connectivity issues, implementation delays, inadequate planning and management and other unforeseen problems could result in costly process impairments and remediation, and possible extended down-times of IT processes. These problems could result in revenue losses and may frustrate the attainment of our goals in terms of cost savings and quality improvements.

In addition, one of our most important IT programs deals with the long-term development and implementation of a comprehensive IP platform that will support both fixed-line and mobile telephony services. This means that the traditional platform will be completely replaced by an IP-based system. Upon implementing this joint IP platform, we will be subject to risks inherent in all IT systems connected to the Internet, such as hacker attacks, "spam calls" and other disruptions. These risks could lead to a temporary interruption of our IT resources and, as a result, impair the performance of our technical infrastructure.

System failures due to natural or man-made disruptions and loss of data could result in reduced user traffic and reduced revenues and could harm our reputation and results.

Our technical infrastructure (including our network infrastructure for fixed-line network services and mobile telecommunications services) and data may be damaged or disrupted by fire, lightning, flooding and other calamities, technology failures, human error, terrorist attacks, hacker attacks and malicious actions (e.g., theft or misuse of customer data), and other similar events. We attempt to mitigate these risks by employing a large number of measures, including a comprehensive monitoring of our telecommunications networks, backup systems and protective systems such as firewalls, virus scanners, and building security. In addition, we have implemented a global business continuity management system at our corporate headquarters. We cannot, however, be certain that these measures will be effective under all circumstances, and that disruptions or damages will not occur. Disruption or damage to our infrastructure may result in reduced user traffic and revenues, increased costs, and damage to our reputation.

Shortcomings in our supply and procurement process could negatively affect our product portfolio, revenues and profits.

As a fully integrated ICT service provider, we cooperate with a wide range of different suppliers for technical components and assemblies, as well as for software and other goods and information important to the conduct of our business. Although we do not believe that we are materially dependent on any single supplier, our contractors may want to extend delivery times, raise prices and limit supply due to their own shortages or changing business and product strategies. Furthermore, our vendors may be subject to litigation with respect to technology that is important for the conduct of our business. Especially in times of economic turmoil, supply chains, credit access and financial stability of our vendors may be negatively affected, which could disturb our commercial relationship with them.

If our commercial partners fail to deliver quality products and services in a timely manner, the ensuing disruptions in our chain of supply could negatively affect our product portfolio, cost structure, revenues and profits. We take a variety of measures to shelter ourselves from these risks, but we cannot be sure that these measures will be effective under all circumstances.

We are continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain.

When finally concluded, they may have a material adverse effect on our results of operations and financial condition.

We are subject to numerous risks relating to legal and regulatory proceedings, in which we are currently a party or which could develop in the future. Litigation and regulatory proceedings, including patent infringement lawsuits, are inherently unpredictable. Legal or regulatory proceedings in which we are or come to be involved (or settlements thereof) may have a material adverse effect on our results of operations or financial condition. For information concerning some of the litigation in which we are involved, including with respect to Toll Collect, see "*Legal Proceedings*." For information concerning our regulatory environment, see "*Description of Our Business—Markets and Regulation*."

We face allegations of data misuse and flaws in our security systems. Despite diverse measures taken to protect customer data, damage to our reputation remains a significant risk, which may also affect our business.

The Bonn public prosecutor's office is still investigating the circumstances surrounding the illegal monitoring of phone calls and the theft of data relating to several million mobile customers. As a result of these events, we implemented several measures to further improve data security and transparency, including the creation of a new Management Board position relating to data privacy, compliance and legal affairs, which has the right to veto Management Board business decisions related to data privacy. The annual progress report, prepared by the Group Privacy Officer, was published in April 2010 and submitted to the Federal Commissioner for Data Protection, our Supervisory Board and the public. The Data Privacy Advisory Board advises our Management Board on all issues related to data privacy. The Advisory Board closely consults with leading data privacy experts from outside the Group with regard to the handling of customer and employee data, data privacy audits, IT security and the consequences of the introduction of new legal provisions. Data privacy contacts were nominated at each level of the organization to ensure an intense cooperation with our operating segments. Additionally, we established a dedicated website to keep the public informed of ongoing developments in this area. However, despite extensive testing by internal and external audits, there can be no assurance that the current investigations will not result in the imposition of additional remedial measures or that further breaches relating to our customer data will not materialize in the future.

Exchange-rate, interest-rate and rating risks have had, and may continue to have, an adverse effect on our revenue and cost development.

We are exposed to currency risks related to our international business activities. Generally, our Central Treasury hedges currency risks that may have an impact on our cash flows (known as a transaction risk), although there can be no guarantee that our hedging strategies will succeed. Currency risks may have a negative impact on our results of operations when amounts in local currencies are translated into euros, particularly in connection with U.S. dollar- and pound sterling-denominated results.

We are also exposed to interest-rate risks, primarily in the Euro and U.S. dollar currencies. Interest-rate risks arise as a result of fluctuations in interest rates affecting the level of interest payments due on indebtedness at variable rates in each of these currencies. Once per year, our Management Board specifies ratios of fixed and variable debt in these two currencies. Our Central Treasury then takes measures, using derivative instruments and other measures, to implement the interest-risk management decisions of the Management Board.

A decrease in our credit ratings below certain thresholds by various rating agencies would result in an increase in the interest rates on certain of our bonds and medium-term notes due to step-up provisions and could raise the cost of our debt refinancing activities generally. For more information, see "*Development of Our Business — Condensed consolidated statement of cash flows and reconciliation of free cash flow—Step-Up Provisions*".

We aim to place our deposits and financial investments at financial institutions that have good credit ratings. As a result of international M&A transactions, the deposits and investment portfolio of acquired entities may not always meet this requirement. In individual cases, we thus may face a risk of unplanned write offs.

Risky financial exposures to financial institutions by subsidiaries in Southern and Eastern Europe in particular exist on account of transfer restrictions or shareholder resolutions that are binding upon us. With our investment in OTE, exposures to credit risks associated with deposits with various, mostly regional banks in

Southern and Eastern Europe became part of our exposure. Our goal is to spread these exposures over time in order to achieve a higher degree of diversification.

Potential breaches of compliance requirements or the identification of material weaknesses in our internal control over financial reporting may have an adverse impact on our corporate reputation, financial condition and the trading price of our securities.

In general, compliance requirements for publicly-traded companies and, in particular, the investigation of potential breaches and corporate misconduct are increasing and leading to major financial implications for the companies concerned. At the same time, the legal framework governing the monitoring of companies is becoming more comprehensive, which increases the liability risks for executive bodies and associated costs.

While we believe that we have established an appropriate compliance organization to detect, assess, reduce and manage these risks, the global and diverse nature of our operations means that these risks and their related consequences will continue to exist. Although we intend to take prompt measures to remediate any identified shortcomings in our internal controls over financial reporting, activities of this kind may involve significant effort and expense, and disclosure of any failures, material weakness or other conditions, may result in a deterioration of our corporate image and negative market reactions.

Risks Related to the Sale of T-Mobile USA

We can offer no assurance that the sale of T-Mobile USA will close, and the failure of the transaction to close may have adverse effects on the market for and ratings of the Notes, as well as our business operations.

The closing of our sale of T-Mobile USA to AT&T is subject to the satisfaction of a number of conditions, some of which are beyond our control. In particular, the transaction is subject to the receipt of approval by the Federal Communications Commission and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act of 1976, as amended. Opposition to the transaction from some constituencies is anticipated. Under the terms of the Stock Purchase Agreement, AT&T and we each have the right not to proceed with the sale under certain specified circumstances, including the imposition of certain conditions on the transaction that relevant regulators may impose. You have no rights under the Stock Purchase Agreement, and we reserve the right not to proceed with the sale, as well as to terminate, modify or waive the Stock Purchase Agreement or the Stockholder's Agreement, or both, in whole or in part. The failure of the sale to close may have adverse effects on the market for and ratings of the Notes. If the sale does not occur, for example, we will not be able to apply any part of the anticipated proceeds of the sale to the reduction of our indebtedness, and we will need to continue dealing with the increasing challenges facing our U.S. mobile business. You should consider carefully the risks for us and holders of the Notes should the transaction not be completed as we currently intend, including timing risks associated with the regulatory review process and the risks the transaction will not proceed as planned.

The consummation of our planned sale of T-Mobile USA to AT&T will substantially reduce the size and diversity of our global mobile telecommunications business, which may have adverse effects on us.

We acquired the predecessors of T-Mobile USA intending to, among other things, participate in the growth of the U.S. mobile telecommunications market and achieve greater economies of scale. With the sale of T-Mobile USA, we will exit the U.S. mobile telecommunications market, other than through our holding of a minority interest in AT&T, and will forego certain economies of scale (e.g., in mobile equipment purchases). Revenues from T-Mobile USA (approximately 25.8% of our consolidated group revenues in 2010) will no longer be available to us. Our geographic footprint will be almost entirely in Europe, and the currency diversification of our revenue streams will diminish (with a concomitant increase in our percentage of exposure to the Euro, the Eurozone and the economies of Eastern Europe).

The portion of the T-Mobile USA sales price consisting of AT&T common stock is subject to downward adjustment and changes in the form of consideration.

The Stock Purchase Agreement provides that after the aggregate amount ascribed under the Stock Purchase Agreement to specified adverse effects associated with the regulatory approval process for the sale of T-Mobile USA exceeds $3.9 billion, the stock component of the purchase price is to be reduced to reflect a portion of those adverse effects, in accordance with the Stock Purchase Agreement and subject to our right to share in certain divestiture proceeds. The portion of the consideration to be paid to us in AT&T common stock is also subject to reduction for closing indebtedness and any pre-closing distributions in excess of agreed amounts of pre-closing cash flow, given specified spending levels. In addition, AT&T has the right under the Stock Purchase Agreement to increase the cash portion of the purchase price by up to $4.2 billion and decrease the number of AT&T shares to be issued based on the dollar amount of such increase and the volume-weighted average price of AT&T's common stock over an averaging period, subject to the result of such election being that we receive no less than 5% of AT&T's issued and outstanding common stock after giving effect to the issuance of the shares.

The pendency of the transactions contemplated by the Stock Purchase Agreement may have adverse effects of the T-Mobile USA business.

As a result of our entering into the Stock Purchase Agreement, T-Mobile USA will be operating in an uncertain environment until the transactions contemplated by the Stock Purchase Agreement are consummated or closed. As a result of this uncertainty, it is possible that relationships with customers, suppliers, business and strategic partners, employees and officers may be adversely affected. While we have committed to use commercially reasonable efforts to preserve such relationships and to have T-Mobile USA operate in the ordinary course, no assurance can be given that such efforts will be successful.

Risks Related to the Notes

Our credit ratings may not reflect all risks of an investment in the Notes.

The credit ratings ascribed to us and our outstanding debt securities are intended to reflect our ability to meet the payment obligations under our outstanding debt securities, and may not reflect the potential impact of all risks related to structure and other factors on the value of our outstanding debt securities or the Notes. In addition, actual or anticipated changes in our credit ratings will generally affect the market value of debt securities we have issued.

Many factors may adversely affect the trading market, value or yield of the Notes.

There may not be any trading market for the Notes and factors beyond our creditworthiness may affect the trading market for and value of the Notes.

We cannot assure you that a trading market for the Notes will develop or be maintained. We intend to apply to list the Notes on the regulated market of the Luxembourg Stock Exchange, but a listing on a stock exchange or other trading market does not imply that a trading market will develop or continue. If we are unable to list the Notes pricing information for them may be more difficult to obtain, which may make them less liquid.

In addition to our own creditworthiness, many other factors may affect the trading market for, and market value of, the Notes. These factors include:

- the method of calculating principal, premium and interest;
- the time remaining to the maturity;
- the outstanding amount of our debt securities – our debt covenants and fiscal agency agreements for our debt securities do not limit the amount of debt securities we may issue or guarantee;
- redemption or repayment features; and
- the level, direction and volatility of market interest rates generally.

In addition, if you decide to sell the Notes, there may be a limited number of buyers (if any) or there may be a surplus of debt securities of other issuers available with similar credit, maturity and other structural characteristics. This may affect the price you receive for the Notes or your ability to sell them at all. You should not purchase the Notes unless you understand and know you can bear the related investment risks.

Redemption may adversely affect your return on our debt securities.

The Notes are, or may become, redeemable at our option and we may choose to redeem them at times when prevailing market interest rates are lower than the interest rates on the Notes. In addition, the Notes are subject to mandatory redemption and we may be required to redeem them at times when prevailing interest rates are relatively low. As a result, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. Our redemption right may also adversely affect your ability to sell the Notes as their redemption date approaches.

Direct creditors of Deutsche Telekom's subsidiaries will generally have superior claims to cash flows from those subsidiaries.

In recent years, an increasing proportion of Deutsche Telekom's net revenue has been generated by its subsidiaries, particularly in the mobile sector. It may be that we will increasingly depend upon earnings and cash flows from Deutsche Telekom's subsidiaries to meet obligations under our debt securities, including the Notes. Deutsche Telekom has the ability to restructure its operations to cause operating assets currently held directly by Deutsche Telekom AG to be held by one or more subsidiaries. For example, in 2010, Deutsche Telekom AG transferred its fixed-line operations in Germany into a wholly-owned subsidiary, Telekom Deutschland GmbH. Because the creditors of any subsidiary of Deutsche Telekom AG would generally have a right to receive payment that comes before the parent company's right to receive payment from the assets of that subsidiary, holders of the Notes will be effectively subordinated to creditors of those subsidiaries insofar as cash flows from those subsidiaries are relevant to servicing our debt securities. The Agreement does not limit the amount of liabilities that Deutsche Telekom or its subsidiaries may incur. In addition, certain subsidiaries of Deutsche Telekom are or may be subject to contractual restrictions or regulatory requirements that would limit their ability to pay dividends. Furthermore, insofar as we act as a lender to subsidiaries in which there are third-party shareholders, we may face conflicts of interest in our capacities as lender and shareholder, and may indirectly benefit shareholders who do not participate in extending such financing.

The Notes do not contain financial covenants, change in control provisions or similar limitations on our flexibility.

The Agreement does not contain any covenants or other provisions designed to protect holders of the Notes against a reduction in the creditworthiness of Deutsche Telekom or Finance. It also generally does not contain covenants or other provisions that would prohibit us from increasing our indebtedness or prohibit us or our affiliates from engaging in other transactions that might adversely affect holders of the Notes, including transactions involving a change in control over the relevant issuer or the guarantor or a business combination, acquisition or divestiture. We may at any time be engaged in discussions concerning, or otherwise acting in furtherance of, such transactions, which may be material.

The Notes will be subject to specific restrictions on transfer.

The Notes are being offered in reliance upon an exemption from registration under the Securities Act and applicable state securities laws of the United States. As such, the Notes may be transferred or resold only in a transaction registered under or exempt from the Securities Act and applicable U.S. state securities laws. These restrictions on transfer may have a material adverse effect on the ability of any holder of the Notes to transfer such Notes.

Investors may experience difficulties in enforcing civil liabilities.

Deutsche Telekom AG is incorporated in Germany and Finance is organized in The Netherlands. The majority of their directors and management (and certain of the parties named in this document) reside outside the United States, and all, or a substantial portion of, Deutsche Telekom AG's, Finance's and such persons' assets are located outside the United States. As a result, it may not be possible for investors to effect service of process upon Deutsche Telekom AG, Finance or such persons within the United States, or to enforce against Deutsche Telekom AG, Finance or such persons in the United States judgments obtained in the U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

Corporate disclosure in Germany may differ from that in the United States.

There may be less publicly available information about German public companies, such as Deutsche Telekom, than is regularly made available by public companies in the United States and in other jurisdictions. In 2010, we delisted our American Depositary Shares ("ADSs") from the New York Stock Exchange ("NYSE") and deregistered with the U.S. Securities and Exchange Commission ("SEC") all of our securities, including our equity securities and all classes of debt securities issued by Finance and guaranteed by Deutsche Telekom. Finance also deregistered all classes of its securities with the SEC.

USE OF PROCEEDS

We estimate the net proceeds from the sale of the Notes to be approximately $1,244,927,500 after deducting from the gross proceeds underwriting commissions of $3,125,000 and other expenses of the offering payable by us, which are estimated to be $685,000. We intend that the net proceeds will be on-lent by the Issuer to Deutsche Telekom group companies and used for general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

Deutsche Telekom AG

The following table sets forth, on a consolidated basis, the cash and cash equivalents, current financial liabilities, non-current financial liabilities, shareholders' equity and capitalization of Deutsche Telekom and its consolidated subsidiaries in accordance with IFRS, as adopted for use in the EU by the European Commission, as at December 31, 2010 and as adjusted to reflect the sale of the Notes in this offering.

	At December 31, 2010	
	Actual	**As adjusted**
	(millions of €) (Unaudited)	
Cash and cash equivalents[1]	**2,808**	**3,689**[5]
Current financial liabilities[2]	**11,689**	**11,689**
Non-current financial liabilities		
Bonds	31,453	32,334[5]
Liabilities to banks	3,718	3,718
Lease liabilities	1,792	1,792
Promissory notes	1,164	1,164
Total non-current financial liabilities[3 4 5]	**38,127**	**39,008**
Shareholders' equity:		
Issued capital	11,063	11,063
Capital reserves	51,635	51,635
Other shareholders equity	(19,670)	(19,670)
Total shareholders' equity	**43,028**	**43,028**
Total capitalization	**81,155**	**82,036**

1. In January 2011, Deutsche Telekom paid EUR 1.4 billion to Elektrim and Vivendi to secure full, undisputed ownership of PTC and to settle all legal disputes between the parties.
2. All current and non-current financial liabilities are unsecured.
3. In accordance with Postreform II (§ 2 (4) of the Post Transformation Act - *Postumwandlungsgesetz*), the Federal Republic is guarantor of all of Deutsche Telekom's liabilities which were outstanding at January 1, 1995. At December 31, 2010, this figure was a nominal EUR 2.0 billion.
4. Subsequent to December 31, 2010, Finance has an additional EUR 0.7 billion of commercial paper outstanding.
5. The Euro equivalent of the Notes offered hereby is based on a U.S. dollar/Euro exchange rate of USD 1.4141 = EUR 1.00 as of April 1, 2011, as published by the European Central Bank.

Except as disclosed in this offering memorandum, there has been no material change in the capitalization of Deutsche Telekom since December 31, 2010.

Deutsche Telekom International Finance B.V.

The following table shows the capitalization of Finance in accordance with IFRS, as adopted for use in the EU by the European Commission, as at December 31, 2010 and as adjusted to reflect the sale of the Notes in this offering.

	At December 31, 2010	
	Actual	**As adjusted**
	(millions of €) **(Unaudited)**	
Cash and cash equivalents	**0**	**0**
Current financial liabilities[1]	**5,522**	**5,522**
Non-current financial liabilities[1 2]		
Bonds	26,772	27,653[3]
Liabilities to banks	387	387
Total non-current financial liabilities	**27,159**	**28,040**
Shareholders' equity:	**154**	**154**
Total capitalization	**27,313**	**28,194**

1 All current and non-current financial liabilities are guaranteed and unsecured.
2 Subsequent to December 31, 2010, Finance has an additional EUR 0.7 billion of commercial paper outstanding.
3 The Euro equivalent of the Notes offered hereby is based on a U.S. dollar/Euro exchange rate of USD 1.4141 = EUR 1.00 as of April 1, 2011, as published by the European Central Bank.

Except as disclosed in this offering memorandum, there has been no material change in the capitalization of Finance since December 31, 2010.

DESCRIPTION OF OUR BUSINESS

Group organization

Overview of business activities.

We are one of the world's leading service providers in the telecommunications and information technology industry. We have an international focus and are represented in around 50 countries throughout the world. In 2010, over half of our revenue, or EUR 35.1 billion, was generated outside of our home market of Germany. As of December 31, 2010, we employed 246,777 people.

Our activities are guided by major trends in technology and society. We offer network access as well as communication and value-added services with ever-expanding bandwidths, thus promoting personal and social networking with innovative products and services. Our fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers. Our mobile communications business offers mobile voice and data services to consumers and business customers. When marketing these services, we also sell mobile handsets and other hardware. In addition, we sell mobile services to resellers and to companies that buy network services and market them independently to third parties (mobile virtual network operators, or MVNOs).

In addition to our core business (traditional fixed-network and mobile access business), we are specifically tapping new growth areas with investments in intelligent networks and our portfolio of IT, Internet and network services.

In 2010, we merged the formerly independent business units for fixed-network (T-Home) and mobile communications (T-Mobile) in Germany into a single legal entity. The "T" is our Group brand and will also be an integral part of the brand identity for our foreign shareholdings in the future. In addition, we similarly merged our fixed-network and mobile operations in Hungary, Croatia, Montenegro and Slovakia.

T-Systems, our corporate customer arm, is focused on business involving network-centric ICT solutions, with offers combining IT and telecommunications services. T-Systems supplies complete solutions for companies with operations worldwide. In addition, it is focusing on services such as cloud computing and IT solutions for sectors that are undergoing major changes such as energy, healthcare, media distribution and automotive.

Organization

We have four operating segments:

- Germany: The Germany operating segment comprises all fixed-network and mobile activities in Germany. In addition, the Germany operating segment provides wholesale telecommunications services in Germany for the Group’s other operating segments.

- Europe: The Europe operating segment encompasses all of our fixed-network and mobile operations in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as our joint venture in the UK. It also includes the International Carrier Sales and Services unit, which mainly provides wholesale telecommunications services for the Group’s other operating segments.

- United States: The United States operating segment combines all our mobile activities in the U.S. market.

- Systems Solutions: The Systems Solutions operating segment bundles business with ICT products and solutions for large multinational corporations under the T-Systems brand. The operating segment offers its customers information and communication technology from a single source. It develops and operates infrastructure and industry solutions for multinational corporations and public institutions. The products and services offered range from standard products and IP-based high-performance networks through to complete ICT solutions.

Group Headquarters & Shared Services comprises all Group units that cannot be allocated directly to one of the four operating segments and includes the Technology and Innovation Board department. Group Headquarters is responsible for strategic and cross-segment management functions. Shared Services is responsible for all other operating functions not directly related to the operating segments' core business activities and primarily provides services in Germany. Vivento is responsible for providing employees with new employment opportunities as part of our workforce restructuring program. Shared Services also includes Real Estate Services and DeTeFleetServices GmbH, a full-service provider of fleet management and mobility services.

On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Changes in the consolidated group

The principal subsidiaries of Deutsche Telekom AG are listed in the notes to the consolidated financial statements as of and for the year ended December 31, 2010 in the section "Summary of accounting policies" under "Principal subsidiaries." In addition to Deutsche Telekom AG, 64 German and 177 foreign subsidiaries are fully consolidated in our consolidated financial statements (December 31, 2009: 62 and 182). In addition, 13 associates (December 31, 2009: 12) and 5 joint ventures (December 31, 2009: 5) are included using the equity method.

The main business combinations and other transactions in 2010 are described below.

- On November 19, 2009, we signed an agreement with Freenet AG to acquire 100% of the shares in the Web hosting provider STRATO AG and STRATO Rechenzentrum AG, or STRATO. We obtained control of STRATO as of January 1, 2010. STRATO is a leading Web hosting provider in Germany, especially for consumers and small business customers. In addition to its German core market, it also operates in Spain, the Netherlands, France, the United Kingdom, and Italy.

- Through our venture capital company, T-Venture, we previously held 20.2% of the shares in Firstgate since 2006. Firstgate is an Internet payment service provider, best known for the ClickandBuy brand. On March 23, 2010, we signed an agreement with the former shareholders in the Internet payment service provider Firstgate for the acquisition of their remaining shares. We 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.

- On April 1, 2010, we and France Télécom S.A. merged T-Mobile UK and Orange UK into a joint venture. The two shareholders each hold a 50% stake in the joint venture, which is called Everything Everywhere. Following the establishment of the joint venture, the assets and liabilities of T-Mobile UK have no longer been shown in our consolidated statement of financial position since April 1, 2010. In addition, T-Mobile UK's income statement has no longer been included in our consolidated income statement since the same date. Instead, the joint venture is included in our 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.

In 2008 and 2009 we obtained control of Hellenic Telecommunications Organization S.A., Athens, Greece ("OTE") as described below.

In 2008, we acquired a holding of 25% plus one share in OTE. In addition, we entered into a shareholders' agreement with the Hellenic Republic granting us the possibility of controlling OTE's financial and operating policies, as defined by IAS 27, following the completion of all necessary steps of the transaction. To this end, we and the Hellenic Republic entered into a share purchase agreement in 2008, under which we additionally granted the Hellenic Republic two put options for an additional 5% (put option I) and 10% (put option II) of the shares of OTE. The Hellenic Republic exercised put option I in July 2009. Put option II can be exercised at market price plus a premium of 15% until December 31, 2011.

As a result of the aforementioned transactions, Deutsche Telekom holds a stake in OTE of 30% plus one share. The changes to OTE's Articles of Incorporation necessary for full implementation of the shareholders' agreement were approved at the extraordinary shareholders' meeting of OTE in February 2009. Consequently, Deutsche Telekom has taken control of 50% plus two voting shares and therefore controls the company's financial and operating policies.

Prior to the implementation of the shareholders' agreement in February 2009, we accounted for our investment in OTE using the equity method. Upon implementation of that agreement, we fully consolidated OTE for the first time. As part of the first-time full consolidation of OTE, put option II was recognized as contingent consideration, and as a result, the interest attributable to us amounts to 40% plus one vote.

Market and Regulation

The Telecommunications Market

Our business in 2010 was impacted by strong competition and intensified regulatory intervention, which resulted in price erosion.

The improvement in the global economy and the slight increase in consumer demand in most of our core markets were able to support the business environment only to a limited extent. As a result of the intense pressure on individual countries to improve their public finances, some of them raised existing or imposed new taxes on telecommunications companies in 2010. This had a negative impact on both consumer consumption and on our business operations. In addition, we believe that the economic crisis will continue to impact the telecommunications markets in Southern and Eastern Europe in 2011. We believe that some governments will attempt to improve their financial situation through fiscal policy intervention.

Germany

Total revenue from telecommunications services in Germany decreased by more than 1% in 2010 to approximately EUR 61 billion. Fixed-network revenue declined 3.5% in 2010. Mobile communications revenue partially compensated for this decrease with a slight revenue increase of 0.8%.

In 2010, prices for fixed-network and mobile telecommunications services declined 2.0% compared to 2009. Prices for fixed-network and Internet services declined by 1.8%, while prices for mobile voice and data connections were down 2.8%.

Germany's fixed-network market continued to be subject to major changes in 2010. Over 90% of voice minutes were covered by flat-rate plans, while the share of voice minutes attributable to call-by-call and carrier pre-selection declined further. The number of fixed-network lines remained approximately the same, while the number of fixed-network broadband lines in Germany increased by around 1.3 million to just under 26 million. Cable operators are the main beneficiaries in this situation, since they can offer high bandwidths, sometimes of up to 128 Mbit/s, as well as integrated products (telephony, Internet, and TV). In terms of user figures, cable companies posted growth rates of approximately 26% in 2010.

The expansion of the fiber-optic network is becoming increasingly important for Germany. We are contributing to this build-out in some German cities, for example, where we have started laying fiber right into the homes of our customers.

Despite intense and predatory competition, the mobile communications market in Germany saw slight growth in 2010. Regulatory decisions like the one to lower termination charges will play an increasingly important role in the development of the market. This is the reason mobile communications providers are placing greater emphasis on customer loyalty and value-driven growth among contract customers. Service revenues in the overall market grew year-on-year in 2010. This is mainly due to mobile data growth, which is a result of the ever increasing popularity of smartphones. To meet the rising demands in the mobile network, Germany already has 69,258 cell sites, of which Deutsche Telekom alone operates around 25,000.

The new LTE frequency was auctioned in May 2010. LTE, or Long Term Evolution, is 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. Since May 2010, telecommunications providers across Germany have begun to roll out the new mobile communication standard. We started in June 2010, rolling out LTE in Brandenburg, Lower Saxony, Baden-Württemberg, and Bavaria.

Telecommunications companies continue to extend the range of products and services they offer to their customers. We, too, are entering into new areas of business, including automatic machine-to-machine data exchange, intelligent network structures and new service offerings for electronic data transfer, such as De-Mail.

Europe

The telecommunications markets in the countries of our Europe operating segment were also dominated by intense competition, which put further pressure on retail prices. In addition, revenues were negatively impacted by the reduction in termination charges imposed by regulatory authorities. Telecommunications companies in most of the Southern and Eastern European countries assigned to the Europe operating segment were strongly impacted by government and regulatory decisions.

Even though the mobile communications markets in our Europe operating segment are largely saturated, market penetration increased in nearly all countries. The only markets where it remained low were Greece and the Netherlands. In the case of Greece, this was due to a new national regulation requiring prepay customers to be registered immediately. In the Netherlands, market penetration was lower because T-Mobile Netherlands deregistered inactive prepay customers.

Further line losses in the traditional fixed-network business were registered in all countries in the Europe operating segment in 2010, though the decline was slightly less marked than in the previous year. The broadband business, by contrast, is still growing, albeit at a slower pace in 2010. Broadband coverage varies from country to country. The need for greater bandwidth continues to grow on the strength of business areas such as IPTV.

United States

The U.S. wireless market as a whole continues to expand, as growth in data revenues more than offsets declines in voice revenues. The market is divided among four national operators (AT&T Wireless, Verizon Wireless, Sprint, and T-Mobile USA) and several regional operators. In addition to the network operators, there are a number of MVNOs that are using the networks of one or several of the four national operators. The two largest operators, AT&T Wireless and Verizon Wireless, achieved especially strong revenue growth and healthy margins in 2010. This was driven by strong growth in smartphone adoption and increasing average revenue per contract customer. Due to potential advantages through size, scale and their ability to bundle wireless service with other non-wireless communication services, AT&T Wireless and Verizon Wireless have an advantage in delivering services in a more cost-efficient manner and disproportionately increase their customer base, thereby negatively affecting T-Mobile USA's competitive position.

AT&T has had a competitive advantage over the past three years with the exclusive distribution of the Apple iPhone. However, this exclusivity ended in 2011 and distribution was expanded to include Verizon, giving Verizon a similar competitive advantage. It is not clear yet at which point T-Mobile USA might be able to distribute the iPhone in the future. Verizon and AT&T, in particular, achieved proportionately higher net customer additions in 2010, which, combined with pressure from the regional operators offering low-priced unlimited services resulted in a slight decline in T-Mobile USA's market share in 2010.

A major theme for the industry is the deployment of 4G networks. T-Mobile USA and AT&T have deployed HSPA+ networks. At the end of 2010, T-Mobile USA achieved HSPA+ coverage of 200 million members of the population. AT&T, which is believed to be behind T-Mobile USA in HSPA+ coverage due to a less advanced rollout of fiber backhaul, has announced that it will begin deploying LTE in 2011. Verizon Wireless started the rollout of LTE with coverage of 110 million members of the population reached by year-end. To date Verizon Wireless is only offering LTE dongles but it plans to introduce LTE smartphones in 2011. Sprint does not have its own 4G network but is relying on Clearwire, in which it has a non-controlling stake. At the end of 2010, the Clearwire network, which is based on WiMAX, covered approximately 110 million members of the population. Sprint has begun offering several WiMAX-capable smartphones.

Systems Solutions

Whereas 2008 and 2009 were marked by the global economic crisis, 2010 showed clear signs of recovery. Despite the general market recovery, companies remained under pressure to reduce their costs. Many companies were hesitant to implement the modernization and upgrading of their IT networks, while the project and infrastructure business recovered slowly. This trend impacted the individual segments of the market in very different ways.

Economic recovery had little effect on the telecommunications business, a market that experienced intense competition and severe price erosion, as in previous years.

The market for IT services began to grow again after the economic crisis subsided and the recovery in the outsourcing business in the area of Computing and Desktop Services is noticeable. This is not only due to the traditional outsourcing business, but also as a result of the success of cloud services, i.e., the provision of IT services over the Internet.

The IT project business also recorded slight growth in 2010 following a strong decline in 2009. The industry-specific systems integration business, driven by IT projects in the healthcare, energy and public sectors, recovered significantly faster than the standard project business in the fields of Enterprise Resource Planning, Customer Relationship Management and Supply Chain Management.

Demand on the whole is continuing to change. Whereas customers used to demand telecommunications products and IT services as separate services, now they increasingly want one-stop ICT solutions to improve their corporate processes and increase their efficiency. In particular, cloud services, embedded systems, and intelligent networks are increasingly transforming the market.

Regulation

Overview

Our operations worldwide, as well as those of our subsidiaries and affiliates, are subject to sector-specific telecommunications regulations and general competition law, as well as a variety of other regulations. The extent to which telecommunications regulations apply to us depends largely on the nature of our activities in a particular country, with the conduct of traditional fixed-line telephony services usually being subject to the most extensive regulation. Regulations can have a very direct and material effect on our overall business, particularly in jurisdictions that favor regulatory intervention.

The EU Regulatory Framework for Electronic Communications

General

EU Member States are required to enact EU legislation in their domestic law and to take EU legislation into account when applying domestic law. In each EU Member State, a national regulatory authority, or NRA, is responsible for enforcing the national telecommunications laws that are based on the EU telecommunications framework, or EU Framework. NRAs generally have significant powers under their relevant telecommunications acts, including the authority to impose network access and interconnection obligations, and to approve or review the charges and general business terms and conditions of providers with "significant market power." In general, a company can be considered to have significant market power if its share of a particular market exceeds 40%. NRAs also have the authority to assign wireless spectrum and supervise frequencies and to impose universal service obligations.

In December 2009, revisions to the 2002 EU Framework entered into force. Since the most significant part of our business is undertaken in the European Union, our operations are, to a large extent, subject to this EU Framework on telecommunications regulation. The revised EU Framework gives NRAs the power to separate the access network operations of providers with significant market power from the service business of such providers in certain circumstances, which is known as functional separation. This authority is meant to be a remedy of last resort, with high thresholds to be overcome before it can be employed. Whether the revised EU Framework will increase or decrease the regulatory burden on us will depend on how the revised regulatory framework will be applied by the relevant NRA. Member states have 18 months to implement the revised EU Framework and, as a result, we currently expect that the new legislation will come into force by mid-2011.

Special Requirements Applicable to Providers with Significant Market Power

The most significant impact on our business comes from the EU Framework's special requirements applicable to providers with significant market power. Obligations in relation to network access, price setting, separate accounting for interconnection services, publication, and non-discrimination, can be imposed on those operators that are designated by the relevant NRA as having significant market power in an electronic communications market. Such determinations are based on EU guidelines and EU competition case law. We have been designated as having significant market power primarily in most fixed-line markets in which we operate, as well as in mobile voice call termination markets.

In particular, an NRA may subject providers with significant market power, and their affiliates, to the following rules and obligations:

- The prior approval or retroactive review of charges, insofar as such charges and conditions relate to a market in which the provider holds significant market power.

- The obligation to offer other companies unbundled special network access (including interconnection) as well as access to certain services and facilities on a non-discriminatory basis.

In addition, providers with significant market power can be obliged to maintain segregated accounting systems with regard to access services. This obligation is intended to allow for transparency with respect to various telecommunications services in order to prevent, among other things, the cross-subsidization of services. In this regard, an NRA may specify the structure of a provider's internal accounting for particular telecommunications services, which can increase costs of compliance.

In addition to the Commission's recommendation, there is a separate EU regulation on unbundled access to the local loop, which became effective in January 2001. It contains the obligations to provide full unbundled access to copper-paired wire lines, as well as unbundled access to the high-frequency spectrum of those lines (line-sharing). Unbundling has led to a considerable loss of our market share. For more information regarding the effects of unbundling obligations, see "—German Telecommunications Regulation—Interconnection" below.

Next Generation Access Recommendation

On September 20, 2010, the European Commission issued its Recommendation on regulated access to Next-Generation Access Networks (NGA Recommendation), containing guidelines to be observed as far as possible by NRAs when obligating market-dominant companies to grant access to these networks. Its aim is to harmonize regulatory requirements in Europe. The object of the NGA Recommendation is general regulation of access to the physical network infrastructure at the wholesale level and in the broadband access market. Overall, the European Commission is providing for price and access regulation that was developed for the existing copper network to be applied to new fiber-optic networks.

Fixed and Mobile Termination Rate Recommendation

The European Commission recommendation on relevant markets from 2007 requires NRAs to analyze the call termination market in order to determine whether regulatory remedies need to be imposed. The European Commission intends to further reduce termination rates significantly. In May 2009, the Commission issued the recommendation on the regulatory treatment of fixed and mobile termination rates in the EU that defines details for the cost calculation of termination rates by the NRAs. With the recommendation, the Commission intends to harmonize cost standards for mobile termination rates throughout the EU. In this respect, the EU Commission stated the intention to reduce termination rates from EUR 0.03 EUR to 0.015 EUR per minute by the end of 2012, while also eliminating asymmetry between operators. Although the recommendation is not legally binding, NRAs have to give utmost account to the recommendation while still being able to reflect national circumstances. Mobile operators could therefore be subject to further pressure to lower termination rates in the future, which may have an additional negative impact on our revenues.

German Fixed-Network Telecommunications Regulation

German telecommunications regulation has a particularly significant impact on our business due to the size of our operations there. As in all EU Member States, German telecommunications regulation is based on the

EU Framework. German telecommunications regulation is mainly derived from the Telecommunications Act (Telekommunikationsgesetz).

We believe that, for the foreseeable future, the Federal Network Agency is likely to view us as a provider with significant market power in various German markets for public voice telephony services in the fixed network and in other markets, including most of those in which we held monopoly rights in the past. Additionally, we have been determined to be a provider with significant market power in the German market for mobile voice call termination. We expect that the strict regulatory provisions of the Telecommunications Act relating to providers with significant market power will be applied to our activities in those markets also in the future. Considering that in many markets our competitors are unlikely to gain significant market power in the near future, we expect that we will have to compete in important markets with providers not subject to those regulatory obligations. Therefore, these competitors may have more flexibility than we have in terms of the selection of services offered and customers served, pricing and the granting of network access.

Under the Telecommunications Act, tariffs for telecommunications access services offered by providers with significant market power and their affiliates can be subject to price regulation, insofar as the tariffs relate to a market in which significant market power has been determined to exist. Other tariffs are essentially unregulated. The tariffs of all providers in Germany are, however, subject to generally applicable EU and German laws, including competition law and consumer protection rules.

The Federal Network Agency has determined that we are a provider with significant market power for the markets for national fixed-to-mobile calls. In December 2007, the Federal Network Agency imposed on us the obligation to disclose to it any retail pricing measures within the market for national fixed-to-mobile calls (excluding VoIP services) two months before they become effective. National fixed-to-mobile calls for VoIP services are still subject to ex ante review. Therefore, in general, these obligations to provide pricing measures two months prior to effectiveness (excluding VoIP services) will delay our ability to react quickly to market changes.

Local Loop Access

We have been offering unbundled local loop access since 1998. We are obliged to publish a reference offer for access to unbundled local loop and prices require prior regulatory, or ex-ante, approval. By allowing competitors to connect to customer access lines within our local networks, unbundling of the local loop allows our competitors to gain direct access to customers without having to build local networks of their own. In this way, competitors are able to use our customer access lines to offer a wide range of local services directly to customers.

In September 2010, the Federal Network Agency issued a draft consultation paper for the regulatory order on ULLs. This essentially confirms the existing obligations for unbundled access to ULLs. The Federal Network Agency also intends to include pure fiber-optic access to ULLs in the existing regulatory regime on the basis of an ex-post obligation. With its appeal ruling in 2010, the Federal Administrative Court reimposed the obligation to grant access to dark fiber. On March 21, 2011, the Federal Network Agency issued the final regulatory order after the required consultation with the European Commission.

On March 31, 2011, the Federal Network Agency reduced the monthly unbundled local loop charges from EUR 10.20 to EUR 10.08. These charges are valid for the period from April 1, 2011 to June 30, 2013. On June 30, 2010, the Federal Network Agency decided to reduce the one-time activation (takeover of an existing line) charge for the ULL by approximately 14% to EUR 30.83 for the most common type of subscriber line (copper wire pair with high bit-rate use). The corresponding cancellation charges have been reduced between 20% and 27% as well. These one-time charges for the ULL are valid until June 30, 2012.

Since January 2001, we have been offering line sharing (using a single access line for multiple purposes, including sharing access with competitors) in accordance with EU requirements. On June 30, 2010, the Federal Network Agency increased the monthly rental charge for line sharing from EUR 1. 78 to EUR 1. 84 until June 30, 2012. Further, the Federal Network Agency decided on the one-time activation charges for the provision of line sharing, which were reduced to EUR 38.20.

Broadband Access – IP Bitstream

We are required to offer an IP Bitstream Access product in the wholesale-market and have therefore been required to offer unbundled broadband access to competitors since April 2008. According to a regulatory order, we must grant access to competitors to ducts or, alternatively, to dark fiber cable. On September 17, 2010, the Agency determined that the regulated wholesale service regime that applies to DSL will now generally also apply to VDSL and FTTH lines, as well as to Ethernet-based bitstream access. The standard offering must be adapted in line with the new order, with rates subject to ex-post control by the Federal Network Agency. The replication of VDSL products, in particular by our competitors using their own infrastructures, is therefore being made easier at our expense. This will have a negative impact on our revenue generation.

Other

The Federal Network Agency has also retroactively reviewed the rates charged by us for the provision of customer data to providers of directory inquiry services and the publishers of telephone and business directories to determine whether they are abusive. On July 19, 2010, it ruled that any charges exceeding EUR 1.6 million per annum for the provision of data are abusive. We have initiated legal proceedings against this decision. Until a court ruling has been issued, this decision of the Federal Network Agency is binding.

Southern and Eastern European Telecommunications Regulation

Our subsidiaries in Greece, Hungary, Romania, and Slovakia are subject to the same EU Framework as our fixed-line business in Germany. We also operate fixed-line networks in Croatia, the F.Y.R.O Macedonia and Montenegro. These countries are also orientating their regulatory frameworks towards the EU Framework. Therefore, all of our subsidiaries in Southern and Eastern Europe are generally exposed to a set of regulatory risks similar to those in Germany described above. Additional significant regulatory matters affecting specific subsidiaries are discussed below.

Mobile Regulation

Our subsidiaries in Germany, Austria, Bulgaria, Czech Republic, Greece, Hungary, Netherlands, Poland, Slovakia and Romania are all subject to this EU Framework. We also operate mobile networks in Croatia, the F.Y.R.O Macedonia, Montenegro and Albania. These countries are also orientating their mobile regulatory frameworks towards the EU Framework. All of our mobile subsidiaries are generally exposed to regulatory risks.

European Union

In July 2009, a new EU roaming regulation came into force and expanded the existing roaming regulation to SMS and data roaming services. This 2009 regulation will be valid until June 30, 2012. Besides additional reduction of wholesale and retail voice roaming tariffs, SMS roaming charges were reduced and price caps for wholesale data roaming tariffs and additional transparency measures have been introduced. This expansion of existing regulation has an additional negative effect on our roaming revenues.

The next phase of the EU Roaming Regulation entered into force on July 1, 2010. Since then, outgoing calls within the EU have cost EUR 0.39 plus VAT and incoming calls have cost EUR 0.15 plus VAT. The inter-operator tariff ("IOT") was reduced to EUR 0.22 plus VAT. Prices for text messages sent or received remained unchanged at EUR 0.11 and EUR 0.04 respectively, plus VAT. For data roaming, the IOT was reduced from EUR 1.00 to EUR 0.80. Also on July 1, 2010, a spending cap was introduced for all customers who did not expressly opt out. The data roaming connection is automatically interrupted once EUR 50 (net) is spent, until the customer actively confirms they want to continue using the connection and incur further costs. The future of the Roaming Regulation following the expiration of the current Regulation in July 2012 is currently being discussed by the EU. In its Digital Agenda for Europe, the European Commission issued the political goal of abolishing the differences between national and roaming rates by 2015.

Germany

The Federal Network Agency has the obligation to review markets every two years. On November 30, 2010, the Federal Network Agency provisionally approved the new rates for call termination in national mobile networks that are applicable from December 1, 2010. This involved cutting Vodafone and Telekom Deutschland

GmbH's previously asymmetric rates by around 50%, making them de facto symmetrical. The Federal Network Agency's rate ruling requires consultation throughout the EU and is expected to enter into force toward the end of the first quarter of 2011. These rates will expire on November 30, 2012.

In May 2010, Telekom Deutschland GmbH purchased spectrum at auction in the 800 MHz, 1.8 GHz, and 2.6 GHz frequency ranges and by the end of October 2010 had received assignment notices from the Federal Network Agency for all frequencies purchased. The coverage requirements stipulate for the 800 MHz range that network operators must start rolling out LTE in towns and communities that have very little or no broadband coverage. Broadband coverage is to be increased to 90% of the population in these gaps by early 2016. Roll-out is to be in stages based on the number of inhabitants, beginning with municipalities with populations of 5,000 or less. Other broadband coverage provided by us or other operators (e.g., DSL or UMTS) with a minimum transfer bandwidth of 1 Mbit/s also count toward meeting the requirements. Irrespective of this, however, each network operator must provide 50% of the population with 800 MHz broadband services by the start of 2016.

There are also roll-out requirements for the new frequencies in the 1.8 GHz and 2.6 GHz spectrum ranges: 25% population coverage by the beginning of 2014 and 50% by the beginning of 2016. As GSM and UMTS also count toward these coverage targets, Telekom Deutschland GmbH has already met these requirements.

United States

Our U.S. mobile operations, conducted through T-Mobile USA, are regulated by the FCC and by various other federal, state and local governmental bodies. Only the FCC has authority to regulate "rates and entry" by Commercial Mobile Radio Service ("CMRS") operators, while both the individual states of the United States and the FCC have authority to regulate "other terms and conditions" of CMRS. The FCC has refrained from regulating rates charged by CMRS operators. However, under its authority to license CMRS operators to serve the public, the FCC has imposed a number of requirements on operators, including, for example, rules for providing emergency 911 services, number portability, support for lawful electronic surveillance, and intercarrier compensation (payment of access charges for carrying and terminating traffic). In addition, the FCC issues and regulates CMRS spectrum licenses. Spectrum related to the Advanced Wireless Services (AWS-1) licenses granted in 2006 was occupied by incumbent commercial providers on the 2.1GHz band and Federal government agencies on the 1.7 GHz band. The 2.1 GHz incumbents relocation rules are governed by FCC regulation, whereas the 1.7 GHz incumbents relocation process is governed by the Commercial Spectrum Enhancement Act ("CSEA"). Access to the spectrum is tied to moving these entities away from using these spectrum bands, and has largely been accomplished at this point.

Other current U.S. regulatory issues that may significantly impact T-Mobile USA's business include:

- Open Access/Network Neutrality: The FCC has initiated several proceedings that propose the adoption of regulations to require wireless providers (and other telecommunications carriers) to "open" their networks to applications, devices, and services provided by third parties. These various proceedings involve a variety of issues, including text messaging practices, network provisioning, handset locking, exclusive arrangements with handset manufacturers, and the extent to which carriers may deny access to devices and applications based on their need to manage their networks. In December 2010, the FCC adopted a Report and Order imposing net neutrality obligations on broadband service providers, including mobile carriers. Of significance to T-Mobile USA, the Report and Order establishes two new rules for mobile broadband providers.

    - *Transparency*: Mobile broadband Internet providers must publicly disclose accurate information about their services, including network management practices and network, performance, and commercial terms to consumers; Internet content and service providers; applications developers; and device manufacturers.

    - *No Blocking*: Mobile broadband providers must not block access to lawful websites or applications that compete with voice or video services offered by the provider. The ban on blocking is subject to exceptions for actions that constitute "reasonable network management," including efforts to address network congestion and ensure network security.

    - While not prohibiting “pay-for-priority” agreements outright, the order finds such arrangements unlikely to satisfy the unreasonable discrimination ban. Broadband Internet access providers may continue to offer “tiered” pricing based on amount of data usage and/or speed, but the FCC will monitor these practices. Similarly, the FCC has also indicated it will monitor the consumer impact of “specialized services” offered by broadband providers over their last-mile networks (such as facilities-based VoIP or IPTV) even though such services are not currently subject to the network neutrality rules. The FCC notes that it includes in its definition of broadband Internet access service any service that is “used to evade the protections” of the net neutrality rules in an effort to prevent ISPs from using limited or specialized services to avoid the new rules. Thus, if the FCC determines that a mobile provider is offering a broadband Internet service to evade the protections of the rules (*e.g.*, avoid disclosure or blocking prohibitions), the FCC will closely scrutinize the offering and may ultimately revise its rules or take some other action to address the issue.

- Verizon and Metro PCS have already filed a lawsuit challenging the rules, which is highly likely to further delay certainty on the issue of net neutrality. In addition, some Congressional members have indicated that they will seek to prevent implementation of the rules. We are still evaluating the lengthy order, and cannot make a comprehensive assessment of its full impact, if any, on T-Mobile USA at this time.

- Special Access: High capacity circuits used by CMRS operators for transporting traffic between cell sites and local exchange carrier switching facilities are supplied in large part by the incumbent local exchange carriers. The FCC initiated a proceeding to reform special access provisioning in 2005. Since then, the issue has been raised in both concluded and pending local exchange carrier or interexchange carrier merger proceedings, although broad rules applicable to all local exchange carriers have yet to be established. In light of public comments and a report issued by the Government Accountability Office, the FCC imposed reporting, non-discrimination, and limited pricing relief conditions on the wireline companies involved in significant ILEC mergers. In 2007, however, the FCC granted several local exchange carriers pricing relief for certain next-generation broadband special access services, so prices for those specific services could rise. Special access costs are an increasingly large portion of T-Mobile USA’s annual operating expenditures, and the inability to secure special access circuits on cost-based and non-discriminatory terms could impose significant additional costs on T-Mobile USA’s business.

Group strategy

The strategies and expectations referred to in the following discussions are considered forward-looking statements and may be strongly influenced or changed by shifts in market conditions, new initiatives we implement and other factors. We cannot provide assurance that the strategies and expectations referred to in these discussions will come to fruition. Please refer to "Forward-Looking Statements" and "Risk Factors" for descriptions of some of the factors relevant to these discussions and other forward-looking statements in this offering memorandum.

Development of the Group's strategy

As part of our enhanced Fix – Transform – Innovate strategy, we are aiming to refocus our business with investments in intelligent networks and with IT, Internet and network services. Our aim is to focus on revenues in growth areas.

Fix – Transform – Innovate

The telecommunications industry is marked by constant, dynamic change in the fixed-network, mobile communications and the Internet and is influenced by global trends.

Infrastructure is and will remain the basis of our business as society requires faster networks. Next-generation networks and standardized IT are of crucial importance in this regard if we are to be efficient and successful. Telecommunications providers will also have to focus increasingly on realizing growth potential. In our opinion, the mobile Internet and Internet services, for example, provide a wealth of growth opportunities. We believe that customers expect secure and universal access to all services and from all devices. In our view, cloud computing and dynamic computing provide considerable growth potential for business customers. Furthermore, in the future, intelligent networks will support changes in industries such as energy, healthcare, media, and transportation/automotive. Overall, we still firmly believe that a strong national competitive position is vital for a profitable business.

After successfully implementing our prior strategy called "Focus, fix and grow" between 2007 and 2009, we have been developing our strategic approach further with the new Fix – Transform – Innovate strategy we presented in March 2010. We are focusing specifically on the challenges and opportunities in the market and aim to safeguard our position in the long term. Our vision is still to become an international market leader for connected life and work. This is why we will restructure our business model in the coming years, with investments in intelligent networks, with IT services and with Internet and network services. The aim of this strategic approach is to expand our activities across the entire value chain and position ourselves as an open partner for consumers and business customers as well as for the Internet sector.

We have defined five new action areas in which to implement our new strategy:

- 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.

Improve the performance of mobile-centric assets

In all countries in which we primarily provide mobile communications services, we are planning to enhance our performance and invest specifically in next-generation technologies, develop innovative services and expand our portfolio of mobile devices.

In the United Kingdom, for instance, our new joint venture Everything Everywhere got off to a good start as the market leader, measured in terms of the combined customer base. In the United States, we have developed a new strategic orientation to improve further our competitive position. In addition, we improved our position in other mobile-centric markets, such as the Netherlands and Poland, where we also substantially increased our data revenues.

Leverage One Company in integrated assets

We are continuing to integrate fixed-network and mobile communications operations, an approach we had taken under the One Company project in Germany, as planned and again in line with the new strategy. On the back of the successfully completed integration in Germany and several other European markets, such as Croatia and Slovakia, in 2010, we generated additional revenues, further improved our customer service and leveraged synergies. We have also reorganized our activities in Europe with good results. For example, EBITDA margins in the integrated markets are still at a high level despite the challenging economic situation in some countries.

New innovative services and calling plans have allowed us to distinguish ourselves from our competitors more clearly. For example, Media Center already gives our customers continuous access to their music, photos and other media content, whether on their PCs, TVs, or smartphones. LIGA total!, Deutsche Telekom's soccer league service in Germany, can likewise be watched on various screens at home or on the move.

Build networks and processes for the gigabit society

We are forecasting a rapid increase in global data volumes in the coming years. Our goal is therefore to continue to transform operations by becoming more efficient, but also by supplying the greater bandwidth required. For this reason, we are focusing on:

- rolling out fiber-optic networks and enhancing the mobile communications networks by promoting HSPA+ and LTE;
- systematically implementing the all-IP concept;
- increasing the speed and flexibility of the IT factory; and
- systematically expanding key enabling skills.

We have already started out on the path to achieving these goals. For example, we purchased additional mobile frequency spectrum at auction in several countries, including Germany, the Netherlands and Austria. We made further progress with our network roll-out and put more than 3,000 additional UMTS sites into operation in Germany in 2010. In addition, we have started to roll out the LTE network in several countries. In the United States, we operate America's largest 4G network on the basis of the fast transmission standard HSPA+, which is currently available in 100 metropolitan areas reaching 200 million people.

We are also expanding our fixed-line networks. Our billion-euro investments support the availability of fast broadband lines to additional households. For example, we have marketed around 12 million broadband lines in Germany and, in addition, 342,000 customers have opted for a VDSL line from Deutsche Telekom.

Connected life across all screens

One strategic goal is the provision of innovative, non-device-specific and convergent services. In our view, the greatest opportunities for growth lie in making data services mobile, particularly for the mobile Internet. We are marketing our own centralized products for connected life, such as innovative communication services centered around the personalized, network-based address book that we have successfully launched in five countries (e.g., myPhonebook in Germany). We also place a great deal of emphasis on providing our customers with attractive and extensive handset options. Initial sales of smartphones in Germany and the United States have been strong. Around 50% of all handsets now sold in Germany are smartphones, while more than 8 million of our customers in the United States own smartphones for the national 3G/4G network – more than twice as many as last year.

We are also positioning ourselves as pioneers in digital content, by linking and distributing personalized media content. We have made some targeted acquisitions, such as ClickandBuy and STRATO, all of which complement our portfolio in the high-growth Internet business. Our prominent position in the European TV market is yet another success factor. We have already sold 1.6 million Entertain packages in Germany since market launch and expanded our TV customer base in Southern and Eastern European markets to 2.3 million.

Connected work with unique ICT solutions

We provide customized ICT solutions for our business customers and draw on the services of T-Systems in the ongoing standardization of our internal IT solutions. In pursuit of this task, T-Systems will continue to be restructured with the goal of increasing its profitability. T-Systems succeeded in increasing its external revenue from IT services in 2010, with gains international markets particularly.

We have developed intelligent, innovative offerings centering around secure cloud services for our business customers. We are positioning T-Systems as an open partner, also for other sectors, with the aim of leveraging growth opportunities for ICT solutions in sectors that are undergoing major changes. As part of this initiative, we have created four new business areas for developing intelligent network solutions, energy, healthcare, media distribution and the connected car. These also got off to a good start. At CeBIT 2010, for instance, we signed an agreement with Continental for the joint development of an open and flexible infotainment concept for connected cars. In addition, we were successful in working with ABB to develop smart grids of the future.

Growth areas of Deutsche Telekom

The advances in the strategic action areas are having a positive and direct effect on Deutsche Telekom's principal growth areas.

The mobile Internet is our largest growth area and includes all revenue that we generate with mobile data services. We have launched a number of initiatives in this area.

Another very important growth area for us is the connected home. Here, we bundle all revenues that we generate with our existing double- and triple-play packages, i.e., our fixed-network-based voice, data, and TV services. This area also includes future innovative products for the connected home, such as the Home Gateway or the Personal Communication Suite.

We are also bundling all our Internet services in a single growth area that essentially consists of three pillars:

- online advertising (e.g., on the web pages of the Scout group, on cell phones and on our TV offerings);

- the digital content of our Load family (music, video, games, and software); and

- "near access services", which include the roll-out of websites and the sale of security software.

In an additional growth area, we measure all of T-Systems' external revenue, which includes, in particular, the business with innovative cloud services in accordance with the new strategy.

The intelligent network solutions growth area comprises the new business in sectors that are undergoing major changes, such as energy, healthcare, media distribution and automotive. We set up three new business areas this year that are developing and marketing innovative solutions.

Our strategies may, of course, be adopted and modified to respond to opportunities and changing conditions. As disclosed in past years, we may embark on capital expenditure programs and pursue acquisitions, joint ventures or full or partial dispositions or combinations of businesses where we perceive opportunity for profitable growth, cost savings or other benefits for our Group. Transactions may be conducted using newly issued shares of Deutsche Telekom or its affiliates, cash or a combination of cash and shares, and may individually or in the aggregate be material to our financial and business condition or results of operations. As a result, they may affect the trading prices of our securities. As in the past, discussions with third parties in this regard may be commenced, on-going or discontinued at any time and from time to time.

DEVELOPMENT OF OUR BUSINESS

You should read the following discussion in conjunction with our annual consolidated financial statements, including the notes to those consolidated financial statements, which appear elsewhere in this offering memorandum. Our consolidated financial statements prepared in accordance with IFRS are dependent upon and sensitive to accounting methods, assumptions and estimates that we use as bases for the preparation of our consolidated financial statements. For more information on these critical accounting estimates, see "Judgments and estimates" in the notes to our consolidated financial statements. For more information on EBITDA, adjusted EBITDA, free cash flow and net debt, please see "Special Note on Non-GAAP Financial Measures", which appears elsewhere in this offering memorandum.

The strategies and expectations referred to in the following discussions are considered forward-looking statements and may be strongly influenced or changed by shifts in market conditions, new initiatives we implement and other factors. We cannot provide assurance that the strategies and expectations referred to in these discussions will come to fruition. Forward-looking statements are based on current plans, estimates and projections, and therefore, you should not place too much reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. Please refer to "Forward-Looking Statements" and "Risk Factors" for descriptions of some of the factors relevant to these discussions and other forward-looking statements in this offering memorandum.

Consolidated results of operations

The following table presents information concerning our consolidated income statements for the periods indicated.

	For the years ended December 31,				
	2010	**2009**	**2008**	**2010/2009**	**2009/2008**
		(millions of €)		**(% change)**	
Net revenues	62,421	64,602	61,666	(3.4)	4.8
Cost of sales	(35,725)	(36,259)	(34,592)	1.5	(4.8)
Gross profit	**26,696**	**28,343**	**27,074**	**(5.8)**	**4.7**
Selling expenses	(14,620)	(15,863)	(15,952)	7.8	0.6
General and administrative expenses	(5,252)	(4,653)	(4,821)	(12.9)	3.5
Other operating income	1,498	1,504	1,971	(0.4)	(23.7)
Other operating expenses	(2,817)	(3,319)	(1,232)	15.1	n.m.
Profit from operations	**5,505**	**6,012**	**7,040**	**(8.4)**	**(14.6)**
Finance costs	(2,500)	(2,555)	(2,487)	(2.2)	(2.7)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(57)	24	(388)	n.m.	n.m.
Other financial income (expense)	(253)	(826)	(713)	(69.4)	(15.8)
Loss from financial activities	**(2,810)**	**(3,357)**	**(3,588)**	**16.3**	**6.4**
Profit before income taxes	**2,695**	**2,655**	**3,452**	**1.5**	**(23.1)**
Income taxes	(935)	(1,782)	(1,428)	47.5	(24.8)
Profit after income taxes	**1,760**	**873**	**2,024**	**n.m.**	**(56.9)**
Profit attributable to minority interests	65	520	541	(87.5)	(3.9)
Profit (loss) attributable to owners of the parent (net profit (loss))	**1,695**	**353**	**1,483**	**n.m.**	**(76.2)**

n.m. - not meaningful

One of the factors that causes period to period changes in our revenues and expenses is movement in exchange rates. In the following discussion, we use the term exchange rate effects to explain the variability caused by such movements. We calculate the effects of changes in exchange rates by multiplying the revenue and expense amounts in local currencies by the exchange rates in effect for the prior year to derive a constant currency revenue or expense amount. We then subtract this figure from the euro-denominated amount obtained from multiplying the current year revenue and expense amounts in local currency by the current year exchange rates. The difference between the two amounts is the currency or exchange rate effect.

Development of Business in the Group

Effects of changes in the composition of the Group

Our business development in 2010 was affected by changes in the composition of our company. In particular, the following two changes in our Group were important factors in the development of our revenue and results.

On April 1, 2010, Deutsche Telekom and France Télécom S.A. merged T-Mobile UK and Orange UK to create a joint venture called Everything Everywhere in which the two companies hold equal shares of 50%. Since then, the assets and liabilities of T-Mobile UK have no longer been shown in our consolidated statement of financial position. In addition, T-Mobile UK's income statement has no longer been included in our consolidated income statement since the same date. Instead, the joint venture has been included in our consolidated statement of financial position under investments accounted for using the equity method. The share in the joint venture's profit/loss has been reported in our consolidated income statement under profit/loss from financial activities. The new joint venture is included in the Europe operating segment.

Hellenic Telecommunications Organization S.A., which we refer to as OTE, is presented in our Europe operating segment and has been fully consolidated since February 2009. Therefore, 2010 was the first year in which OTE was fully consolidated for an entire year.

For more information on the effects of changes in the composition of the Group, please refer to the "Summary of accounting policies" in the section on "Business combinations and other transactions" in the notes to our consolidated financial statements included in this offering memorandum.

On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Results of operations of the Group

Net revenue

In 2010, the decrease in net revenue resulted primarily from changes in the composition of the group, which had a negative impact of EUR 1.9 billion. This decline was partially offset by positive exchange rate effects of EUR 1.2 billion. The positive exchange rate effects resulted mainly from the translation of U.S. dollars, Polish zlotys and Czech korunas into euros. Our Systems Solutions and United States operating segments both recorded a revenue increase, whereas all other operating segments recorded decreases.

Compared with 2009, our Germany operating segment reported a revenue decrease in 2010 of 1.1%. A EUR 0.2 billion revenue increase in mobile communications only partially offset the EUR 0.6 billion decrease in fixed-network revenue.

Our Europe operating segment reported a revenue decrease of EUR 2.8 billion or 14.1% compared with 2009, primarily due to the negative effects from changes in the composition of the Group (EUR 2.1 billion) and a decrease in revenue from operations. The decline in revenue from operations was largely attributable to price reductions resulting in most countries in the segment from the reduction in mobile termination charges imposed by the regulatory authorities and from intense competition. In addition, newly imposed or increased taxes on telecommunication communications also had a negative impact on total revenue. Positive exchange rate effects of EUR 0.2 billion partially offset the decline.

Translated into euros, revenue in the United States operating segment increased by 4.0% in 2010 as a result of positive exchange rate effects of EUR 0.8 billion. In local currency, revenue declined by 1.0%.

In 2010, our Systems Solutions operating segment reported a revenue increase of 2.9% primarily as a result of the large number of contracts that were concluded in 2009 and 2010. Revenue from these new contracts offset the overall negative price trend in information technology, or IT, and telecommunications.

In 2009, the increase in net revenue was primarily a result of the first-time full consolidation of OTE (EUR 5.4 billion), which was partially offset by negative exchange rate effects of EUR 0.4 billion. While our revenue in the United States and Europe operating segments increased, revenue in the Germany and Systems Solutions operating segments declined.

The revenue increase in the United States operating segment in 2009 was primarily the result of positive exchange rate effects from the translation of U.S. dollars to euros totaling EUR 0.8 billion. In local currency, revenue declined slightly, primarily as a result of lower revenue per customer.

In 2009, revenue in the Europe operating segment increased principally as a result of the first time full consolidation of OTE, which was partially offset by negative exchange rate effects.

The decline in revenue in the Germany operating segment in 2009 was primarily a result of intense competition and price intervention by the regulator. In addition to the continued high level of competitive pressure, the decline in revenue in the Europe operating segment was mainly attributable to negative exchange rate effects of EUR 1.1 billion from the translation of pounds sterling, Polish zlotys, Hungarian forints and Czech korunas to euros.

Revenue in the Systems Solutions operating segment decreased in 2009, particularly within Germany, as a result of price erosion. Negative exchange rate effects had a further negative impact on revenue of EUR 0.1 billion.

Contribution of the operating segments to net revenue

	2010	2009	Change	Change	2008
		(millions of €)		(%)	(millions of €)
Net revenue	**62,421**	**64,602**	**(2,181)**	**(3.4)**	**61,666**
Germany	25,145	25,423	(278)	(1.1)	26,400
Europe	16,840	19,607	(2,767)	(14.1)	15,932
United States	16,087	15,471	616	4.0	14,957
Systems Solutions	9,057	8,798	259	2.9	9,343
Group Headquarters & Shared Services	2,166	2,410	(244)	(10.1)	2,781
Intersegment revenue	(6,874)	(7,107)	233	3.3	(7,747)

At 38%, the Germany operating segment provided the largest contribution to the net revenue of the Group in the 2010 financial year. The Europe operating segment's share of net revenue decreased by 3.5 percentage points year-on-year owing to effects from changes in the composition of the Group. The United States operating segment's share of net revenue increased by 1.9 percentage points, primarily as a result of exchange rate effects. The Systems Solutions operating segment's share of net revenue remained virtually stable.

Profit from operations

In 2010, profit from operations was influenced by the revenue decline described above of EUR 2.2 billion and a smaller total decline in operating expenses of EUR 1.7 billion. Cost of sales declined by EUR 0.5 billion, primarily as a result of the deconsolidation of T-Mobile UK amounting to EUR 1.5 billion, which was partially offset by exchange rate effects totaling EUR 0.7 billion. Selling expenses declined by EUR 1.2 billion, due to changes in the structure of the Group and a reduction in customer acquisition and retention costs in the Germany operating segment. The decline was partially offset by exchange rate effects totaling EUR 0.3 billion, primarily from the translation of U.S. dollars. The increase of EUR 0.6 billion in general and administrative expenses related mainly to EUR 0.2 billion higher expenses for early retirement programs. In addition, a provision of EUR 0.2 billion for the Civil Service Health Insurance Fund was reversed in 2009. Other operating expenses decreased year-on-year by EUR 0.5 billion, due in part to lower depreciation, amortization and impairment losses posted in connection with the impairment tests. In 2009, the Group sustained goodwill impairment losses of EUR 2.3 billion, primarily as a result of an impairment loss of EUR 1.8 billion that had been recognized on the goodwill of the cash-generating unit T-Mobile UK. In 2010, the annual impairment tests resulted in impairment losses of EUR 0.7 billion to be recognized on goodwill and property, plant and equipment at year-end. The decrease in other operating expenses was partially offset by expenses of EUR 0.4 billion incurred in connection with the agreement concerning the stake in PTC, and of EUR 0.4 billion from the deconsolidation of T-Mobile UK recognized in the second quarter of 2010 due to the establishment of the Everything Everywhere joint venture.

In 2009, profit from operations declined by EUR 1.0 billion as a result in an increase in revenues of EUR 2.9 billion and an increase in operating expenses of EUR 4.0 billion. The EUR 1.7 billion increase in cost of sales compared to 2008 was mainly attributable to the first-time full consolidation of OTE, which contributed EUR 3.2 billion to the Group's cost of sales in 2009. In addition, positive exchange rate effects totaling EUR 0.4 billion and increased sales of higher-value products and the roll-out of the 2G and 3G networks increased costs in the United States operating segment. Sales-related declines in costs in the Europe and Systems Solutions operating segments impacted the Group by a total of EUR 1.5 billion. Positive exchange rate effects totaling EUR 0.4 billion, in particular in the Europe operating segment arising from the translation of pounds sterling, Polish zlotys, Czech korunas and Hungarian forints to euros, also reduced cost of sales. A reduction in the expenses from staff-related measures also contributed to the decline in cost of sales. In 2009, our selling expenses were slightly lower than in 2008 despite the increasing effects of the first-time full consolidation of OTE in 2009. These consolidation effects were offset primarily by cost cuts in the Germany operating segment, in particular, in operational sales and receivables management as well as lower expenses for staff-related measures. In addition, selling expenses decreased in the Europe operating segment, after elimination of exchange rate effects. In 2009, the Group's general and administrative expenses were reduced by EUR 0.2 billion. The effect from the first-time full consolidation of OTE of EUR 0.5 billion was more than offset by savings measures. Other operating income decreased by EUR 0.5 billion in 2009. The decline was mainly attributable to lower income from divestitures. In 2008, the Group generated income of EUR 0.4 billion from the disposal of Media&Broadcast. Other operating expenses increased by EUR 2.1 billion in 2009. This was mainly attributable to impairment losses on goodwill amounting to EUR 2.3 billion that had to be recognized in the financial year.

Reconciliation of EBITDA and adjusted EBITDA

	2010	2009	2008
		(millions of €)	
Profit from operations	**5,505**	**6,012**	**7,040**
Depreciation, amortization and impairment losses	11,808	13,894	10,975
EBITDA	**17,313**	**19,906**	**18,015**
Special factors – Germany	**(509)**	**(349)**	**(960)**
Staff-related measures	(401)	(300)	(772)
Non-staff-related restructuring	(11)	(31)	(23)
Effects of deconsolidations, disposals and acquisitions	0	10	0
Other	(97)[1]	(28)	(165)
Special factors – Europe	**(606)**	**(93)**	**(151)**
Staff-related measures	(209)[2]	(36)	(50)
Non-staff-related restructuring	(5)	(26)	(65)
Effects of deconsolidations, disposals and acquisitions	(355)	0	0
Other	(37)	(31)	(36)
Special factors – United States	**0**	**0**	**(57)**
Staff-related measures	0	0	(11)
Non-staff-related restructuring	0	0	(46)
Special factors – Systems Solutions	**(281)**	**(213)**	**36**
Staff-related measures	(113)	(68)	(320)
Non-staff-related restructuring	(170)	(152)	(167)
Effects of deconsolidations, disposals and acquisitions	0	7	518
Other	2	0	5
Special factors – Group Headquarters & Shared Services	**(769)**	**(101)**	**(312)**
Staff-related measures	(281)	(109)	84
Non-staff-related restructuring	(100)	0	0
Effects of deconsolidations, disposals and acquisitions	(385)	24	(346)
Other	(3)	(16)	(50)
Special factors – Group reconciliation	**5**	**(6)**	**0**
Staff-related measures	0	(16)	15
Non-staff-related restructuring	1	10	0
Effects of deconsolidations, disposals and acquisitions	4	0	(25)
Other	0	0	10
Total special factors	**(2,160)**	**(762)**	**(1,444)**
Adjusted EBITDA	**19,473**	**20,668**	**19,459**

[1] Primarily consisting of the write-off of receivables from the German Main Customs Office relating to the 2005 to 2009 tax years.

[2] Includes expense relating to a contribution required by the Greek Ministry of Labor and Social Affairs (“the Ministry”). In the first quarter of 2010, the Ministry issued a Ministerial Decision and informed OTE that it may, subject to an audit, be required to make additional payments to cover a deficit in the public pension fund. OTE appealed the Ministerial Decision. In January 2011, the Ministry submitted a demand for payment of EUR 130 million to OTE. Before taking additional legal steps, OTE will again submit an objection against the demand for payment. Nevertheless, upon receipt of the demand for payment, a liability was recognized in our financial statements as of December 31, 2010. OTE believes its chances of winning its case by filing an action are good.

Adjusted EBITDA

Contribution of the operating segments to adjusted Group EBITDA.

	2010	Proportion of adjusted Group EBITDA	2009	Proportion of adjusted Group EBITDA	Change	Change	2008
	(millions of €)	(%)	(millions of €)	(%)	(millions of €)	(%)	(millions of €)
EBITDA (adjusted for special factors) in the Group	**19,473**	**100.0**	**20,668**	**100.0**	**(1,195)**	**(5.8)**	**19,459**
Germany	9,618	49.4	9,607	46.5	11	0.1	9,764
Europe	5,748	29.5	6,390	30.9	(642)	(10.0)	4,954
United States	4,156	21.3	4,261	20.6	(105)	(2.5)	4,240
Systems Solutions	948	4.9	923	4.5	25	2.7	826
Group Headquarters & Shared Services	(870)	(4.5)	(315)	(1.5)	(555)	n.m.	(181)
Reconciliation	(127)	(0.6)	(198)	(1.0)	71	35.9	(144)

n.m. – not meaningful

In 2010, the decline in adjusted EBITDA resulted primarily from the decline in adjusted EBITDA generated by our operations and, to a lesser extent, from the deconsolidation of T-Mobile UK. This decline was partially offset by the first time full year consolidation of OTE as well as positive exchange rate effects. Adjusted EBITDA in our Germany operating segment in 2010 increased slightly as positive developments in mobile communications offset the decrease in the traditional fixed-network business. A key contribution came from effective cost management measures. In 2010, the decline in adjusted EBITDA at the Europe operating segment resulted from the deconsolidation of T-Mobile UK as of April 1, 2010 and the newly imposed special tax in Hungary that applied retroactively to the full 2010 financial year. The first time full-year consolidation of OTE and positive exchange rate effects attributable, in particular, to the translation from Polish zlotys, Czech korunas, Hungarian forints, Croatian kunas and pounds sterling into euros partially offset the decline. Adjusted EBITDA in our United States operating segment in 2010 declined in local currency due to a slight decline in revenue and higher costs resulting from more extensive customer incentive programs and the fact that customers tended to opt for heavily subsidized 3G handsets. Adjusted EBITDA expressed in euro benefited from offsetting positive exchange rate effects of EUR 0.2 billion. In 2010, adjusted EBITDA in our Systems Solutions operating segment increased mainly as a result of an increase in revenues. Adjusted EBITDA at Group Headquarters & Shared Services decreased by EUR 0.6 billion in 2010, mainly due to higher income recognized in 2009 from the reversal of provisions and the reclassification of real estate from assets held for sale to non-current assets. Adjusted EBITDA was also negatively impacted by higher personnel costs at Vivento and other units and higher marketing and technology costs. Finally, gains on the sale of real estate were lower in 2010 than in 2009.

In 2009, the increase in adjusted EBITDA was mainly attributable to the first-time full consolidation of OTE, which contributed EUR 2.0 billion to adjusted EBITDA. This increase was partially offset by a decline in adjusted EBITDA generated by our operations and negative currency effects. While adjusted EBITDA generated by the United States, Europe and Systems Solutions operating segments increased in 2009, the Germany operating segment recorded a decline. The increase in adjusted EBITDA in the United States operating segment in 2009 was attributable to positive exchange rate effects, which offset an adjusted EBITDA decline in local revenues. In 2009, adjusted EBITDA in the Europe operating segment increased as a result of the first-time full consolidation of OTE. This increase was offset by a decline in adjusted EBITDA at T-Mobile UK, PTC and T-Mobile Czech Republic. In 2009, restructuring and efficiency enhancement measures offset the effect of the decline in revenue on the adjusted EBITDA of the Systems Solutions operating segment. The slight decrease in the adjusted EBITDA of the Germany operating segment in 2009 primarily resulted from a reduction in fixed-network revenue.

Profit/loss before income taxes

In 2010, income before income taxes remained constant compared with 2009. In addition to the effects mentioned above, there was a EUR 0.5 billion decrease in the loss from financial activities. Besides effects from a change in the gain/loss from financial instruments, the decrease of EUR 0.6 billion in other financial expense is mainly attributable to lower expenses for the measurement of provisions and liabilities (interest accretion).

In 2009, profit before income taxes decreased compared with 2008, mainly due to the decline in profit from operations, which was partly offset by an increase in share of profit of associates and joint ventures accounted for using the equity method. The share of profit of associates and joint ventures accounted for using the equity method in 2008 was adversely impacted by the impairment loss of EUR 0.5 billion on our equity investment in OTE.

Net profit

In addition to the effects described above, the increase in net profit in 2010 was mainly a result of a decrease in income tax expense of EUR 0.8 billion compared to 2009. This tax effect, in turn, is the result of partly contrasting effects. In 2010, deferred taxes of EUR 0.5 billion were recognized on temporary differences and loss carryforwards in the Europe operating segment, since it is probable that these temporary differences and loss carryforwards will be used in the future. This was offset by a special tax imposed in Greece, which increased our tax expense in 2010. A further factor in the increase in net profit was the lower level of profit attributable to non-controlling interests amounting to EUR 0.4 billion. In 2010, EUR 0.2 billion of the EUR 0.7 billion of the year-end impairments was attributable to non-controlling interests.

The decline in net profit in 2009 was due in part to a decline in profit before income taxes which decreased primarily due to the impairments recognized during the year. The decline in 2009 net profit was also impacted by income taxes which increased in 2009 despite the decline in profit before income taxes. This was mainly due to the higher impairments relating to goodwill which are not considered for tax purposes.

Cash capex

In 2010, cash capex, excluding spectrum investments, totaled EUR 8.5 billion in 2010 and was concentrated in all countries on continuing the roll-out of our broadband network and expanding capacities in existing networks. In mobile communications, we increased 3G network coverage, while in the fixed network, the focus was mainly on DSL, VDSL, and IPTV. Furthermore, we continued to upgrade the existing telephone network to a next-generation network, such as an IP-based voice network. At T-Systems, cash capex was primarily in connection with customer orders and the expansion of new shared platforms (e.g., for cloud services). In addition to the cash capex described above, spectrum investment totaled EUR 1.3 billion in 2010.

In May 2010, Telekom Deutschland GmbH purchased spectrum in the 0.8 GHz, 1.8 GHz, and 2.6 GHz frequency ranges at auction in Germany, for which it paid EUR 1.3 billion. We are using this spectrum to supply rural areas with broadband service. In 2010, T-Mobile Netherlands purchased two-part 10 MHz bandwidths in the 2.6 GHz range for EUR 109,000 at the mobile spectrum auction in the Netherlands. T-Mobile Austria paid EUR 11 million for a total of 2 x 20 MHz in the 2.6 GHz range. In addition, we purchased spectrum through Cosmote Bulgaria, which is part of the OTE group, to expand the UMTS network in Bulgaria. We will use this spectrum to further expand the 3G network of GLOBUL, Cosmote Bulgaria's mobile communications brand. GLOBUL paid a one-time fee of BGN 17 million plus an annual fee of BGN 1 million, equivalent to approximately EUR 9 million, for the spectrum issued by the Bulgarian communications supervisory authority (CRC).

The increase in cash capex in 2009, compared to 2008, mainly relates to the first-time consolidation of OTE. In addition, cash capex of the Germany operating segment increased by EUR 0.1 billion, mainly as a result of investment in the IP transport platform, broadband roll-out and IT systems.

Financial position of the Group

Consolidated statement of financial position

	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2009	Change	Dec. 31, 2008	Dec. 31, 2008
	millions of €	%	millions of €	%	millions of €	%	millions of €
Assets							
Current assets	**15,243**	**11.9**	**23,012**	**18.0**	**(7,769)**	**15,431**	**12.5**
Cash and cash equivalents	2,808	2.2	5,022	3.9	(2,214)	3,026	2.4
Trade and other receivables	6,889	5.4	6,757	5.3	132	7,393	6.0
Non-current assets and disposal groups held for sale	51	0.0	6,527	5.1	(6,476)	434	0.4
Other current assets	5,495	4.3	4,706	3.7	789	4,578	3.7
Non-current assets	**112,569**	**88.1**	**104,762**	**82.0**	**7,807**	**107,709**	**87.5**
Intangible assets	53,807	42.1	51,705	40.5	2,102	53,927	43.8
Property, plant and equipment	44,298	34.7	45,468	35.6	(1,170)	41,559	33.7
Investments accounted for using the equity method	7,242	5.7	147	0.1	7,095	3,557	2.9
Other non-current assets	7,222	5.6	7,442	5.8	(220)	8,666	7.1
Total assets	**127,812**	**100.0**	**127,774**	**100.0**	**38**	**123,140**	**100.0**
Liabilities and shareholders' equity							
Current liabilities	**26,452**	**20.7**	**24,794**	**19.4**	**1,658**	**24,242**	**19.7**
Financial liabilities	11,689	9.1	9,391	7.4	2,298	9,584	7.8
Trade and other payables	6,750	5.3	6,304	4.9	446	7,073	5.7
Current provisions	3,193	2.5	3,369	2.6	(176)	3,437	2.8
Liabilities directly associated with non-current assets and disposal groups held for sale	-	0.0	1,423	1.1	(1,423)	95	0.1
Other current liabilities	4,820	3.8	4,307	3.4	513	4,053	3.3
Non-current liabilities	**58,332**	**45.6**	**61,043**	**47.8**	**(2,711)**	**55,786**	**45.3**
Financial liabilities	38,857	30.4	41,800	32.7	(2,943)	37,010	30.0
Non-current provisions	8,001	6.2	8,340	6.5	(339)	8,461	6.9
Other non-current liabilities	11,474	9.0	10,903	8.6	571	10,315	8.4
Shareholders' equity	**43,028**	**33.7**	**41,937**	**32.8**	**1,091**	**43,112**	**35.0**
Total liabilities and shareholders' equity	**127,812**	**100.0**	**127,774**	**100.0**	**38**	**123,140**	**100.0**

2010/2009

Total assets remained almost constant compared with the end of 2009. Current assets decreased by EUR 7.8 billion, while non-current assets increased by the same amount. Current liabilities increased by EUR 1.7 billion, while non-current liabilities decreased by EUR 2.7 billion.

Cash and cash equivalents decreased by EUR 2.2 billion compared with December 31, 2009. Please refer to the consolidated statement of cash flows and selected notes to the consolidated statement of cash flows in our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum for more 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 5.1 billion. Following the contribution of T-Mobile UK into 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% holding in the joint venture was reported as investments accounted for using the equity method. For further details, please refer to the notes to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

Other current assets increased by EUR 0.8 billion. Inventories, recoverable income taxes and other assets increased by EUR 0.4 billion, while other financial assets increased EUR 0.4 billion compared with December 31, 2009. In the 2010 financial year, we 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). The measurement of current derivative financial assets, by contrast, resulted in a decrease of EUR 0.2 billion.

The EUR 0.9 billion increase in intangible assets and property, plant and equipment was mainly due to additions of EUR 10.8 billion (EUR 2.6 billion in technical equipment and machinery; EUR 1.3 billion as a result of the acquisition of spectrum, and advance payments of EUR 4.0 billion), exchange rate effects of EUR 2.4 billion and the addition of EUR 0.2 billion in goodwill from the acquisition of STRATO. This was offset in part by depreciation and amortization amounting to EUR 11.8 billion (of which acquired intangible assets accounted for EUR 2.8 billion and technical equipment and machinery for EUR 6.1 billion) and disposals of EUR 0.4 billion.

Current and non-current financial liabilities decreased by EUR 0.6 billion compared with the end of 2009. While current financial liabilities increased by EUR 2.3 billion, non-current financial liabilities decreased by EUR 2.9 billion. For more information, please refer to the following tables and the accompanying explanations included elsewhere in this offering memorandum.

Other liabilities (current and non-current) increased by EUR 1.1 billion, largely due to higher liabilities (EUR 0.4 billion) in connection with early retirement arrangements for civil servants and a EUR 0.5 billion increase in deferred tax liabilities (mainly due to exchange rate effects).

Provisions (current and non-current) decreased by EUR 0.5 billion. While provisions for pensions and other employee benefits increased by EUR 0.2 billion, restructuring provisions declined by EUR 0.9 billion compared with December 31, 2009.

Shareholders' equity increased by EUR 1.1 billion to EUR 43.0 billion, due the improvement in other comprehensive income to EUR 3.7 billion (mainly from the currency translation of foreign operations) and profit of EUR 1.8 billion. By contrast, the Group's dividend payments totaling EUR 4.0 billion and Deutsche Telekom AG's capital decrease of EUR 0.4 billion had an offsetting effect.

2009/2008

In 2009, total assets of the Deutsche Telekom Group increased by EUR 4.7 billion compared to 2008. An increase in assets was recorded primarily as a result of the acquisition of OTE, which was fully consolidated for the first time in 2009. This caused a reduction of EUR 3.4 billion in the amount shown in other non-current assets accounted for using the equity method in the statement of financial position. In addition, intangible assets decreased as a result of impairment losses on goodwill. Liabilities were affected by an increase of EUR 4.6 billion in current and non-current financial liabilities. Shareholders' equity decreased by EUR 1.2 billion, primarily as a consequence of the dividend payment (EUR 4.3 billion), which was partially offset by the increase in non-controling interests relating to the initial consolidation of OTE.

Financial liabilities

	Dec. 31, 2010			
	Total	**Due within 1 year**	**Due > 1 year ≤ 5 years**	**Due > 5 years**
	millions of €			
Bonds and other securitized liabilities				
Non-convertible bonds	23,078	3,894	9,317	9,867
Commercial paper, medium term notes and similar liabilities	15,112	2,843	6,195	6,074
Liabilities to banks	4,190	472	3,284	434
	42,380	**7,209**	**18,796**	**16,375**
Lease liabilities	1,934	142	426	1,366
Liabilities to non-banks from promissory notes	1,164	-	192	972
Other interest-bearing liabilities	1,304	1,056	139	109
Other non-interest-bearing liabilities	3,193	3,176	15	2
Derivative financial liabilities	571	106	457	8
	8,166	**4,480**	**1,229**	**2,457**
Financial liabilities	**50,546**	**11,689**	**20,025**	**18,832**

Reconciliation of net debt

	Dec. 31, 2010	**Dec. 31, 2009**	**Dec. 31, 2008**
		(millions of €)	
Financial liabilities (current)	11,689	9,391	9,584
Financial liabilities (non-current)	38,857	41,800	37,010
Financial liabilities	**50,546**	**51,191**	**46,594**
Accrued interest	(1,195)	(1,175)	(988)
Liabilities from corporate transactions	(1,566)	(1,455)	(1,641)
Other	(467)	(444)	(518)
Gross debt	**47,318**	**48,117**	**43,447**
Cash and cash equivalents	2,808	5,022	3,026
Available-for-sale/held-for-trading financial assets	75	162	101
Derivative financial assets	835	1,048	1,598
Other financial assets	1,331	974	564
Net debt	**42,269**	**40,911**	**38,158**

In 2010, our net debt increased by EUR 1.4 billion compared to 2009 primarily as a result of dividend payments of EUR 4.0 billion, the acquisition of spectrum for EUR 1.3 billion, the effects of corporate transactions totaling EUR 0.8 billion, exchange rate effects of EUR 0.8 billion and the share buy-back amounting to EUR 0.4 billion.

In 2009, net debt increased by EUR 2.8 billion compared to 2008, mainly as a result of the first-time full consolidation of OTE in February 2009 and the exercise of the Hellenic Republic's put option I for a further 5% of the shares in OTE effective July 31, 2009, dividend payments and the acquisition of Zapp, a mobile communications carrier in Romania.

Finance policy

The fundamentals of Deutsche Telekom's finance policy are established each year by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the finance policy and for ongoing risk management.

The ratings of Deutsche Telekom AG

	Standard & Poor's	Moody's	Fitch
Long-term rating			
Dec. 31, 2008	BBB+	Baa1	A-
Dec. 31, 2009	BBB+	Baa1	BBB+
Dec. 31, 2010	**BBB+**	**Baa1**	**BBB+**
Short-term rating	**A-2**	**P-2**	**F2**
Outlook	**Positive**	**Watch Positive**	**Positive**

A securities rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. The same remarks hold true with regard to rating agency outlook statements.

Condensed consolidated statement of cash flows and reconciliation of free cash flow

	2010	2009	2008
		(millions of €)	
Net cash from operating activities	**14,731**	**15,795**	**15,368**
Cash outflow for investments in intangible assets (excluding goodwill)	(2,978)	(1,598)	(1,799)
Cash outflow for investments in property, plant and equipment	(6,873)	(7,604)	(6,908)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	344	376	372
Spectrum investment	1,319	-	-
Free cash flow (before dividend payments and spectrum investment)	**6,543**	**6,969**	**7,033**
Net cash used in investing activities	**(10,711)**	**(8,649)**	**(11,384)**
Net cash used in financing activities	**(6,369)**	**(5,123)**	**(3,097)**
Effect of exchange rate changes on cash and cash equivalents	50	58	(61)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	85	(85)	-
Net increase (decrease) in cash and cash equivalents	(2,214)	1,996	826
Cash and cash equivalents	2,808	5,022	3,026

In 2010, free cash flow of the Group amounted to EUR 6.5 billion, EUR 0.4 billion less than in 2009. In 2009, free cash flow of the Group decreased by EUR 0.1 billion compared to 2008.

Net cash from operating activities

Net cash from operating activities in 2010 decreased by EUR 1.1 billion compared with 2009. Aside from effects from business operations, this decrease was primarily due to the following effects: lower year-on-year cash inflows from factoring amounting to EUR 0.6 billion and higher net outflows of EUR 0.4 billion for additions to inventories. This decrease was partially offset by higher inflows from dividends received amounting to EUR 0.4 billion, mainly from an interim dividend paid out by the Everything Everywhere joint venture.

Net cash from operating activities increased in 2009 compared to 2008. While cash generated from operations improved by EUR 0.6 billion, net interest paid increased by EUR 0.2 billion. The increase in cash generated from operations is the result of several factors, some of which offset each other. Profit from operations decreased by EUR 1.0 billion compared with 2008. The change in assets carried as working capital increased by EUR 1.7 billion, mainly as a result of inflows of EUR 0.8 billion from the sale of receivables (factoring) and as a result of the decrease of EUR 0.5 billion in trade receivables (excluding receivables from construction contracts) which is due to improved receivables management. By contrast, the changes in provisions and other liabilities carried as working capital decreased by EUR 3.1 billion year-on-year, mainly due to lower additions to provisions for restructuring measures in combination with higher cash outflows for restructuring measures, increased utilization of provisions for personnel costs and provisions for litigation risks, as well as a reduction in trade payables. In addition, income tax payments increased by EUR 0.4 billion compared to 2008, in particular as a result of the first-time full consolidation of OTE from February 2009. The increase in net interest paid is also largely attributable to this effect.

Net cash used in investing activities

In 2010, the increase in net cash used in investing activities was due in part to the addition of the cash and cash equivalents of the OTE group amounting to EUR 1.6 billion in the prior year, offset by the overall effect of the deconsolidation of T-Mobile UK amounting to EUR 0.4 billion. In addition, Deutsche Telekom invested EUR 0.8 billion in 2010 in a bond issued by the Everything Everywhere joint venture and posted higher outflows for intangible assets amounting to EUR 1.4 billion, which is mainly attributable to the outflows of EUR 1.3 billion for the acquisition of mobile communications licenses (spectrum) in Germany.

Outflows for property, plant and equipment (EUR 0.7 billion) and acquisitions (EUR 0.6 billion) both decreased and thus had an offsetting effect. Net cash outflows from the change in short-term investments and marketable securities and receivables, by contrast, increased by EUR 0.8 billion.

In 2009, net cash used in investing activities decreased mainly due to the addition of OTE's cash and cash equivalents amounting to EUR 1.6 billion as part of the first-time full consolidation of OTE, whereas 2008 saw outflows for the acquisition of shares in OTE amounting to EUR 3.1 billion. Cash outflows for intangible assets and property, plant and equipment increased by EUR 0.5 billion in 2009. In addition, cash outflows were impacted by EUR 0.3 billion for the deposit of cash collateral in 2009 for the acquisition of STRATO AG, whereas in 2008 net cash used in investing activities was positively impacted by EUR 0.6 billion cash inflows from short-term investments.

In 2009, the net cash outflows for investments in fully consolidated companies and business units increased by EUR 0.6 billion. Whereas cash outflows amounting to EUR 1.0 billion for the acquisition of SunCom and cash inflows of EUR 0.8 billion from the sale of Media&Broadcast were recorded in 2008, 2009 saw cash outflows of EUR 1.0 billion in particular for the acquisition of additional shares in OTE in connection with put option I, and the acquisition of Zapp and cash inflows of EUR 0.1 billion from the sale of Cosmofon.

Net cash used in financing activities

In 2010, net cash used in financing activities increased primarily as a result of a net issuance of non-current financial liabilities of EUR 3.1 billion (2009: EUR 5.3 billion) and outflows for the share buy-back totaling EUR 0.4 billion. These factors were offset by the net repayment of current financial liabilities which decreased by EUR 1.3 billion and the dividends paid out by OTE and Slovak Telekom, which declined compared to 2009 by EUR 0.2 billion and EUR 0.1 billion, respectively.

In 2009, net cash used in financing activities increased mainly as a result of EUR 1.1 billion lower proceeds from the issue of non-current financial liabilities and EUR 0.6 billion higher net repayments of current financial liabilities. In addition, dividend payments increased by EUR 0.3 billion compared with 2008, in particular as a result of the first-time full consolidation of OTE in February 2009 and higher dividend payments at Slovak Telekom. The considerable decrease in issuance and repayment of current financial liabilities compared to 2008 was primarily attributable to the issuance of commercial paper to finance short-term liquidity needs. This was contrasted by the drawdown of several short-term credit lines in the prior year.

The issue of financial liabilities in the 2009 financial year consisted in particular of the issue of Eurobonds (EUR 2.0 billion), medium-term notes (EUR 2.0 billion), U.S. dollar bonds (EUR 1.1 billion) and promissory notes (EUR 0.2 billion). Medium-term notes (EUR 3.7 billion), U.S. dollar bonds (EUR 0.7 billion), commercial paper (EUR 0.6 billion), medium-term notes of OTE (EUR 0.6 billion) and promissory notes and other loans (EUR 0.4 billion) were repaid during 2009.

Step-up Provisions

An improvement of our long-term senior unsecured debt ratings to A3 by Moody's and A- by Standard & Poor's would result in a 50 basis point decrease in interest rates due to relevant step-up provisions on bonds with an aggregate principal amount of approximately EUR 6.5 billion at December 31, 2010.

A lowering of our long-term senior unsecured debt ratings below Baa1 by Moody's and BBB+ by Standard & Poor's would result in a 50 basis point increase in interest rates due to relevant step-up provisions on bonds and medium-term notes with an aggregate principal amount of approximately EUR 4.2 billion at December 31, 2010.

Lines of Credit

On December 31, 2010, we had standardized bilateral lines of credit with 21 banks, totaling EUR 12.6 billion. As of March 31, 2011, EUR 0.5 billion of these credit lines had been utilized. According to the loan agreements the terms and conditions depend on our credit rating. The bilateral credit agreements have an original maturity of 36 months and, after each period of 12 months, will be automatically extended for a further 12 months to renew the maturity of 36 months, if the lender does not object to such extension. In 2010, bilateral credit facilities with three banks were cancelled and will expire within two years of cancellation.

Our bilateral lines of credit do not include any financial covenants or material adverse change clauses. However, in the event we are taken over by a third-party, the individual lenders under these bilateral lines of credit and certain loan agreements to which we are also a party have the right to terminate the credit line and, if necessary, serve notice on it or demand repayment of the loans. A takeover is assumed when a third party, which can also be a group acting jointly, acquires control over us.

Research and Development

Our Products & Innovation unit is responsible for innovation and product development, from Group-wide research and development and innovation management and marketing to product development and management of our product portfolio. The aim is to develop innovative and competitive products, services and business models.

Research and development expenditure in the narrower sense relates to pre-production research and development, such as the search for alternative products, processes, systems, and services. However, we do not include under this item expenses for the development of system and application software aimed at enhancing productivity. In the 2010 financial year, research and development expenditure in the Deutsche Telekom Group amounted EUR 0.1 billion (2009: EUR 0.2 billion), which is less than in prior years. Deutsche Telekom AG accounts for the majority of research and development expenditure in the Group. Here too, expenditure decreased year-on-year.

Our investments in internally generated intangible assets to be capitalized totaled EUR 0.2 billion (2009: EUR 0.2 billion). These investments primarily relate to internally developed software, mainly for the Germany operating segment. In 2010, over 2,200 employees were involved in projects and activities to create new products and market them more efficiently.

Development of Business in the Operating Segments

Germany

Customer Development

The following table provides information on our fixed-line and mobile operations in Germany.

	Dec. 31, 2010 (millions)	Dec. 31, 2009 (millions)	Change (millions)	Change (%)	Dec. 31, 2008 (millions)
Fixed network					
Fixed-network lines	24.7	26.2	(1.5)	(5.7)	28.3
Retail broadband lines	12.0	11.5	0.5	4.3	10.6
Wholesale bundled lines	1.0	1.6	(0.6)	(37.5)	2.5
Unbundled local loop lines (ULLs)	9.5	9.1	0.4	4.4	8.3
Wholesale unbundled lines	1.0	0.6	0.4	66.7	0.2
Mobile communications					
Mobile customers[a]	34.7	39.1	(4.4)	(11.3)	39.1

[a] We count our mobile communications customers by the number of SIM cards activated and not churned. Our customer figures include the SIM cards with which machines can communicate with one another. We count contract customers as customers for the length of their contracts and count prepay customers as customers as long as they continue to use our services, and then for a prescribed period thereafter, which differs by country. Generally, at the end of this period, or in the case of payment default or voluntary disconnection, the customers are cancelled or "churned".

Our Germany operating segment comprises our domestic fixed network and mobile operations. In recent years, this operating segment has been affected by regulatory decisions, increasingly saturated markets and intensified competition from well-positioned competitors.

Fixed Network

Through our fixed network business, we offer network access and calling services to individual, business and wholesale customers.

Network Communications

As expected, the number of fixed-network access line losses in Germany decreased in 2010 and 2009. The number of line losses includes fixed-network lines previously operated by us but now operated as IP-based lines by other service providers using the unbundled local loop line, or ULL. In addition, the decrease in the number of fixed-network access lines is mainly attributable to customers switching to alternative cable, local network and mobile operators. In 2010 and 2009, line losses also resulted from the technology driven migration of wholesale bundled customers to the all-IP network. We expect the number of fixed-network access lines in operation to continue to decrease in the future due to increased competition, fixed-to-mobile substitution, as well as increased migration to IP-based products. We also expect the trend towards flat-rate calling plans to continue in the future. Consequently, we expect calling revenues in the future to decrease due to the decreasing proportion of billed minutes as a result of customer acceptance of these flat-rate plans, continued loss of fixed-network access lines and fixed-to-mobile substitution.

Retail Broadband Lines

The total number of retail broadband lines operated by us increased in 2010 and 2009, as we gained additional subscribers for our television service, "Entertain". As of December 31, 2010, we had 1.2 million Entertain customers, which are included within the number of retain broadband lines in the table above.

Wholesale Services

Overall, the various wholesale products we are required to provide to our competitors by the regulator, such as ULLs and unbundled access lines, increased. The increase in ULLs resulted from a migration of competitors to all-IP lines. The number of our bundled wholesale lines declined in 2010 and 2009 as competitors switched from bundled to unbundled wholesale products to improve their own services. We expect this trend to continue and the number of ULLs in operation to continue was well. The results of regulatory decisions are expected to continue to have an effect on demand for our wholesale products.

Mobile communications

Our Germany operating segment offers mobile telecommunications services, including voice, SMS, MMS, Mobile Internet and other data services to consumer and business customers in Germany. Although the number of mobile customers decreased in 2010, this was due to the deactivation of around 8.3 million inactive prepay customers' cards, enabling us to reduce the administrative costs related to these inactive accounts. The number of contract customers remained stable at 17.2 million, which we attribute to our extensive selection of smartphones and our enhanced integrated rate plans for voice telephony and data services. For example, in 2010, we began selling the iPhone 4 in Germany. With a mobile penetration rate in Germany of well over 100%, the strategy in our German mobile operations is to continue to focus on higher-value contract customer business.

Although the total number of customers remained stable in 2009 compared to 2008, the number of contract customers increased. Smartphones contributed to this contract customer growth, while the proportion of customers with integrated flat-rate plans for voice and data usage increased substantially.

Competition

Our fixed-network operations in Germany face intense competition based primarily on price in the market for fixed-line network voice telephony and broadband services. Continued competition in the fixed-network market has led to higher service levels and lower prices, intensifying the downward pricing pressure on our own products and services. In addition, as prices for mobile telephony decline, local and other calling services, as well as access services, face increasing competition from mobile telephone operators, due to mobile substitution. These factors, combined with the continued implementation of regulatory policies intended to foster greater competition, are expected to result in similar trends in the future. In addition, the German mobile communications market is saturated in terms of customers and we face intense competition from other mobile network operators and MVNOs.

Development of Operations

	2010 (millions of €)	2009 (millions of €)	Change (millions of €)	Change (%)	2008 (millions of €)
Total revenue	**25,145**	**25,423**	**(278)**	**(1.1)**	**26,400**
Fixed network[(1)]	18,177	18,736	(559)	(3.0)	19,782
Mobile communications[1]	8,349	8,109	240	3.0	8,069
Profit (loss) from operations (EBIT)	4,916	5,062	(146)	(2.9)	4,624
EBIT margin (%)	19.6	19.9			17.5
Depreciation, amortization and impairment losses	(4,193)	(4,196)	3	0.1	(4,180)
EBITDA	9,109	9,258	(149)	(1.6)	8,804
Special factors affecting EBITDA[2]	(509)	(349)	(160)	(45.8)	(960)
EBITDA (adjusted for special factors)	**9,618**	**9,607**	**11**	**0.1**	**9,764**
Cash capex	**(4,765)**	**(3,158)**	**(1,607)**	**(50.9)**	**(3,038)**
Average number of employees	**79,364**	**84,584**	**(5,220)**	**(6.2)**	**89,961**
Fixed network	73,614	78,507	(4,893)	(6.2)	83,932
Mobile communications	5,750	6,077	(327)	(5.4)	6,029

[1] The figures for fixed-network and mobile communications do not take consolidation effects at operating segment level into consideration.
[2] For more information on special factors affecting EBITDA, see " Reconciliation of EBITDA and adjusted EBITDA.

Total revenue

The decline in total revenue in 2010 was primarily due to the line losses in our fixed-network business, which was partially offset by a revenue increase from our mobile business. Despite adverse regulatory decisions and strong competition, which affected both our fixed-network and mobile businesses, we again reduced the decline in total revenue compared to 2009.

The decline in revenue at our fixed-network business resulted from adverse regulatory decisions, continuing line losses and lower calling revenues due to the increased use of flat-rate plans. This decline was partially offset by the positive effects of our first-time consolidation of STRATO, growth in ULLs and unbundled lines and growth in our broadband retail line business.

The revenue increase at our mobile business resulted from increased service revenues and a significant increase in data revenues. This positive data revenue trend is primarily the result of the growing popularity of innovative smartphones.

In 2009, total revenue in the Germany operating segment decreased mainly as a result of the continuing losses of fixed-network lines due to competition and by regulatory pricing measures in fixed-network and mobile communications.

In 2009, the decline in fixed-network revenue was mainly attributable to continuing line losses resulting from increased competition, falling usage-related charges, and volume-driven decreases in revenues from resale and network services and from interconnection services. The increased number of broadband packages and ULLs partially offset the overall revenue decline.

In 2009, the increase in mobile communications revenue resulted from continued growth in non-voice (data and messaging) revenue. This increase in revenue was partially offset by more restrictive regulation, in particular lower termination charges from April 1, 2009, a new EU roaming regulation as of July 1, 2009 and continuing intense price competition.

We expect revenues in the Germany operating segment to decrease in 2011, mainly as a consequence of regulatory intervention. For example, as of November 30, 2010, mobile termination charges in Germany were reduced by approximately 49%. Although this already had a negative impact on our revenue development in

December 2010, the effects were not yet of any significant magnitude. However, we expect the negative effects to be considerably stronger in 2011. In addition, the broadband market in Germany is almost saturated, and we expect line losses in the future as competition becomes more intense.

Adjusted EBITDA

Despite the decline in total revenue in 2010, adjusted EBITDA remained stable as a result of two offsetting effects. Adjusted EBITDA at our mobile communications business increased mainly as a result of large-scale projects to improve our customer service and implement cost management programs, such as sending invoices by email and increasing the efficiency of our advertising and communication activities. In addition, our mobile operations improved their use of office and warehouse space. Despite the increased marketing of smartphones, we reduced our operating costs by approximately EUR 0.5 billion in 2010 through a range of initiatives in business areas such as production, sales, service, marketing, and IT. This increase was offset by a decline in adjusted EBITDA at our fixed-network business as a result of the revenue developments described above.

In 2009, the decrease in adjusted EBITDA was caused primarily by a reduction in fixed-network revenue for the reasons described above. This decline was partially offset by lower revenue-dependent costs and reduced costs for third-party services, rental, energy, IT and personnel.

In 2011, we expect adjusted EBITDA in our Germany segment to continue to stabilize, or even increase slightly despite the negative effects of the November 2010 mobile termination charges described above.

Profit from operations

The decrease in profit from operations was mainly due to an increase in staff-related expenses, primarily for early retirement and severance payments. In addition, the write-off of receivables from the German Main Customs Office relating to the 2005 to 2009 tax years also led to the decline.

In 2009, the increase in profit from operations resulted primarily from lower personnel costs due to staff reductions and the transfer of certain departments to Group Headquarters and Shared Services as well as lower commission expenses.

Cash capex

The increase in our 2010 cash capex was mainly a result of the mobile frequency spectrum purchased at auction in March 2010 to roll-out LTE, which is the basis for the future expansion of mobile Internet, especially in rural areas. We also increased expenditure to upgrade our mobile network, providing high-bit-rate connections for the base stations in our UMTS network, accelerating the roll-out of high-quality transmission paths, safeguarding our network operations and rolling-out an all-IP network.

In 2009, cash capex increased mainly as a result of cash capex in the fixed network for the IP transport platform, broadband roll-out and IT systems. Cash capex in mobile communications primarily related to the network build-out, mainly UMTS sites, an increase in our mobile network capacity and investments in IT products.

We plan to invest more than EUR 10 billion in the Germany operating segment between 2010 and 2012, concentrating on our strategic growth and innovation areas, such as our fixed-network and mobile network infrastructures. As part of these activities, we have been establishing LTE sites in rural areas since June 2010 and intend to officially start marketing our LTE services in April 2011.

Europe

Customer Development

The following table provides information on our fixed-line and mobile operations in our Europe operating segment.

	Dec. 31, 2010 (in millions)	Dec. 31, 2009 (in millions)	Change (in millions)	Change (%)	Dec. 31, 2008 (in millions)
Europe, total[a,b]					
Fixed-network lines	11.3	12.3	(1.0)	(8.1)	13.2
Retail broadband lines	4.4	3.9	0.5	12.8	3.3
Wholesale bundled lines	0.2	0.2	-	-	0.3
Unbundled local loop lines (ULLs)	1.5	1.1	0.4	36.4	0.7
Mobile customers	60.1	61.6	(1.5)	(2.4)	59.0
Greece[b]					
Fixed-network lines	3.7	4.2	(0.5)	(11.9)	4.6
Broadband lines	1.1	1.1	-	-	1.0
Mobile customers	8.0	9.2	(1.2)	(13.0)	7.9
Romania[b,c]					
Fixed-network lines	2.6	2.8	(0.2)	(7.1)	3.0
Broadband lines	1.0	0.8	0.2	25.0	0.7
Mobile customers	6.8	7.3	(0.5)	(6.8)	5.9
Hungary					
Fixed-network lines	1.7	1.8	(0.1)	(5.6)	2.0
Broadband lines	0.8	0.8	-	-	0.8
Mobile customers	5.2	5.1	0.1	2.0	5.4
Poland					
Mobile customers	13.3	13.5	(0.2)	(1.5)	13.3
Czech Republic					
Fixed-network lines	0.1	0.0	0.1	n.m.	-
Broadband lines	0.1	0.0	0.1	n.m.	-
Mobile customers	5.5	5.5	-	-	5.4
Croatia					
Fixed-network lines	1.4	1.5	(0.1)	(6.7)	1.6
Broadband lines	0.6	0.6	-	-	0.5
Mobile customers	2.9	2.9	-	-	2.7
Netherlands					
Fixed-network lines	0.3	0.3	-	-	0.3
Broadband lines	0.3	0.3	-	-	0.3
Mobile customers	4.5	4.6	(0.1)	(2.2)	5.3
Slovakia					
Fixed-network lines	1.1	1.1	-	-	1.1
Broadband lines	0.4	0.4	-	-	0.3
Mobile customers	2.4	2.4	-	-	2.3
Austria					
Mobile customers	3.8	3.4	0.4	11.8	3.4
Other[b,d]					
Fixed-network lines	0.5	0.5	-	-	0.6
Broadband lines	0.2	0.2	-	-	0.1
Mobile customers	7.7	7.7	-	-	7.4

n.m. – not meaningful

[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] The OTE group has been fully consolidated since February 1, 2009. Prior-year figures have been adjusted accordingly on a pro forma basis.

[c] Including the Romanian company Zapp since November 1, 2009.

[d] Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro.

We count our mobile communications customers by the number of SIM cards activated and not churned. Our customer figures include the SIM cards with which machines can communicate with one another. We count contract customers as customers for the length of their contracts and count prepay customers as customers as long as they continue to use our services, and then for a prescribed period thereafter, which differs by country. Generally, at the end of this period, or in the case of payment default or voluntary disconnection, the customers are cancelled or "churned".

Customer development in our Europe operating segment was impacted in 2010 by the strained economic situation, especially in Greece and Romania, and intense competition in all countries. In the traditional fixed network business, the number of lines decreased compared with 2009, although we experienced a lower rate of decrease as 2010 progressed. These line losses are mainly attributable to customers switching to other network operators, cable companies and mobile operators. We partially offset these losses with increases in retail broadband lines and in the IPTV business, especially in Croatia and Hungary.

In mobile operations, the total customer base decreased slightly in 2010, mainly due to developments in Greece, Romania, Poland and the Netherlands. The main reason for the decrease in total customer numbers compared to 2009 is the development in the prepay segment, which accounted for 56% and 59% of the total customer base in our Europe operating segment at year-end 2010 and 2009, respectively. In Greece, Romania, Poland and the Netherlands, the number of prepay customers decreased by around 2 million. In Poland and the Netherlands, the prepay customer figures decreased due to a greater focus on high-value contract customer business. Lower prepay customer numbers in the Netherlands and Romania were a result of the deregistration of inactive prepay customers. In Greece, prepay customer figures decreased primarily as a result of the new registration requirements introduced in November 2009. Austria and Hungary recorded net customer additions, thereby offsetting the overall decline in customer numbers.

High-value contract customer business was once again an important growth area in our Europe operating segment in 2010. The number of contract customers increased at almost all European companies compared 2009, except for Romania and Macedonia. We achieved this positive result due to our strategic focus on gaining and retaining high-value customers, for example, through attractive calling plans with minute buckets, flat-rate plans and new mobile phones offered in conjunction with a fixed-term contract. As part of our connected life and work strategy, we successfully targeted new groups of customers with innovative data and content services for the mobile Internet and innovative mobile devices. Smartphones played a particularly significant role as the Apple iPhone 4 was introduced in all European markets and made a significant contribution to a growing contract customer base.

In 2009, customer development in our Europe operating segment was influenced by the first-time consolidation of the OTE group. In addition, the broadband market in the Europe operating segment continued to grow in 2009 driven also by the ongoing success in the marketing of IPTV.

The mobile communications market in the Europe operating segment exhibited slow growth in several countries in 2009, reflecting macroeconomic trends. In Slovakia, customer numbers stagnated compared with the prior year, while the number of customers decreased in Hungary as a result of the overall economic situation. Slight customer growth in the mobile communications companies in Poland and the Czech Republic offset a decline in the number of customers at T-Mobile Netherlands. The decrease in the total customer base at T-Mobile Netherlands was related to the prepay sector. Inactive customers were added to the customer base due to the acquisition of Orange and the migration in the 2009 financial year of Orange customers to T-Mobile’s customer base. After a period of inactivity of 180 days, these customers were churned in the fourth quarter of 2009, substantially reducing prepay customer figures.

In 2009, the percentage of contract customers in the total customer base increased compared to the prior-year level. In all countries except Greece and Albania, the share of contract customer business grew. This development was a result of our focused contract customer acquisition strategy described above.

Competition

Competition in the fixed-line network and mobile businesses in our Europe operating segment increased in 2010. In our fixed-line businesses, this increase was primarily a result of mobile substitution and regulation requiring us to provide our competitors with access to the ULL. Competition in the fixed-line network and mobile businesses is primarily based on price.

Development of Operations

		2010	2009	Change	Change	2008
		(millions of €)	**(millions of €)**	**(millions of €)**	**(%)**	**(millions of €)**
Total revenue[1]		**16,840**	**19,607**	**(2,767)**	**(14.1)**	**15,932**
Of which: Greece		3,876	3,899	(23)	(0.6)	-
Of which: Romania		1,165	1,104	61	5.5	-
Of which: Hungary		1,517	1,682	(165)	(9.8)	2,006
Of which: Poland		1,839	1,757	82	4.7	2,260
Of which: Czech Republic		1,157	1,191	(34)	(2.9)	1,329
Of which: Croatia		1,148	1,161	(13)	(1.1)	1,223
Of which: Netherlands		1,767	1,807	(40)	(2.2)	1,806
Of which: Slovakia		934	974	(40)	(4.1)	994
Of which: Austria		983	1,038	(55)	(5.3)	1,085
Of which: United Kingdom		783	3,390	(2,607)	(76.9)	4,051
Of which: Other[2]		1,937	1,885	52	2.8	1,331
Profit (loss) from operations (EBIT)		985	140	845	n.m.	1,412
EBIT margin	(%)	5.8	0.7			8.9
Depreciation, amortization and impairment losses		(4,157)	(6,157)	2,000	32.5	(3,391)
EBITDA		5,142	6,297	(1,155)	(18.3)	4,803
Special factors affecting EBITDA[3]		(606)	(93)	(513)	n.m.	(151)
EBITDA (adjusted for special factors)		**5,748**	**6,390**	**(642)**	**(10.0)**	**4,954**
Cash capex		**(2,012)**	**(2,489)**	**477**	**19.2**	**(2,018)**
Average number of employees		**65,435**	**69,277**	**(3,842)**	**(5.5)**	**39,174**

n.m. – not meaningful

[1] The contributions of the national companies correspond to their respective unconsolidated financial statements and do not take into consideration consolidation effects at the operating segment level.
[2] 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.
[3] For more information on special factors affecting EBITDA, see " Reconciliation of EBITDA and adjusted EBITDA.

Total revenue

The decline in total revenue at our Europe operating segment is primarily the result of two offsetting effects. Total revenue declined primarily due to the deconsolidation of T-Mobile UK effective April 1, 2010. Another factor was a decline in revenue from operations, which was largely attributable to price reductions resulting in most countries in the segment from the decline in mobile termination charges imposed by regulatory authorities as well as from intense competition. Furthermore, the special tax imposed by the Hungarian government in October 2010 retroactively for the full year 2010 also decreased total revenue by EUR 0.1 billion. The tax on mobile services in Croatia and the difficult economic situation, especially in Southern and Eastern European countries, had a substantial negative impact on total revenue. Greece, Romania and Hungary were particularly impacted as the decline in revenue from operations offset the positive revenue impact from changes in the composition of the group.

This decline was offset by the first-time full year consolidation of OTE and positive exchange rate effects. These effects were mainly attributable to the Polish zloty, the Czech koruna, the Hungarian forint, the pound sterling and the Croatian kuna. Strong revenue growth in the fixed network from our wholesale, broadband and television business also offset the overall decline in total revenue.

In 2009, total revenue in the Europe operating segment increased due to the first-time full consolidation of OTE in February 2009. This increase was partially offset by negative exchange rate effects, the strained economic situation, continued intense competition in mobile communications and traditional fixed network as well as regulatory intervention.

We expect a revenue decline in the Europe operating segment in 2011 and a related impact on our earnings. In addition to the tense economic situation in the countries in which we operate, especially Greece and Romania, ongoing competition and resulting price erosion will negatively impact our business. Regulatory measures and changes in legislation, including the imposition of austerity measures or taxes on telecommunications services, are additional factors that may have a negative impact on our revenue development.

Total revenues developed in the countries in our Europe operating segment as described below.

Greece. In Greece, revenue remained stable in 2010 as the effects of the first full-year consolidation of OTE offset a revenue decline in the fixed-network and mobile businesses. This revenue decline from line losses in the traditional fixed-network business were almost fully offset by a positive trend in wholesale and broadband revenues. In mobile communications, the reduced termination charges and intense price competition impacted negatively on service revenues. In addition, the prepay registration requirements again resulted in a loss of customers in the prepay segment, and consequently in lower revenue. The slight increase in sales of terminal equipment year-on-year mitigated the revenue decline.

Romania. In Romania, revenue increased in 2010, mainly due to the positive effect of the first full-year consolidation of the OTE group. Revenue from fixed-network operations decreased due to the difficult economic situation and extremely intense price competition in the Romanian telecommunications market. Customer growth in broadband contributed to an increase in broadband and television revenues, which, however, only partially offset the adverse effects of declines in traditional fixed-network business. Revenue from mobile operations, by contrast, grew mainly as a result of higher service and terminal equipment revenues. A slight increase in the proportion of contract customers, partly due to the first-time consolidation of the mobile communications provider Zapp effective November 1, 2009, had a further positive effect on revenue.

Hungary. The revenue decline was primarily a result of the special tax imposed by the Hungarian government in October 2010, which reduced revenue by EUR 0.1 billion. The decline in revenue from operations is largely attributable to the general economic situation. The fixed-network business was affected to a greater extent than mobile communications, despite growth in broadband-television lines and the resulting increase in revenue. Service revenues from mobile operations decreased mainly as a result of reduced mobile termination charges. This decline was partially offset by the positive exchange rate effect from the translation of the Hungarian forint to euros and increases in non-voice mobile revenues. In 2009, the decline in revenue was primarily caused by negative exchange rate effects resulting from the substantially weakened Hungarian forint. In addition, the difficult economic situation in Hungary in 2009 had a negative effect on the development of our mobile communications and fixed-network business

Poland. Positive exchange rate effects from the translation of the Polish zloty to euros increased revenue at PTC, compensating for the decline in revenue from operations attributable primarily to service revenues. Higher levels of non-voice revenues only partially compensated the revenue losses in voice telephony. The revenue losses in voice telephony were primarily the result of a decrease in average per-minute calling rates. In 2009, the revenue decline at PTC resulted from negative exchange rate effects and a reduction in termination charges mandated by the regulator.

Czech Republic. The decrease in revenue from operations was mainly caused by a decline in service revenues, which was largely attributable to a positive effect in the second quarter of 2009. In addition, the reduction in mobile termination charges imposed by the regulatory authority had a negative impact on revenue development. Positive exchange rate effects from the translation of the Czech koruna to euros and the first time full year consolidation of České Radiokomunikace, which was acquired in December 2009, partially offset the overall revenue decline. In 2009, the revenue decline resulted from negative exchange rate effects, lower revenues from prepay customers, regulatory decisions and intense competition.

Croatia. Positive exchange rate effects from the translation of the Croatian kuna to euros mitigated the decline in revenue in local currency. The decline in revenue from operations was mainly attributable to the macroeconomic situation, with mobile operations being impacted much more strongly than the fixed network. In mobile communications, service revenues decreased. In addition, the mobile communications tax on revenues that was introduced in August 2009 had a greater impact in 2010 than in 2009 as it was applicable for the full financial year. The development of the fixed-network business, on the other hand, remained constant. The positive contributions from broadband and television revenues coupled with effects of changes in the composition of the Group in May 2010 almost completely offset the losses from the traditional fixed-network business. In addition, a slight increase in net additions to the mobile customer base partially offset the overall mobile revenue decrease. In 2009, revenues declined primarily because of negative exchange rate effects and the strained economic situation. Mobile communications was more seriously affected than the fixed network, partly because of the mobile communications tax of 6% of revenue introduced during 2009.

Netherlands. T-Mobile Netherlands reported a slight decrease in revenue in 2010, due mainly to lower MVNO and online revenues as well as and price decreases resulting from increased regulation. This was partially offset by higher service revenues, including higher non-voice revenues. The increase in the contract customer share of the total customer base also had a positive impact on revenue. In 2009, revenue remained stable due to revenue growth in the broadband fixed-network business at Online, which was partially offset by a reduction in mobile termination charges mandated by the regulator.

Slovakia. In Slovakia, the decline in revenue in 2010 was largely attributable to the trend in mobile business. Reduced mobile termination charges and price reductions as a result of more intense competition had a significant negative impact on service revenues. Higher MVNO revenues had an offsetting effect. In contrast to mobile communications, revenue in the fixed-network business increased due to growth in broadband lines and the successful marketing of the television products IPTV and satellite TV. Changes in the composition of the Group also had a positive impact on revenues. In 2009, revenues declined despite positive currency effects.

Austria. Revenue at T-Mobile Austria declined in 2010, mainly due to lower service revenues. Revenue from voice telephony decreased due to a competition-induced reduction in minute prices and the cut in termination charges imposed by the regulatory authority. These negative effects were partially offset by growth in non-voice revenues and sales of terminal equipment. The revenue decline in 2009 was mainly attributable to a reduction in termination charges by the regulator.

Adjusted EBITDA

The decrease in adjusted EBITDA in 2010 was primarily due to the offsetting effects that affected revenue. Adjusted EBITDA declined as a result of the deconsolidation of T-Mobile UK effective April 1, 2010 and the newly imposed special tax in Hungary that applied retroactively to the entire 2010 financial year. Adjusted EBITDA was positively affected by the first full-year consolidation of OTE. Positive exchange rate effects attributable primarily to the translation from Polish zlotys, Czech korunas, Hungarian forints, Croatian kunas and pounds sterling also had a positive effect.

In 2009, adjusted EBITDA in the Europe operating segment increased due to the first-time full consolidation of the OTE group in February 2009. This increase was partially offset by negative exchange rate effects in Hungary, Poland, the United Kingdom, the Czech Republic and Croatia as well as the negative 2009 revenue trends described above.

We expect adjusted EBITDA in the Europe operating segment to decline in 2011 compared to 2010.

Adjusted EBITDA developed in the countries in our Europe operating segment as described below.

Greece. Adjusted EBITDA remained almost stable in 2010 in the Greek mobile and fixed-network operations, due in particular to the positive effect from the first full-year consolidation of OTE and lower expenses related to overhead. This increase was partially offset by the negative revenue trend and higher customer acquisition costs resulted from intense mobile competition.

Romania. In Romania, adjusted EBITDA decreased in 2010, mainly as a result of lower revenue from the fixed-network business. In addition, the fixed-network business experienced higher costs related to the purchase of television rights. By contrast, adjusted EBITDA in mobile operations increased in 2010, as a result of higher revenue and lower customer acquisition costs.

Hungary. The decline in adjusted EBITDA in 2010 was primarily a result of the new tax imposed by the Hungarian Government described above. However, positive exchange rate effects from the translation of the Hungarian forint to euros mitigated this decline. Adjusted EBITDA from mobile operations increased slightly. In 2009, adjusted EBITDA decreased mainly as a result of negative exchange rate effects.

Poland. Adjusted EBITDA increased in 2010 due primarily to positive exchange rate effects. In addition, lower customer retention costs and savings on overhead, especially in technology and marketing, helped compensate for the negative effects of the revenue decline. A positive effect recorded in the fourth quarter of 2010 contributed further to the increase in adjusted EBITDA. In 2009, the reduction in adjusted EBITDA was mainly caused by the reduction in revenues from lower mobile termination charges imposed by the regulator. Lower revenue-related costs and customer acquisition costs and overhead only partially compensated for the negative impact of lower revenues.

Czech Republic. T-Mobile CZ reported lower adjusted EBITDA in 2010, primarily as a result of positive one-time effects in the second quarter of 2009 that were not repeated to the same extent in the reporting year. An increase in overhead costs from the acquisition of the retail business of České Radiokomunikace and from the significant expansion of the 3G network also contributed to the decline. This decline was partially offset by positive exchange rate effects from the translation of the Czech koruna to euros, measures taken to improve processes and lower customer acquisition and retention costs. In 2009, adjusted EBITDA decreased as a result of negative exchange rate effects, partially offset by a reduction in overheads and customer retention and acquisition costs.

Croatia. The decline in adjusted EBITDA was primarily attributable to negative effects from the decline in revenue from mobile operations, partially offset by lower customer acquisition and retention costs and savings in overhead. In addition, the fixed-network business recorded an increase in adjusted EBITDA, due to savings in general and administrative expenses and the successful implementation of efficiency-enhancing measures.

Netherlands. T-Mobile Netherlands increased adjusted EBITDA in 2010, primarily as a result of lower customer acquisition costs and an effect in the second quarter of 2010. Growth in adjusted EBITDA was due to significant savings in overhead costs, following the completed integration of Orange. In 2009, the increase in adjusted EBITDA resulted from lower expenses and higher revenues from the broadband fixed-network business.

Slovakia. Adjusted EBITDA declined in the reporting year, due in particular to negative revenue effects in the mobile business. These negative effects were only partially offset by lower customer acquisition and retention costs and savings in overhead costs. Adjusted EBITDA in the fixed-network business also declined.

Austria. In Austria, adjusted EBITDA remained stable compared with 2009. Savings in overhead and an effect in the fourth quarter of 2010 offset the negative effects from revenue losses and higher customer acquisition and retention costs. In 2009, adjusted EBITDA remained stable as lower overhead and customer retention costs offset the negative effects of the reduction in revenue.

Profit from operations

In 2010, the increase in profit from operations was primarily a result of the EUR 2.3 billion goodwill impairment loss recognized in 2009, of which EUR 1.8 billion related to the cash-generating unit T-Mobile UK. This was contrasted by impairment losses of EUR 0.7 billion recognized in 2010 on goodwill and property, plant and equipment in the fixed-network businesses of Greece and Romania and the mobile communications businesses of Romania and Albania. In 2010, profit from operations was also positively impacted by the fact that, between September 2009 and March 2010, T-Mobile UK was classified as held for sale, and, as a result, depreciation and amortization were not recognized.

In 2009, the decrease in profit from operations mainly resulted from the impairment loss of EUR 1.8 billion recognized on the goodwill of the cash-generating unit T-Mobile UK in the first quarter of 2009 and impairment losses of EUR 0.5 billion recognized on the goodwill of the cash-generating units Greece (fixed-network and mobile communications), Romania (mobile communications), the F.Y.R.O. Macedonia and Slovakia (fixed-network). In 2009, the first-time consolidation of the OTE group and lower depreciation, amortization and impairment losses at PTC, T-Mobile Netherlands, T-Mobile CZ, and T-Mobile Austria partly offset the decline.

Cash capex

In 2010, the decline in cash capex, despite the effects of the first full-year consolidation of OTE, was primarily a result of the deconsolidation of T-Mobile UK. Furthermore, the difficult market situation combined with the special tax in Hungary and the tax on mobile communications in Croatia led to restraint in investment in these countries.

In 2009, the increase in cash capex was due to the first-time consolidation of the OTE group, slightly higher cash capex in the Czech Republic and slightly higher investments in Croatia and Montenegro related to broadband roll-out. This increase was partially offset by lower cash capex in Poland, the United Kingdom, Austria and the Netherlands.

In order to strengthen our competitiveness, we plan to focus our cash capex in the Europe operating segment on upgrading network infrastructure. For example, in mobile communications, we plan to concentrate our efforts on introducing LTE as the fourth-generation mobile technology, while making additional investments to build-out UMTS networks, introduce HSPA+ and upgrade GSM networks. In our fixed-network business, we plan to make network investments to increase broadband coverage, such as building-out fiber-optic infrastructure.

United States

Customer Development

The following table provides information on our mobile operations in the United States.

	For the years ended December 31,		
	2010	2009	2008
	(in millions)		
Customers[1]			
Total	**33.7**	**33.8**	**32.8**
Contract	26.4	26.8	26.8
Prepay	7.3	7.0	6.0

[1] We count our mobile communications customers by the number of SIM cards activated and not churned. Our customer figures include the SIM cards with which machines can communicate with one another. We count contract customers as customers for the length of their contracts and count prepay customers as customers as long as they continue to use our services, and then for a prescribed period thereafter, which differs by country. Generally, at the end of this period, or in the case of payment default or voluntary disconnection, the customers are cancelled or "churned".

On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

In 2010, the United States operating segment had a net decrease of 56,000 customers, compared to 1.0 million net customer additions in 2009. A lower number of T-Mobile branded customers, defined as total customers less MVNO and connected device (machine-to-machine) customers, caused this decline. At the same time, the number of MVNO and connected device customers increased. In addition, there was a decline in the proportion of contract customers in the overall customer base.

The development in net contract customer losses was due primarily to a decline in FlexPay contract gross additions, which was partially offset by strong connected device growth. Connected device customers totaled 1.9 million at December 31, 2010. The change in prepaid customer additions in 2010 compared to 2009 was due primarily to higher deactivations from MVNO and traditional prepaid customers. At December 31, 2010, T-Mobile USA had 2.8 million MVNO customers.

In 2009, the number of contract customers decreased as a proportion of the customer base compared to 2008 due to a decline in the number of T-Mobile USA branded customers, offset by growth in wholesale customers.

T-Mobile USA's total churn increased in 2010 primarily to higher prepaid churn from MVNO customers. Total churn increased due to competitive intensity during the year, including handset innovation and market launches by regional unlimited wireless carriers. Contract churn remained high as intense competition continued to impact churn. T-Mobile USA's contract customer churn rate in 2009 increased partially as a result of competitive intensity, including competition based on handset innovation.

Competitive differences, differences in features and services due to the use of multiple wireless technologies, and general differences in consumer behavior between the United States and Europe factor into higher industry churn rates in the United States compared to Europe. However, the churn rate of T-Mobile USA's operations is higher than the U.S. industry average due in part to the higher proportion of prepay customers in T-Mobile USA's customer base relative to most of its U.S. competitors, competitive intensity particularly relating to handset innovation and due to the greater focus on individual consumers than other U.S. carriers (who have a larger focus on lower-churn enterprise and government customers). Prepay customers in the United States typically churn at substantially higher rates than contract customers.

Competition

Verizon, AT&T and Sprint have potential advantages through size, scale and bundling with other non-wireless communication services. These advantages could allow them to deliver services in a more cost-efficient manner and disproportionately increase their customer base, thereby negatively affecting T-Mobile USA's competitive position. Furthermore, AT&T has had a competitive advantage in the past two years with the exclusive distribution of the Apple iPhone. Verizon and AT&T, in particular, achieved proportionately higher net customer additions in 2010, which combined with pressure from the regional unlimited discount operators, resulted in T-Mobile USA's slight decline in market share in 2010.

The differences between the United States and European mobile telecommunications markets result in different competitive pressures. Like the European market, handset lineup and the perceived value of bundles of voice, messaging, and data services are key competitive factors in the United States. In addition, 3G, and more recently 4G, network coverage and quality in the United States has become a more important factor than in the past. To the extent that the competitive environment requires T-Mobile USA to decrease prices, or increase service and product offerings, there could be significant adverse impacts to revenues, costs and customer retention.

T-Mobile USA now offers mobile communications users a 4G experience with HSPA+ technology, including speeds comparable with other 4G networks currently offered to mobile communications users in the United States. With the roll-out of this new technology, T-Mobile USA covered 200 million people by the end of 2010. In 2011, T-Mobile USA plans to focus on positioning itself to consumers as a value leader in the U.S. wireless market by offering customers unlimited calling and data plans.

Development Operations

		2010	**2009**	**Change**	**Change**	**2008**
		(millions of €)	**(millions of €)**	**(millions of €)**	**(millions of €)**	**(millions of €)**
Total revenue		**16,087**	**15,471**	**616**	**4.0**	**14,957**
Profit (loss) from operations (EBIT)		2,092	2,233	(141)	(6.3)	2,299
EBIT margin	(%)	13.0	14.4			15.4
Depreciation, amortization and impairment losses		(2,064)	(2,028)	(36)	(1.8)	(1,884)
EBITDA		4,156	4,261	(105)	(2.5)	4,183
Special factors affecting EBITDA[1]		-	-	-	-	(57)
EBITDA (adjusted for special factors)		**4,156**	**4,261**	**(105)**	**(2.5)**	**4,240**
Cash capex		**(2,121)**	**(2,666)**	**545**	**20.4**	**(2,540)**
Average number of employees		**37,795**	**38,231**	**(436)**	**(1.1)**	**36,076**

[1] For more information on special factors affecting EBITDA, see Reconciliation of EBITDA and adjusted EBITDA.

Total revenue

The increase in total revenue in 2010 and 2009 resulted from positive exchange rate effects. In U.S. dollars, total revenue declined slightly in 2010 and 2009, due primarily to the decline in voice revenues resulting from the decrease in T-Mobile USA branded customers. Additionally, variable voice revenues decreased in 2010 and 2009 due to an increase in the proportion of customers on unlimited rate plans and lower roaming revenues. These decreases were offset in 2010 and 2009 partially by strong growth in data revenues from customers using smartphones with mobile broadband data plans. The number of customers using 3G and 4G smartphones (which include UMTS/HSPA/HSPA+ enabled smartphones) more than doubled to 8.2 million at the end of 2010 from 3.9 million at the end of 2009. Additionally, T-Mobile USA's total revenue benefitted towards the end of 2010 from T-Mobile USA launching its own handset protection insurance program.

While the United States operating segment expects positive revenue developments in 2011, regulatory changes and competitive pressures may significantly affect revenue development in local currency, while exchange rate movements may significantly affect revenue development when expressed in euros.

Adjusted EBITDA

The decline in adjusted EBITDA expressed in euros was affected by positive exchange rate effects. In local currency, adjusted EBITDA fell due to slightly lower revenues, as discussed above, and an increase in operating expenses. Operating expenses were higher in 2010 compared to 2009 primarily as a result of an increase in the cost of equipment sales. In 2010, T-Mobile USA offered a variety of handset incentives encouraging the adoption of smartphones with mobile broadband data plans. Additionally, higher fixed-line costs related to running the HSPA+ network were offset partially by lower outsourcing and roaming expenses. Lower commissions resulting from fewer T-Mobile USA branded customer gross additions also partially offset increases in operating costs in 2010.

In 2009, adjusted EBITDA increased as a result of positive exchange rate developments. In U.S. dollars, adjusted EBITDA decreased compared to 2008 primarily due to lower revenues. In addition, lower commissions resulting from fewer T-Mobile USA retail customer gross additions and various cost saving initiatives offset a higher cost of sales related to the 3G network.

Regulatory changes and competitive pressures may significantly affect expected adjusted EBITDA in local currency and exchange rates may significantly affect adjusted EBITDA in euros in 2011. For 2011, T-Mobile USA expects positive developments in adjusted EBITDA in local currency.

Profit from operations

Profit from operations declined in 2010 as a result of the factors described above. In 2009, profit from operations declined due to the factors described above and higher network-related depreciation expense.

Cash capex

The primary reason for the decline in 2010 relates to the high levels of cash capex in 2009 in connection with the build-out of our national UMTS/HSPA network. Cash capex in 2010 primarily related to ongoing network investment, including coverage expansion and the upgrade to HSPA+. T-Mobile USA now offers customers America's largest 4G network with HSPA+ service available in 100 metropolitan areas reaching 200 million people from coast to coast.

In 2009, cash capex increased compared to 2008 as a result of positive exchange rate effects. In U.S. dollars, cash capex decreased slightly in 2009 compared to 2008 as a result of decreases in information technology and spectrum purchases. Network-related cash capex remained consistent due to the continued focus on the improvement of network quality and coverage as well as the roll-out of the 3G (UMTS/HSPA) network.

In 2011, T-Mobile USA expects to continue to focus on the enhancement of network quality and coverage, especially the further expansion and upgrade of its mobile broadband communications network.

Systems Solutions

Selected data

The following table provides information on selected 2010 data related to T-Systems' business development.

		Dec. 31, 2010	Dec. 31, 2009	Change	Change	Dec. 31, 2008
New orders	**millions of €**	**9,281**	**9,364**	**(83)**	**(0.9)**	**10,235**
Computing & Desktop Services						
Number of servers managed and serviced	units	58,073	47,092	10,981	23.3	56,734
Number of workstations managed and serviced	millions	1.95	1.86	0.09	4.8	1.51
Systems Integration						
Hours billed	millions	9.2	9.6	(0.4)	(4.2)	10.7
Utilization rate	%	84.0	81.3	-	2.7p	80.9

Through T-Systems, our Systems Solutions operating segment provides Information and Communications Technology, or ICT, infrastructure and solutions, primarily to multinational companies, government agencies and non-profit organizations. T-Systems' primary market is Germany, with operations in other countries throughout Western Europe.

T-Systems is comprised of one sales unit and two delivery units. T-Systems' sales unit, known as Corporate Customers, is responsible for sales and providing ICT solutions to multinational companies, large enterprises and organizations. Corporate Customers is the sales unit of T-Systems International GmbH serving over 400 biggest customers of Deutsche Telekom including our customers of the public and health sector.

Two delivery units, ICT Operations and Systems Integration, complement the activities of Corporate Customers. The ICT Operations delivery unit is responsible for providing services relating to customer ICT infrastructure, including computing services, desktop services, application services and telecommunications services. Systems Integration focuses on IT integration projects, application management and application development.

In 2010, the number of servers managed and serviced increased by 23.3%, primarily as a result of an increase in demand for dynamic computing services. Dynamic computing allows customers to receive broadband computing capacity and memory on demand, pay for what they use and share the infrastructure. Companies increasingly use software from what are known as cloud services to manage their business processes. The number of workstations managed and serviced also increased significantly, mainly due to new orders. In addition, Systems Integration developed positively, despite the continuing cost pressure from competition. Although fewer hours were billed, this effect was offset by a higher utilization rate. We also experienced an increase in demand from energy providers for services relating to smart electricity grids, in addition to traditional ICT services. We secured new deals in 2010, most recently with the city of Emden's municipal utilities, concerning the recording, transmission and processing of energy data.

In 2009, the worldwide finance and economic crisis left its mark on the level of new orders. The number of servers managed decreased in 2009 as a result of the consolidation of systems taken over from customers and of the growing trend toward dynamic computing. The number of workstations managed and serviced increased significantly in 2009, mainly due to new orders. Systems Integration customers, however, cancelled or postponed projects due to the economic crisis and were slow to place new orders, with the result that fewer hours were billed than in the prior year, leading to a decrease in revenue.

Competition

The IT and telecommunications markets in which T-Systems operates are subject to intense competitive pressures, both in Germany and globally. These markets are characterized by strong pricing pressures and competition will remain intense for the foreseeable future.

The IT market is characterized by reduced customer IT budgets, prolonged customer sales cycles and aggressive competition from offshore providers. As a result of these competitive pressures, many companies, including T-Systems, are attempting to maintain or expand market share through improved productivity, cost-cutting and efficiency measures. This situation has also led to a consolidation in the IT sector, which T-Systems expects to continue for the foreseeable future. However, T-Systems expects the global IT services markets to continue to grow only slightly in the near future, while competition will remain intense.

The telecommunications market is characterized by substitution of traditional services (voice and data) by IP and mobile services. The competitive landscape over the past several years has been characterized by market participants attempting to reduce their indebtedness and increase their profitability through strategic refocusing and concentration on IP services, fixed-mobile convergence and network-centric ICT solutions. Additionally, consolidation in the ICT market (primarily in the U.S. market) has increased competition. T-Systems expects this strategic refocusing to continue in 2011 and therefore expects similarly fierce competition.

Development of Operations

	2010	2009	Change	Change	2008
	(millions of €)	(millions of €)	(millions of €)	%	(millions of €)
Total revenue	**9,057**	**8,798**	**259**	**2.9**	**9,343**
Profit (loss) from operations	44	(11)	55	n.m.	81
Depreciation, amortization and impairment losses	(623)	(721)	98	13.6	(781)
EBITDA	667	710	(43)	(6.1)	862
Special factors affecting EBITDA[(1)]	(281)	(213)	(68)	(31.9)	36
EBITDA (adjusted for special factors)	**948**	**923**	**25**	**2.7**	**826**
Cash capex	**(725)**	**(681)**	**(44)**	**(6.5)**	**(823)**
Average number of employees	**47,588**	**45,328**	**2,260**	**5.0**	**46,095**

n.m. – not meaningful
[1] For more information on special factors affecting EBITDA, see " Reconciliation of EBITDA and adjusted EBITDA.

Total revenue

The increase in total revenue in 2010 resulted from a number of new contracts that were concluded in 2009 and 2010. The increase in volume from these new contracts offset the general negative price trend in IT and communications. In addition, revenue generated with our other operating segments amounted to EUR 2.6 billion in 2010, a decrease of 2.5%. As a service provider for our Group, T-Systems plays a key role in Deutsche Telekom's IT costs. T-Systems standardized and improved the IT environment for the Group, making a major contribution to our cost savings initiatives.

In 2009, total revenue in the Systems Solutions operating segment declined as a result of the finance and economic crisis. The revenue decline in Germany was attributable both to the postponement or cancellation of projects in the Systems Integration business and the price trend in IT and telecommunications. Systems Integration experienced a smaller decline in the development of its international business. Revenue generated with the Deutsche Telekom Group amounted to EUR 2.7 billion in 2009, a decrease of 8.7% year-on-year. T-Systems' revenue as a service provider for Deutsche Telekom was impacted to a large extent by IT cost-cutting projects in the Deutsche Telekom Group.

In 2011, T-Systems expects revenue to increase slightly.

Net revenue

In 2010, T-Systems substantially expanded business with customers outside the Deutsche Telekom Group. The operating segment generated net revenue of EUR 6.4 billion, a 5.4% increase over 2009. This positive development is primarily attributable to our Computing & Desktop Services business, in which many of our customers are opting for what have become known as “cloud services.” In addition, our net revenue increase is also attributable to growth at our Systems Integration business, particularly with application management and development. The increase in net revenue was partially offset by developments in our telecommunication business, where revenue again declined because of intense price pressure. In 2009, the Systems Solutions operating segment generated revenue of EUR 6.1 billion from business with customers outside the Deutsche Telekom Group, a decrease of 4.5% compared with 2008.

Adjusted EBITDA

The increase in adjusted EBITDA in 2010 was primarily attributable to the increase in revenues. This increase was partially offset by the higher cost of goods and services purchased as a result of start-up costs in connection with new contracts. In 2009, adjusted EBITDA increased primarily as a result of lower revenue related costs, lower personnel expenses and the implementation of related efficiency programs.

We expect adjusted EBITDA at Systems Solutions to be stable in 2011.

Profit from operations

The increase in profit from operations in 2010 resulted from lower depreciation and amortization owing to the extension, on economic grounds, of the useful lives of several assets, such as high-performance servers. The decline in profit from operations in 2009 was primarily a result of the positive impact of the sale of Media&Broadcast that occurred in 2008.

Cash capex

The increase in cash capex in 2010 resulted from an expansion of T-Systems’ computing platform and investments related to new contracts. The addition of assets taken on under new contracts offset the positive effects from efficiency enhancement measures, such as the increased standardization of ICT platforms. In 2009, cash capex declined as a result of the standardization of ICT platforms and efficiency enhancement measures, for example in procurement.

Group Headquarters & Shared Services

Group Headquarters and Shared Services performs strategic and cross-divisional management functions for the Deutsche Telekom Group. Group Headquarters functions include those performed by many of our central departments, such as treasury, legal, accounting and human resources. Operating functions not directly related to the core businesses of our operating segments are considered Shared Services functions. These functions also include, among others, Vivento, the management and servicing of our real estate portfolio in Germany and fleet management.

Vivento was established in 2002 with the goal of efficiently implementing our staff restructuring measures in a socially responsible manner. Through Vivento, displaced workers are retrained and equipped with new employment qualifications for permanent redeployment within our Group or with external employers, or for project and temporary assignments.

At December 31, 2010, Vivento had a workforce of about 8,900, including around 3,600 employees who were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Approximately 3,300 additional employees were employed within the Group, including in the service centers. About 2,000 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Approximately 2,200 employees from our Group were transferred to Vivento in 2010, while around 2,800 employees left Vivento in 2010 to pursue new employment opportunities. Vivento found permanent public-sector positions for around 800 of them, approximately 700 of which were at the Federal Employment Agency.

At December 31, 2009, the workforce at Vivento totaled around 9,600 employees. This included around 4,200 employees who were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Approximately another 2,600 people were employed within the Group, especially in service centers, and around 2,800 employees were placed in Vivento’s operational and strategic units or provided with support by Vivento. During 2009, approximately 3,700 of the Group’s employees were transferred to Vivento. In 2009, approximately 2,300 employees left Vivento to pursue new employment opportunities.

Property management continued to focus in 2010 on streamlining and improving our real estate portfolio. We closed a total of 196 sales deals in 2010, involving 149,000 square meters of floor space and 1.5 million square meters of land. Cash inflows from the disposal of real estate totaled EUR 0.1 billion. We reduced leased floor space by another 106,000 square meters by improving the utilization of floor space and corporate sites. Overall, leasing and facility management costs in 2010 remained at the prior-year level. In 2009, we closed a total of 202 sales deals involving 218,000 square meters of floor space and 1.2 million square meters of land. Cash inflows from the disposal of real estate totaled EUR 0.2 billion in 2009. We reduced leased floor space by another 113,000 square meters under an ongoing drive to improve the utilization of floor space and corporate sites. Overall, we reduced our leasing and facility management costs in 2009.

Our fleet management company, DeTeFleetServices GmbH, provides fleet management and mobility services, including vehicles provided to our Group companies and affiliates within Germany. DeTeFleetServices also generates revenues from third parties through its sale of used fleet vehicles and, to a limited extent, through fleet management services to third parties. The majority of third-party customers are our former affiliates that were sold.

Development of Operations

	2010 (millions of €)	2009 (millions of €)	Change (millions of €)	Change (%)	2008 (millions of €)
Total revenue	**2,166**	**2,410**	**(244)**	**(10.1)**	**2,781**
Profit (loss) from operations	(2,479)	(1,249)	(1,230)	(98.5)	(1,266)
Depreciation, amortization and impairment losses	(840)	(833)	(7)	(0.8)	(773)
EBITDA	(1,639)	(416)	(1,223)	n.m.	(493)
Special factors affecting EBITDA[1]	(769)	(101)	(668)	n.m.	(312)
EBITDA (adjusted for special factors)	**(870)**	**(315)**	**(555)**	**n.m.**	**(181)**
Cash capex	**(406)**	**(449)**	**43**	**9.6**	**(426)**
Average number of employees	**22,312**	**20,181**	**2,131**	**10.6**	**23,581**
Of which: Vivento[2]	8,900	9,600	(700)	(7.3)	8,200

n.m. – not meaningful

[1] For more information on special factors affecting EBITDA, see " Reconciliation of EBITDA and adjusted EBITDA.
[2] Number of employees at the reporting date, including Vivento's own staff and management. Figures have been rounded.

Total revenue

In 2010, the decline in total revenue was mainly due to the decline in revenue in the Real Estate Services unit as a result of more efficient use of floor space by our operating segments, especially for technical facilities. The reduction in cost allocations from technical functions within the Group and the decline in revenue from service center activities at Vivento due to lower volumes also impacted negatively on the revenue trend. In addition, revenues declined at DeTeFleetServices GmbH, mainly due to lower proceeds from vehicle sales and a lower average number of fleet vehicles.

In 2009, total revenue declined primarily as a result of the deconsolidation of DeTe Immobilien effective September 30, 2008 and the more efficient use of floor space by our operating segments. Revenue declined also due to lower prices and volumes at Group-wide technical functions and Vivento and lower proceeds from vehicle sales compared with the previous year. This decline was partially offset by an increase in revenues from the billing of accounting services to the operating segments by Deutsche Telekom Accounting GmbH, which was established on April 1, 2008.

Adjusted EBITDA

Adjusted EBITDA decreased in 2010 mainly as a result of higher income recorded in the previous year from the reversal of provisions and the reclassification of real estate from assets held for sale to non-current assets. Adjusted EBITDA was also negatively impacted by higher personnel costs (at Vivento and other units) and higher marketing and technology costs incurred centrally. Added to this were the decline in revenue at Vivento and lower earnings from the disposal of real estate.

In 2009, the adjusted EBITDA decline primarily resulted from the more efficient use of floor space by the operating segments. Higher maintenance costs and lower revenue from Group-wide technical functions and Vivento also impacted adjusted EBITDA. Another negative factor was the non-recurrence of the positive EBITDA contribution from DeTe Immobilien as a result of the company's deconsolidation effective September 30, 2008. The decline in adjusted EBITDA was partially offset by higher income from the reversal of provisions. As in 2008, the Real Estate unit benefited in the reporting period from income from the reclassification of real estate from assets held for sale to non-current assets in particular.

In 2011, we expect adjusted EBITDA at Group Headquarters & Shared Services to be at approximately the same level as in 2010. Adjusted EBITDA is increasingly affected by expenditure at Group Headquarters and staff restructuring activities at Vivento. This is contrasted by higher earnings from Shared Services.

Loss from operations

In 2010, the loss from operations increased primarily as a result of expenses relating to the settlement of the disputes between Deutsche Telekom AG, Vivendi, and Elektrim concerning the ownership of the Polish mobile communications company PTC and expenses for staff-related measures. In 2009, the loss from operations improved slightly primarily because in 2008 loss from operations included expenses related to the disposal of DeTeImmobilien and call centers. This was partially offset by an increase in expenses for staff-related measures and the higher level of depreciation, amortization and impairment losses relating to our real estate portfolio.

Outlook

Market expectations

The German mobile communications market once again began recording healthy growth in 2010, driven by the increasing penetration of smartphones and strong growth in mobile data traffic. This positive trend of growing mobile data and Internet use is set to continue in 2011, although the extensive regulatory intervention in the form of a cut of almost 50% in termination charges is expected to have a negative impact on this positive underlying growth for the entire industry. We only expect a small increase in the number of broadband lines in the fixed network. We believe that traditional voice revenues will continue to decline. Demand for telecommunications products from small and medium-sized enterprises is expected to continue to grow, especially in mobile data transmission and automated machine-to-machine data exchange.

In our European footprint markets, excluding Germany, price erosion in voice telephony resulting from regulation and competition is expected to lead to stagnating market revenues. The growth in revenue from mobile data usage and from new telecommunications products is expected to only partially compensate for the decline in revenue from voice telephony. In telecommunications, the economic crisis is likely to continue to impact our footprint markets in Southern and Eastern Europe in 2011. In some countries, governments may endeavor to improve the financial situation through fiscal policy intervention. Such action could negatively affect private consumption and consequently market volumes. We expect the macroeconomic situation in Greece to remain strained.

In the United States, while the consumer climate improves and unemployment remains relatively high, the mobile communications market is expected to continue to grow in the near future and, at the same time, be characterized by intense competition among the major mobile providers. Growth is expected to be driven primarily by the ever more successful marketing of data services. This additional revenue will probably offset falling revenue from voice telephony and text messaging. Price pressure will continue due to flat rate products. Prepay business is expected to continue to gain strength. Postpay business should maintain its moderate growth thanks to mobile broadband connections. On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

The economic recovery is expected to have a positive impact on the ICT business with corporate and business customers in the relevant domestic and foreign markets. We expect the continuous economic recovery and fast growing demand for cloud computing to result in sustained growth in corporate customer business in the next few years.

Expectations for the Group

Following the announced sale of T-Mobile USA to AT&T, we will present the results of our United States operating segment as discontinued operations. Accordingly, the revenues and expenses from continuing operations that we will report for all periods beginning in the first quarter of 2011 will exclude revenues and expenses from T-Mobile USA.

We aim to achieve organic revenue growth with a broader revenue mix. Organic revenue related to the mobile Internet , the connected home, proprietary Internet services, systems solutions and intelligent network solutions is expected to increase in the future. In order to achieve these targets, we will invest further in next-generation technologies. In 2011 and 2012, for instance, in addition to expanding the fast broadband network in Germany, we intend to acquire high-performance mobile spectrum in other countries in Europe.

Based on current economic trends and conditions, we are currently targeting slightly higher capital expenditure in 2011 (before any investments in spectrum) compared to 2010. Based on 2010 figures (adjusted for T-Mobile UK in the first quarter), we are targeting a slight decline in adjusted EBITDA from continuing operations and discontinued operations in 2011. Similarly, we are targeting stable to slightly higher free cash flow in 2011 compared with 2010 (excluding the effects from the PTC transaction completed in January 2011).

Despite high levels of investment in our future viability, we also want to remunerate our shareholders appropriately in 2011 and 2012, subject to the achievement of a corresponding level of unappropriated net income. We intend to pay a minimum dividend of EUR 0.70 per share to Deutsche Telekom AG shareholders. Including any share buy-backs that may be carried out from time-to-time through 2012, this would amount to total shareholder remuneration of EUR 3.4 billion per year. Furthermore, as discussed elsewhere in this offering memorandum, we plan to use approximately EUR 5 billion from the proceeds of the planned sale of T-Mobile USA for additional share buy-backs from time to time.

We intend to continue to realize international economies of scale and synergies through appropriate acquisitions in our footprint markets. There are no plans, however, for major acquisitions or expansion in emerging markets. We may dispose of or combine our businesses as we proceed.

The general mood in the international finance markets in 2010 was dominated by the debt crisis, which meant that some countries had difficulties refinancing their maturing debts in the international capital markets. In 2011, the performance of the financial markets is expected to depend largely on the implementation of suitable measures to tackle the debt crisis. We took advantage of market conditions and the low interest rate environment to issue debt securities amounting to EUR 3.1 billion in the international capital markets in 2010. We may take advantage of favorable conditions for additional capital markets debt issuances in 2011.

SALE OF T-MOBILE USA

On March 20, 2011, AT&T Inc. and we entered into an agreement (the "Stock Purchase Agreement") under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc (the "Sale").

Pursuant to the terms and subject to the conditions set forth in the Stock Purchase Agreement, we will sell T-Mobile USA to AT&T for approximately $39 billion, consisting of (i) $25 billion in cash and (ii) approximately $14 billion of the AT&T common stock (the "Common Stock"), subject to adjustment. The exact number of shares of Common Stock to be issued will be determined prior to the closing of the Sale based on the agreed dollar value of the consideration to be paid in the form of Common Stock and the volume-weighted average of trading prices of Common Stock during the 30 trading days ending on the third business day prior to the closing (the "Averaging Period"), but in any event not using a price for purposes of this computation of less than $26.0165 or more than $30.2354. The consideration payable in the form of shares will be subject to reduction for closing indebtedness, certain divestiture and regulatory costs and any pre-closing distributions in excess of agreed amounts of T-Mobile USA cash flow. In addition, AT&T has the right to increase the cash portion of the purchase price by up to $4.2 billion and decrease the number of shares of Common Stock to be issued based on the volume-weighted average price of Common Stock in the Averaging Period (without taking the above-mentioned collar into account), subject to the result of such election being that we receive no less than 5% of AT&T's issued and outstanding Common Stock after giving effect to the issuance of the shares. AT&T will be assuming no indebtedness (as specified in the Stock Purchase Agreement) from T-Mobile USA or Deutsche Telekom in connection with the Sale, and the inter-company indebtedness currently owing from T-Mobile USA to us will be extinguished without the payment of any additional consideration to us from AT&T.

Each of AT&T and Deutsche Telekom AG has made representations, warranties and covenants relating to itself and the Sale and, in our case with respect to T-Mobile USA, and the Stock Purchase Agreement provides that each of AT&T and Deutsche Telekom AG will indemnify the other for certain losses, subject to certain limits.

The closing of the Sale is subject to certain conditions, including approval by the Federal Communications Commission and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act of 1976, as amended. The Sale is not subject to the approval of the stockholders of either AT&T or Deutsche Telekom AG. We currently expect that the closing of the Sale will occur in the first half of 2012. The Stock Purchase Agreement contains certain termination rights for each of AT&T and us, and, in the event that the Stock Purchase Agreement is terminated under specified circumstances (including, in particular, the failure to obtain certain regulatory approvals and clearances within certain periods), AT&T is obligated to pay us $3 billion in cash, enter at our request into a UMTS roaming agreement with T-Mobile USA for 3G services, and, subject to requisite regulatory consents and approvals, transfer to T-Mobile USA certain wireless AWS (advanced wireless services) spectrum.

Each of AT&T and we have agreed to use our respective reasonable best efforts to take or cause to be taken actions necessary to consummate the Sale, including with respect to obtaining government approvals. However, AT&T and its subsidiaries are not required to take any action or agree to any restriction, limitation or condition with respect to T-Mobile USA or any of its subsidiaries if the amount ascribed under the Stock Purchase Agreement to the aggregate adverse effects on the Company and its subsidiaries of all such conditions with respect to T-Mobile USA calculated pursuant to that Agreement would, individually or in the aggregate, be reasonably likely to be more than $7.8 billion, and in such event AT&T will not be required to effect the closing of the Sale. As more particularly provided in the Stock Purchase Agreement, the adverse effects resulting from divestitures of markets will be calculated by multiplying the number of subscribers in such market by $578.00 and the adverse effects resulting from divestitures of licenses for wireless spectrum not included in a divestiture of a market will be calculated by multiplying the number of MHz POPs (the amount of spectrum in a licensed area measured in megahertz multiplied by the population of that licensed area) by amounts ranging from $0.145 to $1.265 (depending on the size of the cellular market area covered by such license and the total amount of megahertz of spectrum to be divested). The effect of other conditions will also be taken into account in determining whether the applicable threshold has been reached. The Stock Purchase Agreement also provides that after the aggregate amount ascribed under the Stock Purchase Agreement to the specified adverse regulatory effects exceeds $3.9 billion, the stock component of the purchase price will be reduced to reflect a portion of those adverse effects, as provided in the Stock Purchase Agreement and subject to our right to share in certain divestiture proceeds.

AT&T and we have also entered into a stockholder's agreement (the "Stockholder's Agreement"), which will become effective upon the closing of the Sale. Pursuant to the Stockholder's Agreement, we will have the right to nominate one director to AT&T's Board of Directors until such time as our ownership in AT&T has been reduced below an agreed threshold, and so long as such nominee satisfies certain requirements, AT&T is obligated to use its reasonable best efforts to include such nominee in the slate of candidates for election to AT&T's Board of Directors.

Pursuant to the Stockholder's Agreement, we will be subject to a standstill obligation and to a non-competition obligation with respect to the U.S. wireless business until, in the case of the standstill, the occurrence of certain specified events, or in both cases, the later of two years after the closing of the Sale and one year after the date on which our ownership in AT&T has been reduced below an agreed threshold (or we cease to have the right to nominate an AT&T board member). The Stockholder's Agreement also provides us with SEC registration rights relating to the Common Stock and imposes certain restrictions on our ability to transfer shares of the Common Stock, including a 12-month lock-up on the shares of Common Stock issued to us in connection with the Sale.

The foregoing description of the Stock Purchase Agreement and the Stockholder's Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the texts of the Stock Purchase Agreement and the Stockholder's Agreement, respectively, which are attached hereto as Schedules B and C, respectively. Nothing in this document shall qualify, modify or otherwise be relevant to the interpretation of the Stock Purchase Agreement or the Stockholder's Agreement as between the parties thereto.

The Stock Purchase Agreement and the Stockholder's Agreement have been included as schedules to provide you with information regarding their terms. They are not intended to be a source of financial, business or operational information, or provide any other factual information, about AT&T or Deutsche Telekom or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Stock Purchase Agreement and the Stockholder's Agreement are made only for purposes of such agreement and are as of specific dates; are solely for the benefit of the parties thereto (except as specifically set forth therein); may be subject to limitations agreed upon by the parties thereto, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties, instead of establishing these matters as facts; and may be subject to standards of materiality and knowledge applicable to the contracting parties that differ from those applicable to investors in our securities. You should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of AT&T or Deutsche Telekom or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Stock Purchase Agreement or the Stockholder's Agreement, as applicable, which subsequent information may or may not be fully reflected in public disclosures of AT&T or Deutsche Telekom.

We expect that, following the closing of the Sale and based on current exchange rates, we would apply EUR 5 billion of the cash proceeds of the Sale toward market repurchases of our shares from time to time, subject to the receipt of requisite corporate approvals and the requirements of applicable law, and approximately EUR 13 billion of the cash proceeds would be employed in a way that counts toward the reduction of our net indebtedness (e.g., by being held in cash or cash equivalents or by application to reduce our outstanding indebtedness). Any share repurchases effected with Sale proceeds would be in addition to whatever market repurchases we may effect on the basis of our shareholder remuneration policy. See "*Additional Information—Shareholder Remuneration Policy*."

For additional information concerning certain risks associated with the Sale, please refer to "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Unaudited Pro Forma Condensed Consolidated Financial Information

The following unaudited pro forma condensed consolidated financial information has been prepared to give effect to the proposed Sale of all of the outstanding capital stock of our subsidiary T-Mobile USA, Inc. to AT&T Inc. pursuant to the Stock Purchase Agreement for approximately $39 billion, consisting of (i) $25 billion in cash and (ii) approximately $14 billion of AT&T Common Stock, subject to adjustment.

The unaudited pro forma condensed consolidated statement of assets and liabilities gives effect to the consummation of the Sale as if it had occurred on December 31, 2010. Such pro forma information is based on the historical balance sheet data of Deutsche Telekom AG and T-Mobile USA, Inc. as of that date. We do not present pro forma information to show the effects of the Sale on our shareholders' equity as of December 31, 2010 because we do not believe that to do so would provide you with meaningful information that would assist you in assessing our ability to carry and repay the indebtedness represented by the Notes. Shareholders' equity figures in a pro forma presentation such as that presented here would, by their nature, be speculative and uncertain. By the time the Sale is consummated, which we expect will occur in the first half of 2012, our shareholders' equity will likely have changed for a number of reasons, many unrelated to the Sale. We do not expect the changes in our shareholders' equity due to the Sale to have a material effect on our financial position. The unaudited pro forma condensed consolidated income statements, presented for the years ended December 31, 2009 and December 31, 2010, give effect to the Sale as if it had occurred on January 1, 2009.

The unaudited pro forma financial information presented below is subject to a number of estimates, assumptions and uncertainties. The pro forma adjustments are based on preliminary estimates of currently available information and assumptions that we believe are reasonable. The unaudited pro forma financial information is presented for informational purposes only and is not intended to be indicative of either future results of our operations or results that might have been achieved if the Sale had occurred on the dates indicated. We expect to account for T-Mobile USA, Inc. as a discontinued operation for the periods until the consummation of the Sale.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the historical consolidated financial statements and the related notes thereto of Deutsche Telekom AG included elsewhere in this offering memorandum.

Unaudited Pro Forma Condensed Consolidated Statement of Assets and Liabilites as of December 31, 2010

(millions of €)	**Deutsche Telekom AG historical**	**T-Mobile USA, Inc.**	**Adjustments**	**Note**	**Deutsche Telekom AG pro-forma**
Assets					
Current assets	**15,243**	**(2,953)**	**18,675**		**30,965**
Cash and cash equivalents	2,808	(82)	18,675	2(a)	21,401
Trade and other receivables	6,889	(2,009)			4,880
Current recoverable income taxes	224				224
Other financial assets	2,372	(137)			2,235
Inventories	1,310	(464)			846
Non-current assets and disposal groups held for sale	51				51
Other assets	1,589	(261)			1,328
Non-current assets	**112,569**	**(34,970)**	**10,870**		**88,469**
Intangible assets	53,807	(24,184)			29,623
Property, plant and equipment	44,298	(8,759)			35,539
Investments accounted for using the equity method	7,242	(24)			7,218
Other financial assets	1,695	(84)	10,870	2(b)	12,481
Deferred tax assets	5,129	(1,843)			3,286
Other assets	398	(76)			322
Total assets	**127,812**	**(37,923)**	**29,545**		**119,434**
Liabilities					
Current liabilities	**26,452**	**(2,713)**	**150**		**23,889**
Financial liabilities	11,689	(84)			11,605
Trade and other payables	6,750	(1,640)			5,110
Income tax liabilities	545	(24)	150	2(c)	671
Other provisions	3,193	(325)			2,868
Liabilities directly associated with non-current assets and disposal groups held for sale	-				0
Other liabilities	4,275	(640)			3,635
					0
Non-current liabilities	**58,332**	**(7,805)**			**50,527**
Financial liabilities	38,857	(10)			38,847
Provisions for pensions and other employee benefits	6,373				6,373
Other provisions	1,628	(92)			1,536
Deferred tax liabilities	7,635	(6,518)			1,117
Other liabilities	3,839	(1,185)			2,654
Total liabilities	**84,784**	**(10,518)**	**150**		**74,416**

Note 1 – Basis of Presentation

The unaudited pro forma condensed consolidated statement of assets and liabilities gives effect to the proposed Sale as if it had occurred on December 31, 2010. In eliminating the assets and liabilities of T-Mobile USA from the consolidated balance sheet data, we have assumed that all intercompany indebtedness between us and T-Mobile USA was first settled pursuant to the Stock Purchase Agreement. As described above, the number of shares of AT&T common stock to be issued to us will be subject to certain adjustments and AT&T has the right to increase the cash portion of the purchase price by up to $4.2 billion and decrease the number of shares of common stock to be issued. In preparing this pro forma condensed consolidated statement of assets and liabilities we have assumed that no adjustment would be made to the number of AT&T shares we receive in connection with the Sale and that AT&T would not exercise its right to increase the cash portion of the purchase price.

Note 2 – Pro Forma Adjustments

(a) Reflects our assumed receipt of $25 billion in cash, converted at $1.34 per euro, the year end exchange rate.

(b) Reflects our assumed receipt of Common Stock having a value of $14 billion determined as provided in the Stock Purchase Agreement. The assumed number of shares received, amounting to approximately 495 million, was calculated using the volume-weighted average of the per share trading prices for the 30 consecutive full trading days ending on March 28, 2011. The assumed number of shares received were then valued at $29.38 per share, the closing price of the Common Stock on December 31, 2010, and converted to euros at $1.34 per euro, the year end exchange rate.

(c) Reflects the estimated income tax effects resulting from the transaction calculated at statutory rates in effect in Germany.

Unaudited Pro Forma Condensed Consolidated Income Statement Data for the Year Ended December 31, 2010

(millions of €)	**Deutsche Telekom AG historical**	**T-Mobile USA, Inc.**	**Adjustments**	**Note**	**Deutsche Telekom AG pro forma**
Net revenue	**62,421**	**(16,037)**			**46,384**
Cost of sales	(35,725)	8,635			(27,090)
Gross profit	**26,696**	**(7,402)**			**19,294**
Selling expenses	(14,620)	4,748			(9,872)
General and administrative expenses	(5,252)	580			(4,672)
Other operating income	1,498	(8)			1,490
Other operating expenses	(2,817)	(6)			(2,823)
Profit from operations	**5,505**	**(2,088)**			**3,417**
Finance costs	(2,500)	2			(2,498)
Interest income	349	(3)			346
Interest expense	(2,849)	5			(2,844)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(57)	1			(56)
Other financial income (expense)	(253)	(45)	627	2(a)	329
Profit (loss) from financial activities	(2,810)	(42)	627		(2,225)
Profit before income taxes	2,695	(2,130)	627		1,192
Income taxes	(935)	762	(104)	2(b)	(277)
Profit (loss) from continuing operations	**1,760**	**(1,368)**	**523**		**915**
Profit (loss) attributable to	**1,760**	**(1,368)**	**523**		**915**
Owners of the parent (net profit (loss))	1,695	(1,368)	523		850
Non-controlling interests	65				65
Earnings per share from continuing operations					
Basic €	0.39	(0.32)	0.13		0.20
Diluted €	0.39	(0.32)	0.13		0.20

Note 1 – Basis of Presentation

The unaudited pro forma income statement data gives effect to the Sale as if it had occurred on January 1, 2009. The results of operations of T-Mobile USA, Inc. have been removed from the consolidated income statement of Deutsche Telekom AG.

Note 2 – Pro Forma Adjustments

(a) Dividends that would have been distributed on the Common Shares received from AT&T in partial payment of the purchase price for the Sale are included in the pro forma income statement data. The dividend effect has been calculated by multiplying the dividend of $1.68 per share that AT&T Inc. paid to its shareholders in 2010 by the assumed number of shares received as described above in Note 2(b) to the unaudited pro forma condensed consolidated statement of assets and liabilities. The amounts of dividends thus calculated have been converted into Euros at $1.33 per euro, the average exchange rate for the year. In preparing this pro forma condensed consolidated income statement data we have assumed that no adjustment would be made to the number of AT&T shares we receive in connection with the Sale and that AT&T would not exercise its right to increase the cash portion of the purchase price.

(b) Income taxes that we would have paid on the dividend have been estimated using the applicable statutory income tax rate.

Unaudited Pro Forma Condensed Consolidated Income Statement Data for the Year Ended December 31, 2009

(millions of €)	**Deutsche Telekom AG historical**	**T-Mobile USA, Inc.**	**Adjustments**	**Note**	**Deutsche Telekom AG pro forma**
Net revenue	**64,602**	**(15,412)**			**49,190**
Cost of sales	(36,259)	7,992			(28,267)
Gross profit	**28,343**	**(7,420)**			**20,923**
Selling expenses	(15,863)	4,654			(11,209)
General and administrative expenses	(4,653)	512			(4,141)
Other operating income	1,504	(5)			1,499
Other operating expenses	(3,319)	25			(3,294)
Profit from operations	**6,012**	**(2,234)**			**3,778**
Finance costs	(2,555)	(6)			(2,561)
Interest income	341	(8)			333
Interest expense	(2,896)	2			(2,894)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	24	(6)			18
Other financial income (expense)	(826)	2	582	2(a)	(242)
Profit (loss) from financial activities	(3,357)	(10)	582		(2,785)
Profit before income taxes	2,655	(2,244)	582		993
Income taxes	(1,782)	836	(96)	2(b)	(1,042)
Profit (loss) from continuing operations	**873**	**(1,408)**	**486**		**(49)**
Profit (loss) attributable to	**873**	**(1,408)**	**486**		**(49)**
Owners of the parent (net profit (loss))	353	(1,408)	486		(569)
Non-controlling interests	520				520
Earnings per share from continuing operations					
Basic €	0.08	(0.32)	0.11		(0.13)
Diluted €	0.08	(0.32)	0.11		(0.13)

Note 1 – Basis of Presentation

The pro forma income statement data gives effect to the Sale as if it had occurred on January 1, 2009. The results of operations of T-Mobile USA, Inc. have been removed from the consolidated income statement of Deutsche Telekom AG.

Note 2 – Pro Forma Adjustments

(a) Dividends that would have been distributed on the Common Shares received from AT&T in partial payment of the purchase price for the Sale are included in the pro forma income statement data. The dividend effect has been calculated by multiplying the dividend of $1.64 per share that AT&T Inc. paid to its shareholders in 2009 by the assumed number of shares received as described above in Note 2(b) to the unaudited pro forma condensed consolidated statement of assets and liabilities. The amounts of dividends thus calculated have been converted into Euros at $1.39 per euro, the average exchange rate for the year. In preparing this pro forma condensed consolidated income statement data we have assumed that no adjustment would be made to the number of AT&T shares we receive in connection with the Sale and that AT&T would not exercise its right to increase the cash portion of the purchase price.

(b) Income taxes that we would have paid on the dividend have been estimated using the applicable statutory income tax rate.

LEGAL PROCEEDINGS

The companies in our Group are involved in a number of legal proceedings in the ordinary course of our business. In addition, proceedings involving alleged abuse of a market-dominant position by us and other alleged antitrust violations, as well as other regulatory controversies, are pending before competition and regulatory authorities.

Securities and Corporate Law-Related Proceedings

German Prospectus Liability Suits

Since 2001, purported purchasers of our shares sold pursuant to prospectuses dated June 25, 1999, and May 26, 2000, have filed more than 2,600 lawsuits in Germany predominantly alleging that the book values of our real property portfolio were improperly established and maintained under German GAAP and that we allegedly failed to adequately disclose detailed information relating to merger negotiations between us and VoiceStream Wireless Corporation (the predecessor of T-Mobile USA). These lawsuits are pending before the Regional Court (*Landgericht*) in Frankfurt am Main. The aggregate amount of all shareholders' claims filed in Germany in these lawsuits is approximately EUR 80 million.

On July 11, 2006 (with respect to the offering prospectus dated May 26, 2000) and on November 22, 2006 (with respect to the prospectus dated May 28, 1999), the court issued orders for model proceedings (Vorlagebeschluesse) with respect to these lawsuits based on the Act on Model Case Proceedings in Disputes under Capital Markets Law (*Kapitalanleger-Musterverfahrensgesetz*) seeking a decision of the Frankfurt Court of Appeals (*Oberlandesgericht Frankfurt*) as to common questions of law and fact with respect to the above-mentioned allegations. The master decision by the Frankfurt Court of Appeals will be binding for all parties in the main proceedings. A decision is expected, at the earliest, in the second quarter of 2011 and could then be subject to appeal with the Federal Court of Justice (*Bundesgerichtshof*) regarding substantive points of law (*Revision*).

Prospectus Liability Conciliation Proceedings

In addition, many purported shareholders have initiated conciliation proceedings with a state institution in Hamburg (*Oeffentliche Rechtsauskunfts- und Antragsstelle der Freien und Hansestadt Hamburg*, the "OeRA"), in our view, mainly as an effort to stay the statute of limitations. The claims made in these conciliation proceedings are analogous to those made in the prospectus liability lawsuits described above. Our participation in these conciliation proceedings would be voluntary, and we have declined to participate. The OeRA has closed around 8,000 of the proceedings because of the lack of participation of either or both parties. In February 2010, the Hamburg Higher Regional Court granted our request to order the closing of the pending proceedings. As a result, about 4,000 conciliation proceedings that had not yet been fully completed were closed in March 2010. Upon the closing of the conciliation proceedings, the statute of limitations with respect to the time within which to bring a civil action is stayed for six months. A number of applicants have already filed civil proceedings, and we cannot rule out that a number of additional applicants will file lawsuits analogous to those made in the prospectus liability lawsuits described above.

Reimbursement Proceedings against the Federal Republic and KfW

In December 2005, we filed lawsuits against the Federal Republic and KfW for the reimbursement of expenses in connection with a June 2000 offering of our shares, in the amount of approximately EUR 112 million. We claim that the Federal Republic and KfW are obliged to reimburse us for legal expenses and settlement costs that we incurred in connection with the resolution of U.S. class action lawsuits relating to that offering. Our claim includes a demand for reimbursement of our D&O insurers in the aggregate amount of EUR 46 million. In June 2007, the Regional Court in Bonn held that the claim is justified on the merits. However, all parties have filed appeals against various aspects of the decision. The Cologne Court of Appeals dismissed our claims in May 2009. We filed an appeal with the Federal Court of Justice (*Bundesgerichtshof*) regarding substantive points of law (*Revision*). After briefs were exchanged by the parties, the Federal Court of Justice set a date for an oral hearing in the second quarter of 2011. After the oral hearing, additional briefs may be exchanged between the parties. A decision is not expeced before 2012.

Toll Collect

The Federal Republic initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the Toll Collect consortium for damages suffered as a result of the delay in the commencement of operations of the German highway toll collection system and alleged breaches of the related operating agreement.

The Federal Republic, in its statement of claims received on August 2, 2005, asserted claims for damages of approximately EUR 5.2 billion plus interest. This amount includes contractual penalties of EUR 1.7 billion relating to the allegation that the agreement of the Federal Republic was not sought prior to the execution of certain subcontractor agreements. As some of the contractual penalties are time-related and further claims for contractual penalties have been asserted by the Federal Republic, the amount claimed as contractual penalties may increase. Daimler Financial Services AG, Deutsche Telekom AG and the Toll Collect consortium filed their answer to the claim on June 30, 2006 and to the subsequent counterplea of the Federal Republic on October 1, 2007. The Federal Republic served further briefs on January 7, 2008 and February 16, 2008, to which Daimler Financial Services AG, Deutsche Telekom AG and the Toll Collect consortium answered by a further brief on May 16, 2008. The Federal Republic has slightly modified its claims for damages, now amounting to EUR 4.99 billion plus interest. Further exchanges of briefs in this matter have occurred since then. Various witnesses and experts were heard at a hearing in December 2010 and the parties have until May 20, 2011 to exchange additional briefs.

We and our consortium partner, Daimler Financial Services AG, have the obligation, on a joint and several basis, to provide Toll Collect GmbH, the operating company of the Toll Collect consortium, with additional equity to ensure a minimum equity ratio of 15% (in the single-entity financial statements prepared in accordance with German GAAP.) This obligation ends when the operating agreement expires on August 31, 2015, or earlier if the operating agreement is terminated early.

Additionally, in December 2006, Toll Collect GmbH initiated an arbitration proceeding seeking a determination that the Federal Republic's basis for denying the issuance of the final operating permit is unfounded and claiming that additional remuneration is due to Toll Collect in accordance with the operating agreement. The Statement of Claims of Toll Collect GmbH was served on the Federal Republic on May 25, 2007. The answer of the Federal Republic together with a counterclaim claiming overpayment of remuneration to Toll Collect GmbH was received on January 31, 2008. The next oral hearing is scheduled to take place in May 2011.

The Federal Republic, taken together with KfW, a state-owned development bank under the control of the Federal Republic, is our largest shareholder. Our Supervisory Board includes a representative of the German Ministry of Finance and a representative of KfW. For more information about related parties, see note 37 to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

Reimbursement and Damages for Subscriber Data Costs

From December 2004 to January 2009 a number of telephone directory service providers, including among others telegate, datagate, klicktel and Vodafone, who received from us data relating to subscribers for voice telephony services for the purpose of providing their own directory services, filed lawsuits with the Regional Courts in Cologne and Bonn in the aggregate amount of approximately EUR 118 million, plus interest, claiming reimbursement for payments made to us since 1998. The plaintiffs, referring to a decision by the European Court of Justice (C-109\03; KPN vs. Onafhankelijke Post en Telecommunicatie Autoriteit), accused us of having included inadmissible costs in our charges for providing customer data.

In a number of cases, the Regional Court in Cologne essentially ordered us to reimburse the plaintiffs. Except for the case involving Vodafone, the Court of Appeals in Dusseldorf basically confirmed these decisions on appeal. We have appealed all decisions of the Court of Appeals rendered against us to the Federal Court of Justice. The Federal Court of Justice annulled these judgments and remanded the cases to the Court of Appeals. These proceedings are still pending.

In a related matter, on October 19, 2005, two lawsuits were served on us: one by telegate for damages of approximately EUR 86 million, plus interest, and another by telegate's founding shareholder, Dr. Klaus Harisch, for damages of approximately EUR 329 million, plus interest. In the latter claim, the claimant subsequently increased the amount claimed to approximately EUR 612 million. Both plaintiffs claim that they incurred losses, due to the alleged adverse effect that our alleged inclusion of inadmissible costs in our provision of customer data had on telegate's position in the market, the resulting capital increases that this required, and the weaker development of telegate's share price and the loss of shares of certain shareholders. The action is still pending before the Cologne Regional Court in the first instance.

On January 25, 2007, klicktel (currently telegate) filed another lawsuit with the same court and is now claiming payment of approximately EUR 11 million plus interest and requesting a determination that we are obliged to compensate them for all damages arising from 2007 to 2010. The action is still pending before the Cologne Regional Court in the first instance.

Damages for Lost Profits/Price Squeeze

In December 2005, Arcor filed a lawsuit with the Regional Court in Cologne in the aggregate amount of approximately EUR 41.9 million, plus interest, claiming damages for lost profit with retail analog access products as a result of an alleged price squeeze between our wholesale tariffs for access to the local loop and our retail access tariffs between January 1998 and September 2003. Arcor bases its claim primarily on the EU Commission's decision of May 21, 2003 against us for allegedly abusing our dominant position by charging our competitors and end-users unfair monthly and one-off charges for access to our local network. In February 2006, the original damage claim was increased to an aggregate of EUR 223 million, purportedly based on customer relationships not realized between September 2003 and June 2005 and a new calculation methodology used by the plaintiff, which, in our view, deviates from the European Commission's approach. On April 10, 2008, the European Court of First Instance dismissed our lawsuit. Our appeal against this ruling was rejected by the European Court of Justice (ECJ) on October 14, 2010. The European Commission's decision, which requires Deutsche Telekom to pay a fine of EUR 12.6 million plus interest, is therefore final and non-appealable. The national court will not be permitted to issue any ruling that would be contrary to the ECJ's decision in the continued proceedings for damages. However, the amount of the loss suffered by competitors was not the subject of the case brought before the ECJ. The proceedings before the Regional Court in Cologne are still pending.

In 2011, Versatel and EWE Tel filed lawsuits against Telekom Deutschland GmbH claiming damages of around EUR 70 million and around EUR 82 million respectively, and NetCologne has filed a lawsuit claiming damages of around EUR 73 million, plus interest. HanseNet has filed proceedings for a declaratory judgment obligating Deutsche Telekom AG and Telekom Deutschland GmbH to reimburse HanseNet for all losses caused by the price squeeze as established by the European Commission. Another competitor has filed a claim for damages of around EUR 27 million plus interest.

Proceedings against Decisions of the Federal Network Agency

In 1999, the Federal Network Agency issued a decision adjusting the rates we could charge for access to the local loop during the period from April 1, 1999 to March 31, 2001. Certain of our competitors and we filed complaints with the Cologne Administrative Court against this decision.

In November 2008, the Cologne Administrative Court vacated the decision of the Federal Network Agency of 1999 concerning monthly rates for the local loop during the period from February 1999 to March 2001. The court argued, based on a decision of the European Court of Justice, that the Federal Network Agency had incorrectly determined the cost of local loop investment, which is the basis of the adjusted monthly charge. Both the Federal Network Agency and we appealed against this decision to the Federal Administrative Court, which rejected the appeals on October 5, 2009. The Federal Network Agency must decide again on the monthly rates for the mentioned period. These proceedings are still pending.

In 2001, the Federal Network Agency issued a decision adjusting the monthly rate during the period from April 1, 2001 to March 31, 2003 and charges for activation and termination during the period from April 1, 2001 to March 31, 2002. In April 2001, certain of our competitors and we filed complaints against this decision with the Cologne Administrative Court. On August 27, 2009, the Cologne Administrative Court vacated the decision of the Federal Network Agency of 2001 for the local loop. The court again argued, based on the decision of the European Court of Justice, that the Federal Network Agency had incorrectly determined the cost of local loop investment, which is the basis of the adjusted monthly charge. Both the Federal Network Agency and we appealed against this decision to the Federal Administrative Court. In its ruling on June 23, 2010, the Federal Administrative Court upheld an appeal relating to the ULL monthly charges against the ruling of the Cologne Administrative Court on August 27, 2009 on the complaints against non-allowance of appeal filed by Deutsche Telekom AG and the Federal Network Agency. However, relating to the ULL one-time charges for the period April 2001 through March 2002, the court rejected the complaint against non-allowance of appeal. The ruling of the Administrative Court revoking the approvals thus became legally effective and the Federal Network Agency has to decide again on the ULL one-time charges.

In 2002, the Federal Network Agency issued a decision adjusting the rates we could charge for access to the local loop (in this case, relating to our activation and termination charges) during the period from April 1, 2002 to June 30, 2003. Certain of our competitors filed complaints against this decision. On November 19, 2009, the Cologne Administrative Court vacated the decision of the Federal Network Agency of 2002. The court ruled that the Federal Network Agency had incorrectly determined the hourly rate, which is a major part of the calculation of the adjusted activation and termination charges. Both the Federal Network Agency and we appealed against this decision to the Federal Administrative Court. 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. In a ruling dated January 19, 2011, the Federal Network Agency approved new charges for the plaintiffs for the period specified.

All other rulings of the Federal Network Agency on ULL rates since 1999 have been challenged. Apart from the 1999 one-time ULL charges, the rulings and related legal proceedings are pending.

Other Proceedings

Intellectual Property Rights

Like many other large network operators, we are exposed to an increasing number of intellectual property disputes, especially patent litigation. Generally, this leads to a higher risk of having to pay license fees and compensation. Some disputes may even result in cease-and-desist orders, blocking our access to, and ability to use, key network technologies.

IPCom

Starting in 2009, German patent holder IPCom GmbH & Co. KG sued Deutsche Telekom AG and Telekom Deutschland GmbH as well as several members of the board of Deutsche Telekom AG in the Regional Courts of Hamburg, Mannheim and Düsseldorf. IPCom is seeking compensation for an unspecified amount of damages as well as applying for permanent injunctions, threatening to shut down certain Telekom Deutschland network services, such as the Multimedia Messaging Service (MMS). IPCom alleges that Deutsche Telekom and Telekom Deutschland infringe on several patents supposedly essential for mobile telecommunication standards such as UMTS and GSM. Deutsche Telekom and Telekom Deutschland are defending themselves vigorously against those allegations. Several handset and network infrastructure suppliers such as Nokia, HTC, Ericsson and Alcatel-Lucent are involved in the proceedings by third party notice. Furthermore, we have filed nullity actions before the German Federal Patent Court and - where possible - initiated or joined opposition proceedings before the European Patent Office. Meanwhile IPCom has withdrawn all actions before the Regional Court of Hamburg. The Regional Court of Mannheim ordered a stay of proceedings regarding the MMS technology case and dismissed two cases with prejudice regarding a half-rate speech codec and the tandem free operation network feature. Further rulings are expected in 2011.

CIF

In 2006, CIF Licensing LLC., a subsidiary of General Electric, sued Deutsche Telekom AG for alleged patent infringement regarding 4 patents in the field of DSL data transmission processes in the Regional Court of Düsseldorf. CIF is seeking compensation for an unspecified amount of damages as well as applying for permanent injunctions. The patents purportedly relate to special processes used for quality checking of DSL channels and data transmission. Several suppliers of DSL network infrastructure are involved in the proceedings by third party notice. We filed nullity actions against two of the patents. In 2011, the German Federal Patent Court nullified those two patents. Another nullity suit is in preparation, but has yet to be filed. Finally, two infringement proceedings before the Regional Court of Düsseldorf have been stayed due to the nullity proceedings and the other two remain unscheduled, i.e. no oral hearings have been set.

Radio Frequency Emissions

Beginning in 2000, plaintiffs filed numerous state court class-action lawsuits against T-Mobile USA and several other wireless service operators and wireless telephone manufacturers, asserting product liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless mobile devices. The complaints seek substantial money damages (including punitive damages), as well as injunctive relief. Four years ago, the plaintiffs voluntarily dismissed without prejudice three of the four lawsuits in which T-Mobile USA is involved. The remaining case was removed to federal court in September 2008, the court granted defendants' motion to dismiss based on federal pre-emption of the state law claims. On October 22, 2010, the federal appeals court upheld the dismissal. The plaintiff filed for review in the U.S. Supreme Court on

February 22, 2011. Defendants will respond, and a decision on whether to accept review is expected in the next few months.

Magyar Telekom

In the course of conducting their audit of Magyar Telekom's 2005 financial statements, Magyar Telekom's independent auditors identified two contracts entered into by Magyar Telekom's Montenegrin subsidiary the nature and business purposes of which were not readily apparent. In February 2006, Magyar Telekom's Audit Committee initiated an independent investigation into this matter. In the course of the investigation, two further contracts entered into by Magyar Telekom raised concerns. The independent investigators preliminarily concluded that "there is insufficient evidence to establish that the approximately EUR 7 million in expenditures made pursuant to four consultancy contracts were made for legitimate business purposes", and there is "affirmative evidence that these expenditures served improper purposes." The independent investigators further identified additional contracts and related issues that could warrant review. In February 2007, Magyar Telekom's Board of Directors determined that these matters should be reviewed and expanded the scope of the independent investigation to cover these additional contracts and related issues. In May 2008, the independent investigators reported that, among other things, they had found "affirmative evidence of illegitimacy in the formation and/or performance" of six additional contracts in Macedonia under which Magyar Telekom and/or its affiliates paid a total of over EUR 6.7 million.

The investigation, which was impeded by the destruction of certain documents, revealed certain weaknesses in Magyar Telekom's internal controls and procedures, including the lack of consistent approval procedures for procurement and third-party contracts, the lack of a comprehensive compliance training program and the lack of the appropriate level of control consciousness among certain senior managers at the top of the organization.

On December 2, 2009, the Magyar Telekom Audit Committee provided the Magyar Telekom Board of Directors with a "Report of Investigation to the Audit Committee of Magyar Telekom Plc." dated November 30, 2009 (the "Final Report"). The Magyar Telekom Audit Committee indicated that it considers that, with the preparation of the Final Report based on currently available facts, the independent investigators have completed their investigation. The Final Report affirmed the independent investigators' preliminary findings, discussed above, concerning the four contracts entered into by Magyar Telekom and its Montenegrin subsidiary as well as the May 2008 findings concerning the six contracts in Macedonia.

In addition, the Final Report found that certain former executives at Magyar Telekom and its Macedonian subsidiaries, including certain of our employees who were previously assigned to these companies, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including the six identified in the May 2008 preliminary report). In entering into these contracts and approving expenditures under them, the Final Report found that these former executives knowingly caused, structured, or approved transactions that: (i) intentionally circumvented Magyar Telekom's and its subsidiaries' internal controls; (ii) were reflected in false and misleading documents and records at these companies; (iii) were entered into without adequate due diligence or monitoring of performance of contractors and agents in circumstances carrying a high risk of corruption; and (iv) resulted in expenditures by Magyar Telekom and its subsidiaries that were not for the purposes stated in the contracts under which they were made, but rather were intended to obtain benefits for the those companies that could only be conferred by government action. The Final Report further indicated that "the available evidence does not establish that the contracts under which these expenditures were made were legitimate." Although Final Report stated that "the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials," the Final Report found "that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia." Nothing in the Final Report implicates any current or former Board member of the Company or any current Board member of Magyar Telekom in connection with any wrongdoing.

As described above, Magyar Telekom has already implemented remedial measures to address weaknesses in its internal controls and procedures previously identified in the independent investigation and we have also enhanced our compliance and training programs. Magyar Telekom and we are considering whether and to what extent additional remedial measures, compliance enhancements, or other actions are warranted in view of the Final Report's findings and conclusions.

Magyar Telekom has been in regular contact with the Hungarian Financial Supervisory Authority, the Hungarian National Bureau of Investigation, the U.S. Securities and Exchange Commission, the U.S. Department of Justice, and Macedonian law enforcement authorities concerning the independent investigation and is responding to inquiries in investigations being conducted by these authorities. The Hungarian National

Bureau of Investigation has informed Magyar Telekom that it closed its investigation regarding Magyar Telekom's activities in Montenegro as of May 20, 2008 without identifying any criminal activity. In December 2008, the Macedonian authorities announced that criminal charges had been filed against four individuals, including one of our employees, for "abuse of office and authorizations" to the harm of the shareholders of Magyar Telekom's Macedonian subsidiary, including Magyar Telekom and the Government of Macedonia. The charges relate to certain of the Macedonian contracts identified in the independent investigation. No charges were filed against Magyar Telekom or any of its subsidiaries.

On March 28, 2009, the Hungarian National Bureau of Investigation (the "NBI") informed Magyar Telekom that, based on a report received by the NBI, it had begun a criminal investigation into alleged misappropriation of funds relating to payments made in connection with Magyar Telekom's ongoing internal investigation into certain contracts entered into by members of the Magyar Telekom group and related matters. The NBI has requested materials and information relating to such payments from Magyar Telekom. On September 21, 2009, the NBI informed the Company that it had extended the scope of its investigation to examine possible misuse of personal data of employees in the context of the internal investigation. Magyar Telekom is cooperating with the ongoing NBI investigation.

We continue to provide documents and information to the U.S. Securities and Exchange Commission and the U.S. Department of Justice in connection with their review of our role in certain matters relating to the Magyar Telekom investigation, including the involvement of our employees or personnel previously assigned to Magyar Telekom and its subsidiaries, and the actions taken by Magyar Telekom and Deutsche Telekom in response to the findings of and issues raised by the Magyar Telekom investigation. Magyar Telekom's and Deutsche Telekom's legal representatives are currently in talks with the U.S. authorities about the status of their investigations and the possibility of bringing the proceedings to a close. The results of these talks cannot be foreseen. It is also not foreseeable at present whether the U.S. authorities, if an agreement cannot be reached to conclude the proceedings, will take action and, if so, what kind. In August 2010 the public prosecutors' office in Bonn launched its own investigations having received a request for legal assistance from the U.S. authorities.

Anti-trust proceedings

The Polish Anti-Monopoly Commission initiated several legal proceedings in 2010 against a number of Polish telecommunications companies, including PTC. The providers are suspected of illegal price fixing. The Commission also accuses PTC of infringing customer interests in various ways. Under Polish law, the maximum fine for both cases is set at 10% of the revenues from telecommunications services or 10% of taxable revenues.

In April 2009, the European Commission started an investigation into allegedly abusive behavior of Slovak Telekom in the retail and wholesale broadband market in Slovakia. According to the European Commission, such an infringement could consist of refusing access to the unbundled local loop, margin squeeze situations in these products as well as other discriminatory behavior. In December 2010, the European Commission formally extended the investigation to include Deutsche Telekom as Slovak Telekom's parent company, allowing the European Commission to also hold Deutsche Telekom liable for Slovak Telekom's alleged infringements. Should the investigation of the European Commission arrive at finding an infringement of European competition law, it could impose fines against Slovak Telekom and Deutsche Telekom.

Civil Servants

In November 2004, the Federal Republic adopted a law abolishing the requirement for Deutsche Telekom, and other private corporations, to make certain special payments to civil servants. This law was subsequently challenged in various courts and in December 2008 the Federal Administrative Court (*Bundesverwaltungsgericht*) decided to refer the case to the Federal Constitutional Court (*Bundesverfassungsgericht*) for a final decision on its legality. If the law is found unconstitutional, it is possible that all civil servants affected by this law would be entitled to retroactive payments, the cost of which could be up to EUR 0.2 billion. However, we believe that the ultimate resolution of this matter will validate the law as adopted by the Federal Republic. A decision by the Federal Constitutional Court is expected in 2011.

With the entry into force of the reform of civil service law (Dienstrechtsneuordnungsgesetz) on February 11, 2009, the legislature integrated the amounts that previously represented the year-end bonus paid annually in accordance with the Federal Act on Bonus Payments (Bundessonderzahlungsgesetz) into the basic monthly salary for all federal civil servants. The entitlement of civil servants employed by the Deutsche Bundespost successor companies to the year-end bonus expired pursuant to the First Act to Amend the Act on the Legal Provisions for the Former Deutsche Bundespost Staff (*Erstes Gesetz zur Aenderung des*

Postpersonalrechtsgesetzes) dated November 9, 2004. Accordingly, the year-end bonus was not integrated into the basic monthly salary in this domain.

Numerous civil servants have filed objections to these pay tables reduced by the year-end bonus amount and approximately 300 litigation cases are already pending. In a ruling on December 15, 2009, the Stuttgart Administrative Court decided in two court proceedings to present the question of whether §78 BbesG (Federal Civil Service Remuneration Act) is constitutional to the Federal Constitutional Court (*Bundesverfassungsgericht*) for decision.

In order to avoid unnecessary administrative expense arising from objections and any legal action taken, Deutsche Telekom AG has concluded an agreement with the unions whereby Deutsche Telekom AG will pay the difference for remuneration of all federal civil servants (including those who have not objected) retroactively if the Federal Constitutional Court rules that the pay tables applicable to the Deutsche Bundespost successor companies are unconstitutional. Consequently, in order to avoid more objections and legal action, Deutsche Telekom AG has decided not to plead the statute of limitations.

Depending on the outcome, a supplemental payment may have to be made for the period beginning July 2009.

Other

In May 2009, Lannet Communications SA filed a lawsuit claiming compensation for damages of EUR 176 million arising from the allegedly unlawful termination of services (mainly interconnection services, unbundling of ULLs, and leasing of dedicated lines) by OTE. A court hearing was scheduled for February 17, 2011, but was postponed and rescheduled for the second quarter of 2011.

Litigation settlements

PTC Proceedings

Starting in 2000, a number of legal proceedings were commenced by or on behalf of Deutsche Telekom, Vivendi S.A. (“Vivendi”), Elektrim S.A. (“Elektrim”) and Elektrim’s creditors relating to the deed of formation and the shareholders’ agreement of Polska Telefonia Cyfrowa Sp. z o. o. (“PTC”). In December 2010, Deutsche Telekom AG signed an agreement with Vivendi, Elektrim and Elektrim’s creditors regarding the various legal disputes about the shareholder interest in PTC, giving Deutsche Telekom full and undisputed ownership of PTC. Deutsche Telekom and its subsidiaries paid EUR 1.4 billion to Elektrim and Vivendi in January 2011 under the terms of this agreement, which resulted in the settlement of all legal disputes among the parties.

T-Online

In the proceedings concerning the review of the appropriateness of the exchange ratio in the merger of T-Online into Deutsche Telekom, the Frankfurt/Main Higher Regional Court ruled on September 3, 2010 that Deutsche Telekom must make a supplementary cash payment of EUR 1.15 per share plus interest to former T-Online shareholders. The ruling only affects those shareholders who exchanged their T-Online shares for Deutsche Telekom shares as part of the merger. As approximately 120 million shares were exchanged in this manner, a supplementary cash payment of EUR 138 million plus interest had to be made.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Management and supervision

The management and supervisory structures, as well as the compensation system for the Board of Management and the Supervisory Board, are oriented toward the long-term performance of the Group and follow the recommendations of the German Corporate Governance Code.

The Supervisory Board

The Supervisory Board advises the Board of Management and oversees its management of business. In accordance with the Stock Corporation Act and the Co-Determination Act of 1976 (*Mitbestimmungsgesetz*), our Supervisory Board consists of twenty members, ten of whom represent our shareholders and ten of whom represent our employees. Members of the Supervisory Board may be elected for a term of up to five years and re-election is permitted. The Chairman and the Deputy Chairman are elected by the Supervisory Board in accordance with the rules of the Co-Determination Act.

Supervisory Board members representing our shareholders are elected at the annual shareholders' meeting. The terms of office of the shareholder representatives expire at the end of the shareholders' meeting at which the shareholders discharge the Supervisory Board members in respect of the fourth financial year following the member's commencement of tenure of office. The financial year in which tenure of office commences is not counted for this purpose.

Supervisory Board members representing our employees are elected by our employees in accordance with the provisions of the Co-Determination Act. Employees elect ten representatives, made up of workers, regular employees, at least one senior management employee and three union representatives. Under the laws that governed our privatization, civil servants, who are not otherwise covered by the Co-Determination Act, are included in these groups of employee representatives for purposes of these elections.

A member of the Supervisory Board elected by our shareholders may be removed by a shareholders' resolution by simple majority of the votes cast. A member of the Supervisory Board elected by our employees may be removed by a majority of at least three-quarters of the votes cast by the relevant class of employees or union representatives who elected the relevant Supervisory Board members in accordance with the Co-Determination Act.

The Supervisory Board is required by law to meet at least twice every six months. To achieve a quorum, at least ten of the members of the Supervisory Board must be present or cast their votes in writing. Except in situations in which a different majority is required by law, such as the appointment of Management Board members or the election of the Chairman and Deputy Chairman, the Supervisory Board makes decisions by simple majority of the votes cast. If, in the event of a deadlock, a second vote again results in a tie, the chairman of the Supervisory Board can cast the deciding vote.

The current members of our Supervisory Board and their principal occupations are listed below:

Shareholder representatives

- Prof. Dr. Lehner, Ulrich, Member of the Shareholders' Committee Henkel AG & Co. KGaA, Düsseldorf; Chairman of the Supervisory Board Deutsche Telekom AG
- Asmussen, Jörg, State Secretary, Federal Ministry of Finance, Berlin
- Dr. Bernotat, Wulf H., former Chairman of the Board of Management E.ON AG, Düsseldorf
- Bury, Hans Martin, Managing Partner HERING SCHUPPENER Consulting Corporate Affairs & Public Strategies GmbH, Frankfurt
- Dr. von Grünberg, Hubertus, Chairman of the Board of Directors of ABB Ltd., Zürich, Schweiz
- Guffey, Lawrence H., Senior Managing Director The Blackstone Group International Partners Ltd., London
- Hocker, Ulrich, Manager in Chief Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Düsseldorf

- Prof. h.c. (CHN), Dr.-Ing. E.h.Dr. Middelmann, Ulrich, Former Vice Chairman of the Executive Board ThyssenKrupp AG, Düsseldorf

- Dr. Schröder, Ulrich, Chairman of the Managing Board KfW, Frankfurt

- Dr. h. c. Walter, Bernhard, Former Chairman of the Board of Managing Directors, Dresdner Bank AG, Frankfurt

Employee representatives

- Becker, Hermann-Josef, Member of the management of Deutsche Telekom Direct Sales and Consulting as well as Chairman of the Group Executive Staff Representation Committee and Executive Staff Representation Committee, Deutsche Telekom AG, Bonn

- Brandl, Monika, Chairwoman of the Central Works Council of Deutsche Telekom AG, Bonn

- Holzwarth, Lothar, Chairman of the transitional works council of Telekom Deutschland GmbH, Bonn

- Kallmeier, Hans-Jürgen, Chairman of the Central Works Council T-Systems International GmbH, Frankfurt

- Kühnast, Sylvia, Member of the Central Works Committee of the Central Works Council of Telekom Deutschland GmbH, Bonn

- Litzenberger, Waltraud, Chairwoman of the Group Works Council and the European Works Council Deutsche Telekom AG, Bonn

- Löffler, Michael, Member of the Works Council Deutsche Telekom Netzproduktion GmbH, Bonn, Technical Infrastructure Branch Office, Central/Eastern District

- Schröder, Lothar, Member of the ver.di National Executive Board, Berlin; Deputy Chairman of the Supervisory Board Deutsche Telekom AG

- Sommer, Michael, Chairman of the German Confederation of Trade Unions (DGB), Berlin

- Spoo, Sibylle, Lawyer, Trade Union Secretary at the ver.di Federal Administration, Berlin

For additional information on the compensation of our Supervisory Board members, see Note 39 to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

The Board of Management

The members of the Board of Management are appointed and discharged in accordance with § 84 and § 85 AktG, and § 31 of the German Codetermination Act (*Mitbestimmungsgesetz – MitbestG*). Amendments to the Articles of Incorporation are made pursuant to § 179 and § 133 AktG, and § 18 of the Articles of Incorporation. According to § 21 of the Articles of Incorporation, the Supervisory Board is authorized, without a resolution by the shareholders' meeting, to adjust the Articles of Incorporation to comply with new legal provisions that become binding for our company and to amend the wording of the Articles of Incorporation.

Board of Management responsibilities are distributed across eight board departments. Five of these are central management areas:

- Chairman of the Board of Management and the Board departments

- Finance

- Human Resources

- Data Privacy, Legal Affairs and Compliance

- Technology and Innovation

In addition, there are three segment-based Board departments:

- Germany
- Europe
- T-Systems

Composition of the Board of Management as of December 31, 2010

Members of the Board of Management	Department
René Obermann	Chairman of the Board of Management (CEO)/USA
Dr Manfred Balz	Data Privacy, Legal Affairs and Compliance
Reinhard Clemens	T-Systems
Niek Jan van Damme	Germany
Timotheus Höttges	Finance (CFO)
Guido Kerkhoff	Europe
Edward R. Kozel	Technology and Innovation
Thomas Sattelberger	Human Resources

Changes in the composition of the Board of Management

On December 17, 2009, the Supervisory Board agreed to Hamid Akhavan's request to resign his seat on the Board of Management effective February 15, 2010. On January 29, 2010, the Supervisory Board approved the proposal by the Board of Management to reassign Hamid Akhavan's responsibilities on a temporary basis. Effective February 15, 2010, 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 (the United Kingdom, the Netherlands, Austria, Poland and the Czech Republic) and International Sales and Services. Reinhard Clemens assumed temporary Group-wide responsibility for the remaining units of the Chief Operating Officer (COO), such as Products & Innovation, Technology, IT and Procurement.

On February 24, 2010, the Supervisory Board approved the proposal by the Board of Management to extend Guido Kerkhoff's area of responsibility on a permanent basis. Since April 1, 2010, Guido Kerkhoff has been responsible for the Europe operating segment in addition to the former Southern and Eastern Europe operating segment. The former 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 member of the 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 and is responsible for Technology, IT, Procurement, and Products & Innovation for standard business (consumers and business customers).

At its meeting on December 16, 2010, our Supervisory Board resolved to extend René Obermann's contract as Chairman of our Board of Management by an additional five years. The new contract runs until the end of October 2016.

On February 14, 2011, Guido Kerkhoff asked the Supervisory Board to terminate his contract three years ahead of schedule. The Supervisory Board approved the termination of his contract at its meeting on February 23, 2011. On April 1, 2011, Niek Jan van Damme took on acting responsibility for the Board of Management area Europe.

Basis of Board of Management compensation

On February 24, 2010, the Supervisory Board resolved on a new system for the compensation of the Board of Management members, taking into account the provisions specified in the German Act on the Appropriateness of Management Board Remuneration (*Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG*) that has been in effect since August 5, 2009. The shareholders' meeting of Deutsche Telekom AG on May 3, 2010 approved this new system. Pursuant to the VorstAG explanatory memorandum (document 16/13433), the contracts of the Board of Management members that were in existence before the Act entered into force enjoy vested rights protection. These Board of Management members nevertheless have the option of voluntarily changing over to the new compensation system. For more information on the compensation of the Board of Management and the disclosures required by § 314 HGB, German Accounting Standard No. 17 (GAS 17), and the German Corporate Governance Code, please refer to note 39 to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

The compensation of Board of Management members is comprised of various components. Under the terms of their service contracts, members of the Board of Management are entitled to annual fixed remuneration and annual variable performance-based remuneration, a long-term variable remuneration component, as well as fringe benefits and deferred benefits based on a company pension entitlement. The Supervisory Board defines the structure of the compensation system for the Board of Management and reviews this structure and the appropriateness of compensation at regular intervals.

Fixed remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law. Board of Management compensation is oriented toward the sustained development of the Company and there is a multi-year measurement base in the new system for the variable components.

At its discretion and after due consideration, the Supervisory Board may also reward extraordinary performance by individual or all Board of Management members in the form of a special bonus.

In accordance with market-oriented and corporate standards, we grant all members of the Board of Management additional benefits under the terms of their service contracts, some of which are viewed as non-cash benefits and taxed accordingly. This mainly includes being furnished with a company car and accident and liability insurance and reimbursements in connection with maintaining a second household.

Employment outside of the Group generally requires prior approval. Generally, no additional compensation is paid for being a member of the management or supervisory board of other Group entities.

For additional information on the compensation of our Board of Management members, see note 39 to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

Other management developments in 2010

Philipp Humm succeeded Robert Dotson as President and CEO of T-Mobile USA effective November 1, 2010.

Michael Tsamaz was appointed successor to Panagis Vourloumis as Chairman and Chief Executive Officer of OTE effective November 3, 2010. Panagis Vourloumis left the company effective the same date. Michael Tsamaz will also continue as CEO of COSMOTE Mobile Communications.

Employees

Headcount development

Employees in the Group	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Total	**246,777**	**259,920**	**227,747**
Germany operating segment	76,478	81,336	85,637
Europe operating segment	63,338	71,163	39,140
United States operating segment	37,760	40,697	38,031
Systems Solutions operating segment	47,707	46,021	45,862
Group Headquarters & Shared Services	21,494	20,703	19,077
Breakdown by geographic area			
Germany	123,174	127,487	131,713
International	123,603	132,433	96,034
Of which: other EU Member States	68,941	76,196	45,115
Of which: rest of Europe	9,991	10,061	7,908
Of which: North America	38,467	41,235	38,621
Of which: rest of world	6,204	4,941	4,390

Employees – Germany

Our Germany operating segment had an average of 79,364 employees in 2010, making it one of the largest employers in Germany. Despite the increase in the number of employees as a result of the first-time consolidation of STRATO and ClickandBuy, headcount at our Germany operating segment decreased by 6.2%, mainly due to our socially responsible measures to reduce and restructure the workforce by transferring employees to Vivento. In 2009, the average headcount decreased by 6% year-on-year to 84,584 employees, primarily due to staff reductions in the fixed-network area.

Employees – Europe

The decline in the average headcount in our Europe operating segment was primarily a result of the deconsolidation of T-Mobile UK as of April 1, 2010. Downsizing programs as part of efficiency enhancement measures in several countries also reduced the average headcount. This decline was offset by an increase in the number of employees resulting from the first-time full-year consolidation of the OTE group in early February 2009. In addition, some smaller-scale acquisitions added to the headcount.

In 2009, the average number of employees increased due to the first-time full consolidation of the OTE group, whose headcount at the date of consolidation was 33,600. Some 550 employees were included for the first time in the fourth quarter of 2009 due to the first-time consolidation of Zapp. At T-Mobile CZ, the number of employees increased compared with the prior year due to the transfer of temporary customer service staff to permanent contracts. At T-Mobile Netherlands, the year-on-year headcount increase was mainly attributable to technical integration projects associated with the acquisition of Orange. The number of employees was reduced in Croatia and Slovakia by the improvement of performance processes. At PTC, the number of employees remained almost unchanged year-on-year, whereas average staff numbers at T-Mobile Austria declined in Sales and Customer Care. Headcount at T-Mobile UK declined at the call centers and in the technology area as a result of outsourcing measures.

Employees – United States

The average number of employees decreased slightly year-on-year in 2010, as a decrease in customer support employees driven by lower customer care call volumes was offset partially by an increase in employees related to retail distribution growth.

In 2009, the average number of employees rose year-on-year, related to retail distribution growth. By the end of 2009, T-Mobile USA had over 2,000 branded retail locations.

On March 20, 2011, we entered into an agreement with AT&T under which we agreed to sell to AT&T our subsidiary, T-Mobile USA, Inc. For information concerning this transaction, please see "*Sale of T-Mobile USA*" and "*Risk Factors—Risks Related to the Sale of T-Mobile USA*" in this offering memorandum.

Employees – Systems Solutions

The increase in the average number of employees was the result of two offsetting effects. The average number of employees outside of Germany increased by 2,712 or 13.7% as a result of new employees that came to T-Systems under the terms of large-scale outsourcing contracts and the increased use of employees outside of Germany. The average number of employees in Germany decreased by 452 or 1.8% to 25,095. As a result of staff-restructuring measures, in particular at Systems Integration, as well as offshoring activities at Computing & Desktop Services.

In 2009, the average headcount in the Systems Solutions operating segment declined by 767 to 45,328. In Germany, the average number of employees declined by 2,452 to 25,547 as a result of staff restructuring measures. In addition to the restructuring measures, this decrease is also a result of offshoring at Computing & Desktop Services. The average headcount outside of German rose by 1,685. This is principally due to the fact that employees were taken over under the terms of large-scale contracts and the increase in offshore activities.

Employees – Group Headquarters & Shared Services

The increase in the average number of employees compared with 2009 was primarily attributable to staff employed at the units that were integrated into Group Headquarters & Shared Services as part of the Group-wide realignment of the management structure.

In 2009, the average number of employees during the reporting period was 20,181. The decrease of 3,400 employees compared with 2008 is primarily attributable to the sale of DeTe Immobilien, although an offsetting effect came from a headcount increase at Vivento, mainly due to newly identified employment opportunities for civil servants and employees, and the merger of the operating segments' accounting activities into Deutsche Telekom Accounting GmbH.

Civil Servants

Although no employees hired after January 1, 1995 have been granted civil servant status, we employ a substantial number of civil servants. Pursuant to the law governing our privatization, our civil servant employees retained their civil servant status. Accordingly, the terms and conditions of their employment and the benefits owed to them continue to be governed by German regulations regarding civil servants. In particular, civil servant salaries are set by statute and not by us or by collective bargaining agreements. In addition, civil servants are tenured employees and may not be unilaterally terminated except in extraordinary, statutorily defined circumstances. Civil servants are not permitted to participate in work-related actions such as strikes, but are permitted to join labor unions. Although we are authorized, pursuant to the law governing our privatization, to exercise generally the rights and duties of the Federal Republic as the employer of civil servants, the Federal Postal and Telecommunication Agency (*Bundesanstalt für Post und Telekommunikation or the Federal Agency*) has a right of consultation in the implementation of certain aspects of the terms under which we employ civil servants.

Under the German Postal Employees Act (*Postpersonalrechtsgesetz*), which governs the legal position of civil servants at Deutsche Telekom AG, we have been given greater flexibility with respect to our relationship with our civil servants. Among other things, this law allowed for the complete elimination of the Christmas bonus, making it possible for us to finance the reduction in weekly working hours from 38 to 34 under our employment alliance, which also applied to civil servants from April 2004. The agreement provides the option of assigning tasks in companies within or outside the Group to active civil servants. The civil servants' compensation, healthcare and pension entitlements have been maintained. Under certain circumstances, civil servants may also be transferred, even without their consent, to companies in which Deutsche Telekom AG has a direct or indirect majority shareholding. However, there is a risk that civil servants temporarily without civil servant status may return to Deutsche Telekom AG, for example, after the completion of their work at one of our subsidiaries. Although we attempt to reduce this risk through compensation payments from the subsidiaries to Deutsche Telekom AG, we cannot eliminate it completely.

Since 2004, the collective bargaining agreement between Deutsche Telekom AG and the ver.di union has been funded for civil servants by various measures, including the elimination of year-end bonuses (Christmas bonuses) based on an amendment of the Legal Provisions for the German Postal Employees Act. Civil servants have raised objections and taken legal action against this amendment. For more information, see "Legal Proceedings."

Civil servants employed by us are entitled to pension benefits provided by the German federal government pursuant to the Civil Servants' Benefits Act (Beamtenversorgungsgesetz). Pursuant to the law governing our privatization, we are required to make annual contributions to a special pension fund established to fund such pension obligations. The special pension fund was merged in 2000 with the special pension funds of Deutsche Post AG and Deutsche Postbank AG to form a joint pension fund, the Federal Pension Service for Post and Telecommunication (Bundes-Pensions-Service für Post und Telekommunikation e.V., the "BPS-PT"). The BPS-PT works for the funds of all three companies and also handles financial administration for the Federal Republic on a trust basis. All transactions for pension and allowance payments to employees are made by BPS-PT for the companies Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG. For more information, see note 12 to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

Provisions for civil servants in the Deutsche Telekom Group

On November 16, 2006, the "Second Bill to Amend the Act for the Improvement of the Staff Structure at the Residual Special Asset of the Federal Railways and the Successor Companies of the Former Deutsche Bundespost" (Zweites Gesetz zur Änderung des Gesetzes zur Verbesserung der personellen Struktur beim Bundeseisenbahnvermögen und in den Unternehmen der Deutschen Bundespost) entered into force. Among other things, this Act was intended to help correct the negative consequences of a structural feature of the successor companies to Deutsche Bundespost (Deutsche Telekom AG, Deutsche Post AG, Deutsche Postbank AG). These successor companies employ a high proportion of civil servants in Western Germany, while staff covered by collective agreements make up the majority of the workforce in Eastern Germany. On the basis of the 2006 law, we became able to include civil servants in staff restructuring measures. Civil servants of all service grades, who are working in areas where there is a surplus of staff and for whom employment in another area is not possible or cannot reasonably be expected in line with civil service legislation, have been able to apply for early retirement from the age of 55.

The Act for the Reform of Civil Service Law (Dienstrechtsneuordnungsgesetz) came into force on February 12, 2009 and the related remuneration schedule for civil servants was adjusted effective July 1, 2009. This Act includes a gradual postponement of the retirement age of federal civil servants to 67. This postponement does not apply, however, to those civil servants who choose to take early retirement, meaning civil servants who are eligible can still take early retirement upon reaching the age of 55.

Personnel costs

	2010	**2009**	**2008**
		(billions of €)	
Personnel costs in the Group	15.1	14.3	14.1
Of which: expenses relating to staff-related measures	1.0	0.5	1.1

In 2010, we continued our efforts for socially responsible staff restructuring throughout our group. In addition to implementing extensive re-training programs, we have also provided opportunities to leave our company on a voluntary basis. These include early retirement programs for civil servants and employees (from the age of 55), the ongoing partial retirement arrangements, as well as severance programs put in place for specific units.

ADDITIONAL INFORMATION

We are a stock corporation organized in the Federal Republic of Germany. Deutsche Telekom AG, Bonn, is the parent company of our group. Its ordinary shares are traded on the Frankfurt Stock Exchange as well as on other German stock exchanges. Information on the capital stock in accordance with §289(4) No. 1 of the German Commercial Code (*Handelsgesetzbuch – HGB*) can be found in Note 15 of the notes to the financial statements included elsewhere in this offering memorandum.

Voting rights

Each share entitles its holder to one vote. However, these voting rights are restricted for treasury shares (around 2 million as of December 31, 2010) and trust shares (around 19 million as of December 31, 2010). The trust shares are related to the acquisitions of VoiceStream and Powertel in 2001. As part of these acquisitions, we issued new shares from authorized capital to trustees for the benefit of holders of warrants, options and conversion rights, among others. As regards the shares issued to trusts, the respective trustees waive voting rights and preemptive rights and, in general, dividend rights for the duration of the trusts' existence. The shares issued to the trusts can be sold on a stock exchange at our instruction if the beneficiaries do not exercise their options or conversion rights and these expire. In this event, we will receive the proceeds from the sale.

Authorized capital and contingent capital

The shareholders' meeting on April 30, 2009 authorized our Board of Management to increase our share capital with the approval of the Supervisory Board by up to EUR 2,176,000,000 by issuing up to 850,000,000 no par value registered shares against noncash capital contributions in the period ending April 29, 2014. This authorization may be exercised either in full or in part. The Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' preemptive rights when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from our company. The Board of Management is also authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares (authorized capital 2009/I).

The shareholders' meeting on April 30, 2009 authorized our Board of Management to increase the share capital with the approval of the Supervisory Board by up to EUR 38,400,000 by issuing up to 15,000,000 no par value registered shares against cash and/or non-cash contributions in the period ending April 29, 2014. This authorization may be exercised either in full or in part. Shareholders' preemptive rights are excluded. The new shares may only be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier companies (employee shares). The new shares can also be issued to a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG that assumes the obligation to use these shares for the sole purpose of granting employee shares. Where permitted by law, the employee shares may also be issued in such a way that the contribution to be paid in return is taken from the part of the income after income taxes that the Board of Management and the Supervisory Board may transfer to other retained earnings in accordance with § 58 (2) AktG. The shares to be issued as employee shares can also be acquired in the form of a securities loan from a bank or some other company meeting the requirements of §186(5), sentence 1 AktG and the new shares used to repay this securities loan. Our Board of Management is authorized, subject to the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares (2009/II authorized capital).

The share capital has been contingently increased by up to EUR 31,813,089.28 as of December 31, 2010, composed of up to 12,426,988 new no par value registered shares (contingent capital II). The contingent capital increase is exclusively for the purpose of meeting preemptive rights to shares from stock options granted in the period until December 31, 2003 to members of the Board of Management of the Company, to members of second-tier management, and to other executives, managers, and specialists of the Company and to members of the boards of management, members of management, and other executives, managers, and specialists at lower-tier Group companies in Germany and other countries, on the basis of the authorization for a 2001 Stock Option Plan granted by resolution of the shareholders' meeting on May 29, 2001. It will be implemented only to the extent that the holders of stock options exercise these options.

The share capital was contingently increased by EUR 1,100,000,000 as of December 31, 2010, composed of up to 429,687,500 no par value registered shares (2010 contingent capital). The contingent capital increase will be implemented only to the extent that

- a) the holders or creditors of bonds with warrants, convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) with options or conversion rights, which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 2, 2015, on the basis of the authorization resolution granted by the shareholders' meeting on May 3, 2010, make use of their option and/or conversion rights or

- b) those obligated as a result of bonds with warrants, convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 2, 2015, on the basis of the authorization resolution granted by the shareholders' meeting on May 3, 2010, fulfill their option or conversion obligations

and other forms of fulfillment are not used. The new shares participate in profits starting at the beginning of the financial year in which they are issued as the result of the exercise of any option or conversion rights or the fulfillment of any option or conversion obligations. Our Supervisory Board is authorized to amend §5(5) of our Articles of Incorporation in accordance with the particular usage of the contingent capital and after the expiry of all the option or conversion periods.

Shareholder remuneration policy

On February 24, 2010, our Board of Management and Supervisory Board decided to pursue a shareholder remuneration policy for the 2010 to 2012 financial years that consists of an annual dividend of at least EUR 0.70 per share and market repurchases from time-to-time of our shares to the extent necessary to achieve a total shareholder remuneration of around EUR 3.4 billion per annum. The implementation of this policy is subject to the availability of sufficient distributable balance sheet profits of Deutsche Telekom AG for the financial year in question and our ability to establish the necessary reserves for any share repurchases. It is also contingent upon our governing bodies adopting resolutions to this effect, taking into account the company's situation at the time.

Share repurchase program

In connection with this policy, our annual shareholders' meeting resolved on May 3, 2010 to authorize our Board of Management to repurchase shares representing a total share capital of up to EUR 1,116,497,918.20 by November 2, 2011. The shares to be repurchased on the basis of this authorization, when included with the other shares of our company which we already purchased and still possessed or were to be assigned to us under §71d and §71e of the German Stock Corporation Act (*Aktiengesetz – AktG*), could not at any time account for more than 10% of our share capital. Moreover, the requirements under §71(2) sentences 2 and 3 AktG must be complied with. In addition, shares may not be repurchased for the purpose of trading in treasury shares.

This authorization may be exercised in full or in part. The repurchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of §17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of §17 AktG are also entitled to repurchase the shares. In addition, the shares are to be purchased in compliance with the principle of equal treatment (§53a AktG) through a stock exchange. Shares can also be purchased by means of a public repurchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

A resolution of the shareholders' meeting on May 3, 2010 also authorized our Board of Management to redeem the shares repurchased in connection with this program without requiring a further resolution of the shareholders' meeting. Based on this authorization, our Board of Management resolved on July 27, 2010 to implement a share repurchase program.

The 2010 repurchase program was completed on December 3, 2010. A total of 40,001,000 shares were acquired for a total price of EUR 400 million (excluding transaction costs) with an average purchase price of EUR 9.99 per share. Our Board of Management decided on December 14, 2010 to reduce the share capital of Deutsche Telekom AG accordingly and to retire the shares that had been repurchased. This resulted in a decrease of EUR 102 million in share capital (imputed value of EUR 2.56 per share) and EUR 400 million in the retained earnings of the Group as of December 31, 2010. A total of EUR 102 million was transferred to capital reserves in accordance with §237(5) AktG.

For more information, please refer to the note 15 to our consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this offering memorandum.

Main agreements that include a change in control clause

The main agreements entered into by Deutsche Telekom AG, which include a change in control clause, principally relate to our bilateral credit lines and several loan agreements. In the event of a takeover, each individual lender has the right to terminate its respective credit line and, if necessary, serve notice or demand repayment of the loans. A takeover is assumed when a third party, which can also be a group acting jointly, acquires control over Deutsche Telekom AG.

In addition, the other members of the Toll Collect consortium, Daimler Financial Services AG and Cofiroute SA, have a call option in the event that the ownership structure of Deutsche Telekom AG changes such that over 50% of its share capital or voting rights are held by a new shareholder and this change was not approved by the other members of the consortium. Section 22(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) similarly applies to the allocation of voting rights.

Should Deutsche Telekom AG be taken over by another company that is not a telecommunications company based in the European Union or the United States of a similar size and stature to our company, the Hellenic Republic has the right to purchase from us all the shares we own in OTE. For this purpose, we shall be deemed to have been taken over if one or several entities, with the exception of the Federal Republic of Germany, directly or indirectly acquires 35% of the voting rights in our company.

When establishing the Everything Everywhere joint venture in the United Kingdom, we and France Télécom S.A. agreed that if we come under the controlling influence of a third party, France Télécom will be exempted from all the restrictions imposed on the shareholders in the joint venture agreement with regard to a transfer of their shares. However, even in this event, transferring shares to competitors remains prohibited.

Delisting and deregistration

In 2010, we delisted our American Depositary Shares (ADS) from trading on the New York Stock Exchange, or NYSE, and our shares from trading on the Tokyo Stock Exchange. Our ADSs have been traded on the U.S. over-the-counter market since June 21, 2010. Also, we deregistered our securities and the securities of Finance with the U.S. Securities and Exchange Commission, or SEC.

OTE delisted its American Depositary Shares from the NYSE on September 17, 2010, followed by Magyar Telekom on November 12, 2010. Both companies also intend to deregister and thus terminate their reporting obligations to the SEC when they meet the relevant deregistration criteria.

Accounting-related internal control system

Our internal control system, or ICS, is based on the internationally recognized COSO framework (The Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework. Our Audit Committee monitors the effectiveness of the ICS – as required pursuant to the German Accounting Law Modernization Act by § 107 (3) sentence 2 AktG. The Board of Management has the responsibility to define the scope and structure of the ICS at its discretion.

Internal Audit is in charge of independently reviewing the effectiveness of the ICS in the Group and at Deutsche Telekom AG, and, to comply with this task, has comprehensive information, audit and access rights. It is generally true of any ICS that regardless of how it is specifically structured there can be no absolute guarantee that it will achieve its objectives. Regarding the accounting-related ICS, there can therefore only ever be relative certainty, but no absolute certainty that material accounting misstatements can be prevented or detected.

The accounting-related ICS, which is periodically refined, comprises the principles, methods, and measures used to ensure compliant accounting.

The accounting-related ICS targets the consolidated financial statements of Deutsche Telekom being prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) HGB. Another objective of the accounting-related ICS is the preparation of annual financial statements of Deutsche Telekom AG in accordance with German GAAP.

Group Accounting manages the processes for the preparation of the consolidated financial statements and the management report. Laws, accounting standards and other pronouncements are continuously analyzed as to whether and to what extent they are relevant and how they impact on financial reporting. The relevant requirements are defined in the Group Accounting Manual, for example, communicated to the relevant units and, together with the financial reporting calendar that is binding throughout the Group, forms the basis of the financial reporting process. In addition, supplementary process directives, standardized reporting formats, IT systems, as well as IT-based reporting and consolidation processes support the process of uniform and compliant Group accounting. Where necessary, we also draw on the services of external service providers, for example, for measuring pension obligations. Group Accounting uses appropriate processes to ensure these requirements are complied with consistently throughout the Group. The staff involved in the accounting process receive regular training. Deutsche Telekom AG and the Group companies are responsible for ensuring that Group-wide guidelines and procedures are complied with. They also ensure the compliance and timeliness of their financial reporting-related processes and systems. They are supported and monitored by Group Accounting.

Internal controls are embedded in the accounting process depending on risk levels. The accounting-related ICS comprises both preventive and detective controls, which include IT-based and manual data matching, the segregation of functions, the dual checking principle, general IT checks such as access management in IT systems, change management, and the monitoring of such systems.

Since the 2006 financial year, we have had a consistent process throughout the Group for monitoring the effectiveness of the accounting-related ICS. This process systematically focuses on risks of possible misstatements in the consolidated financial statements. To this end, first certain high-risk elements are selected, for which successive self-assessments are performed by all parties involved in the process, including those with lead responsibility for the accounting process through to the Board of Management. Internal Audit is closely involved in all stages of the process in order to ensure the high quality of the accounting-related ICS. For this purpose, it also performs independent spot-checks on the self-assessments.

Statement by the Board of Management on the dependent company report

Since the Federal Republic of Germany, as minority shareholder of Deutsche Telekom AG, represents a solid majority at the shareholders' meeting due to the average attendance at the latter, Deutsche Telekom is a dependent company of the Federal Republic of Germany in accordance with § 17 (1) AktG.

Deutsche Telekom is not subject to any control or profit and loss transfer agreement with the Federal Republic of Germany. Under § 312 AktG, the Board of Management of Deutsche Telekom has therefore prepared a dependent company report describing relations between the controlling entity and dependent companies. The Board of Management issued the following statement at the end of the report: “The Board of Management hereby declares that under the circumstances known to the Board of Management at the time the corporate transactions were performed, the Company received appropriate remuneration for such transactions. The Company did not perform or omit any actions on behalf of, or on the instructions of, the controlling company or any dependent companies.”

DESCRIPTION OF THE NOTES AND GUARANTEES

The Notes will be issued under the Agreement. The following summaries of certain provisions of the Notes and the Agreement do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Notes and the Agreement, including the definitions of certain terms contained therein. A form of the fiscal and paying agency agreement has been included as Schedule A to this offering memorandum.

General

The Notes will be initially limited to $1,250,000,000 aggregate principal amount and will mature on April 11, 2016. The Notes will be the direct, unconditional, unsecured and unsubordinated general obligations of the Issuer. The Notes will rank equally among themselves, without any preference of one over the other by reason of priority of date of issue or otherwise, and at least equally with all other unsecured and unsubordinated general obligations of the Issuer from time to time outstanding. The Notes will bear interest at the rate per annum shown on the front cover of this offering memorandum from April 11, 2011, payable semiannually in arrears on April 11 and October 11 of each year, commencing October 11, 2011, to the holders of record on the March 27 or September 26, as the case may be, immediately preceding such interest payment date, whether or not such day is a Business Day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes will be repaid at maturity at a price of 100% of the principal amount thereof. The Notes may be redeemed at any time prior to maturity in the circumstances described under "*—Optional Redemption*" and "*—Optional Tax Redemption*." The Notes will be issued in denominations of $150,000 and integral multiples of $1,000 in excess thereof. The Notes do not provide for any sinking fund.

The term "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City generally are authorized or obligated by law or executive order to close. If the date of maturity of interest on or principal of the Notes or the date fixed for redemption of any Note is not a Business Day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Guarantees

The Guarantor will fully, unconditionally and irrevocably guarantee (each a "Guarantee" and, collectively, the "Guarantees") the payment of the principal of, premium, if any, and interest on the Notes issued by the Issuer, including any additional amounts that may be payable by the Issuer in respect of its Notes, as described under "*Additional Amounts*." The Guarantor guarantees the payment of such amounts when such amounts become due and payable, whether at the stated maturity of the Notes, by declaration or acceleration, call for redemption or otherwise.

In the distribution of the assets of any subsidiary of the Guarantor upon the subsidiary's liquidation or reorganization, any creditor of the subsidiary will have a right to participate in the distribution before the creditors of the Guarantor, including holders of the Notes (the "Holders") issued by the Issuer. The Guarantees will be unsecured obligations of the Guarantor.

Additional Notes

The Notes will be issued in the initial aggregate principal amount set forth above. The Issuer may, from time to time, without notice to or the consent of the Holders, create and issue, pursuant to the Agreement and in accordance with applicable laws and regulations, additional notes (the "Additional Notes") maturing on the same maturity date as the other Notes of that series and having the same terms and conditions under the Agreement (including with respect to the Guarantor and the Guarantees) as the previously outstanding Notes of that series in all respects (or in all respects except for the issue date, the CUSIP number and the amount and the date of the first payment of interest thereon) so that such Additional Notes shall be consolidated and form a single series with the previously outstanding Notes of that series. Additional Notes, if any, will be issued under a separate offering document or a supplement to this offering memorandum.

Optional Redemption

The Issuer may, at its option, redeem the notes as a whole or in part at any time upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes plus accrued interest (and Additional Amounts, if any) to the date of redemption; or

- as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest (and Additional Amounts, if any) on the Notes (not including any portion of such payments of interest accrued as of the date of redemption) plus accrued interest (and Additional Amounts, if any) to the date of redemption. The present values will be determined by discounting the remaining principal and interest payments to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), using the Adjusted Treasury Yield.

"Adjusted Treasury Yield" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date plus 15 basis points (0.150%).

"Comparable Treasury Issue" means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Quotation Agent's Quotations for the redemption date.

"Independent Investment Banker" means an independent investment banking institution of national standing in the United States appointed by the Issuer.

"Quotation Agent" means a reference treasury dealer that is a primary U.S. government securities dealer in New York City. The Independent Investment Banker will appoint the Quotation Agent after first consulting with the Guarantor.

"Quotation Agent's Quotations" means with respect to any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Quotation Agent at 5:00 p. m. on the third business day before the redemption date.

From and after the redemption date, if money for the redemption of the Notes called for redemption is made available as provided in the Agreement and the Notes called for redemption on the redemption date, the Notes will cease to bear interest, and the only right of the Holders will be to receive payment of the redemption price and all unpaid interest accrued to the date of redemption.

If fewer than all of the Notes are to be redeemed, the Fiscal Agent shall select, no more than 60 days prior to the date fixed for redemption, the particular Notes or portions thereof for redemption from the outstanding Notes not previously called for redemption, on a pro rata basis or by such method as the Fiscal Agent deems fair and appropriate and in accordance with the procedures of the Depositary in the case of Global Securities.

Optional Tax Redemption

The Notes may be redeemed at any time, at the Issuer's (or, if applicable, the Guarantor's) option, as a whole or in part, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount being redeemed (and all Additional Amounts, if any) to (but excluding) the redemption date, if

- (i) as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of such laws or treaties, (a) either the Issuer or the Guarantor would be required to pay Additional Amounts (as defined below); or (b) the Guarantor or any of its subsidiaries would have to deduct or withhold tax on any payment to the Issuer to enable the Issuer to make a payment of principal or interest on a Note and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor) taking reasonable measures available to it. This applies only in the case of changes, executions, amendments, applications or interpretations that occur on or after the date specified in this offering memorandum for the Notes and in the jurisdiction where the Issuer or the Guarantor is incorporated. If the Issuer or the Guarantor is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which the successor entity is organized, and the applicable date will be the date the entity became a successor; and

- A person into which either the Issuer or Guarantor is merged or to whom it has conveyed, transferred or leased its property (a "successor person") is required to pay an Additional Amount. In this event, the Issuer or the Guarantor would have the option to redeem the Notes even if the Issuer or the Guarantor is required to pay Additional Amounts immediately after such merger, conveyance, transfer or lease. In this case, the Issuer or Guarantor is not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

Prior to the giving of notice of redemption, the Issuer, the Guarantor or the successor person, as the case may be, will deliver to the Fiscal Agent an officer's certificate, stating that the Issuer, the Guarantor or the successor person, as the case may be, is entitled to effect such redemption and setting forth in reasonable detail a statement of circumstances showing that the conditions precedent to the right of the Issuer, the Guarantor or the successor person to redeem the Securities pursuant to the Agreement have been satisfied.

Modifications and Amendment

The Issuer, the Guarantor and the Fiscal Agent may, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding, evidenced as provided in the Agreement, execute agreements adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement or of any supplemental agreement or modifying in any manner the rights of the Holders; provided that no such agreement shall (a) change the maturity of the principal of any Note, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any installment of interest thereon, or change the place or currency of payment of principal of, or interest on, any Note, or change the Issuer's or the Guarantor's obligation to pay Additional Amounts, impair or affect the right of any Holder to institute suit for the enforcement of any such payment on or after the due date therefor (or in the case of redemption, on or after the redemption date) or change in any manner adverse to the interests of the Holders the terms and provisions of the Guarantees in respect of the due and punctual payment of principal amount of the Notes then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any) without the consent of the Holder of each Note so affected; or (b) reduce the aforesaid percentage of Notes, the consent of the Holders of which is required for any such agreement, without the consent of the Holders of the Notes then outstanding.

The Issuer, the Guarantor and the Fiscal Agent may, without the consent of the Holders, from time to time and at any time, enter into a separate or supplemental fiscal and paying agency agreement to:

- to convey, transfer, assign, mortgage or pledge to the Fiscal Agent or another person as security for the Notes any property or assets;

- to evidence the succession of another person to the Issuer or the Guarantor, or successive successions, and the assumption by the successor person of the covenants, agreements and obligations of the Issuer or the Guarantor, pursuant to the Agreement;

- to evidence and provide for the acceptance of appointment of a successor or successors to the Fiscal Agent in any of its capacities;

- to add to the covenants of the Issuer, or the Guarantor, such further covenants, restrictions, conditions or provisions as the Issuer or the Guarantor, as the case may be, shall consider to be for the protection of the Holders, to surrender any power conferred upon the Issuer or the Guarantor and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the Notes permitting the enforcement of all or any of the several remedies provided in the applicable fiscal agency agreement; *provided*, that in respect of any such additional covenant, restriction, condition or provision such supplemental agreement may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;

- to modify the restrictions on, and procedures for, resale and other transfers of the Securities pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;

- to cure any ambiguity or to correct or supplement any provision contained in the Agreement, the Notes or the Guarantees, or in any supplemental agreement which may be defective or inconsistent with any other provision contained therein or in any supplemental agreement or to make such other provisions in regard to matters or questions arising under the Agreement or under any supplemental agreement as the Issuer may deem necessary or desirable and which shall not adversely affect the interests of the Holders to which such provisions relate; and

- to "reopen" the Securities of any series and create and issue additional Securities of that series having identical terms and conditions as the existing Securities of such series (or in all respects except for the issue date, issue price, the CUSIP number and first interest payment date) so that the additional Securities are consolidated and form a single series with the Outstanding such Securities.

Limitation on Liens

So long as any of the Notes remain outstanding, neither the Issuer nor the Guarantor may become obligated on any present or future Capital Market Indebtedness that is secured by a lien on the whole or any part of its present or future assets, unless an equivalent or higher-ranking lien on the same property is granted to the Holders. For the avoidance of doubt, this undertaking shall not apply to any security which is provided by the Issuer or any other subsidiary of the Guarantor over any claims of the Issuer or such other subsidiary of the Guarantor, as the case may be, against the Guarantor or any of its subsidiaries, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the sale by the Issuer or another subsidiary of the Guarantor, as the case may be, of any bonds, provided that any such security serves to secure obligations under such bonds of the Issuer or the other subsidiary of the Guarantor, as the case may be. Any security to be provided pursuant to the preceding sentence may also be provided to a person acting as trustee for the holders of such bonds.

"Capital Market Indebtedness" means any obligation to repay money that is borrowed through the issuance of bonds, notes or other debt securities, which are capable of being quoted, listed or traded on a stock exchange or other recognized securities market. Capital Market Indebtedness does not include any off-balance sheet assets and obligations. For the avoidance of doubt in respect of asset-backed financings originated by the Issuer or the Guarantor, the expression "assets" does not include assets of the Guarantor that are sold on a non-recourse basis determined in accordance with the civil law applicable to such transaction.

Events of Default

The occurrence and continuance of one or more of the following events will constitute an event of default (an "Event of Default") under the Agreement and the Notes:

a) the Issuer fails to pay principal or interest upon any Note within 30 days from the relevant due date; or

b) the Issuer fails duly to perform any other obligation arising from any Note, or the Guarantor fails to perform any obligation arising from the Guarantee, which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 days after the Issuer or Guarantor has received notice thereof from a Holder; or

c) (i) any Capital Market Indebtedness of the Issuer or the Guarantor becomes prematurely repayable as a result of a default in respect of the terms thereof; or (ii) the Issuer or the Guarantor fails to fulfill any payment obligation in excess of EUR 25,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantee or suretyship given for any Capital Market Indebtedness of any other person within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer or the Guarantor shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked; or (iii) if a security granted in respect of any Capital Market Indebtedness or any guarantee or suretyship therefor is enforced on behalf of or by the creditor(s) entitled thereto; or

d) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments; or

e) a court opens insolvency proceedings against the Issuer or the Guarantor, or the Issuer or the Guarantor applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or the Issuer applies for a "surseance van betaling" (within the meaning of the Bankruptcy Act (Faillissementswet) of the Netherlands; or

f) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this issue; or

g) any governmental order, decree or enactment shall be made in or by The Netherlands or Germany whereby the Issuer or the Guarantor is prevented from observing and performing in full its obligations as set forth in this Indenture and in the Guarantee, respectively, and this situation is not cured within 90 days; or

h) the Guarantee ceases to be valid and legally binding for any reason whatsoever.

If an Event of Default with respect to the Notes occurs and is continuing, then in every such case the Holders of not less than 25% in principal amount of the Notes outstanding may declare the principal amount of all of the Notes to be due and payable immediately, by a notice in writing to the Issuer and the Guarantor, specifying and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Fiscal Agent as provided in the Agreement, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Issuer, the Guarantor and the Fiscal Agent, may rescind and annul such declaration and its consequences if:

(1) the Issuer or the Guarantor has paid or deposited with the Fiscal Agent a sum sufficient to pay:

(A) all overdue interest on the Notes,

(B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in the Notes,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in the Notes, and

(D) all sums paid or advanced by the Fiscal Agent hereunder and the reasonable compensation, expenses, disbursements and advances of the Fiscal Agent, its agents and counsel;

and

(2) all Events of Default with respect to the Notes, other than the nonpayment of the principal of the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Agreement.

The Holders of a majority in aggregate principal amount of the Notes then outstanding may, by written notice to the Issuer and to the Fiscal Agent, waive all defaults and rescind and annul such declaration and its consequences, except a default

(1) in the payment of the principal of, or any premium or interest on, any Note of such series, or

(2) in respect of a covenant or provision which under the Agreement cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected;

and no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or impair any right consequent thereon.

Limitations on Suits; Unconditional Right of Holder to Initiate Certain Actions

Before a Holder can bring its own lawsuit or other formal legal action or take other steps to enforce its rights or protect its interests relating to the Notes, the following must occur:

- The Holder must give the Fiscal Agent written notice that an event of default has occurred and remains uncured. The holders of 25% in principal amount of the Notes must make a written request that the Fiscal Agent take action because of the default, and must offer reasonable indemnity and/or security satisfactory to the Fiscal Agent against the cost and other liabilities of taking that action.

- The Fiscal Agent must have not taken action for 60 days after receipt of the above notice and offer of indemnity.

Notwithstanding the above, however, the right of any Holder to receive payment of the principal of and interest on its Note on or after the respective due dates expressed in such Note, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder.

Substitution of Issuer; Consolidation, Merger and Sale of Assets

Each of the Issuer and the Guarantor, without the consent of the Holders, is generally permitted to consolidate or merge into, or sell, transfer, lease or convey all or substantially all of their respective assets to, any corporation and the Issuer may at any time substitute for the Issuer either the Guarantor or any Subsidiary (as defined below) of the Guarantor as principal debtor under the Notes, provided that:

(1) in case the Issuer or the Guarantor shall consolidate with or merge into another person or convey, transfer or lease its properties and assets substantially as an entirety to any person, the person formed by such consolidation or into which the Issuer or the Guarantor is merged or the person which acquires by conveyance or transfer, or which leases, the properties and assets of the Issuer or the Guarantor substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing, under the laws of the jurisdiction of its organization shall expressly assume, by an agreement supplemental hereto executed and delivered to the Fiscal Agent in form reasonably satisfactory to the Fiscal Agent, the due and punctual payment of the principal of and any premium and interest (including all Additional Amounts and any additional amounts payable pursuant to subsection (3) below) on all the Notes and the performance or observance of every covenant of the Agreement on the part of the Issuer to be performed or observed, and, in the case of the Guarantor, the due and punctual performance of the Guarantees (including all Additional Amounts and any additional amounts payable pursuant to subsection (3) below) and the performance of every covenant of the Agreement on the part of the Guarantor to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer or the Guarantor as a result of such transaction as having been incurred by the Issuer or the Guarantor at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(3) the person formed by such consolidation or into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets (if such person is organized and validly existing under the laws of a jurisdiction other than the United States, any State thereof, or the District of Columbia) agrees to indemnify the Holder of each Note against (a) any tax, assessment or governmental charge imposed on any such Holder or required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and (b) any costs or expenses of the act of such consolidation, merger, conveyance, transfer or lease; and

(4) the Issuer or the Guarantor, as the case may be, has delivered to the Fiscal Agent an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Agreement and that all conditions precedent herein provided for relating to such transaction have been complied with.

Discharge and Defeasance

The Agreement provides that the Issuer and the Guarantor will be discharged from any and all obligations in respect of the Agreement (except for certain obligations to register the transfer of or exchange Notes, replace stolen, lost or mutilated Notes, make payments of principal and interest and maintain paying agencies) if:

- the Issuer has paid or caused to be paid in full the principal of and interest on all Notes outstanding thereunder;

- the Issuer shall have delivered to the Fiscal Agent for cancellation all Notes outstanding theretofore authenticated; or

- all Notes not theretofore delivered to the Fiscal Agent for cancellation (i) have become due and payable; (ii) will become due and payable in accordance with their terms within one year or (iii) are to be, or have been, called for redemption as described under "—Optional Redemption" or "—Optional Tax Redemption" within one year under arrangements satisfactory to the Fiscal Agent for the giving of notice of redemption, and, in any such case, the Issuer shall have irrevocably deposited with the Fiscal Agent, in irrevocable trust for the benefit of the holders of such Notes, (a) cash in U.S. dollars in an amount, or (b) U.S. Government Obligations (as defined below) which through the payment of interest thereon and principal thereof in accordance with their terms will provide not later than the due date of any payment, cash in U.S. dollars in an amount, or (c) any combination of (a) and (b), sufficient to pay all the principal of, and interest on (and Additional Amounts, if any), all such Notes not theretofore delivered to the Fiscal Agent for cancellation on the dates such payments are due in accordance with the terms of the Notes and all other amounts payable under the Fiscal and Paying Agency Agreement by the Issuer.

"U.S. Government Obligations" means securities which are (i) direct obligations of the U.S. government or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the U.S. government, the payment of which is unconditionally guaranteed by the U.S. government, which, in either case, are full faith and credit obligations of the U.S. government payable in U.S. dollars and are not callable or redeemable at the option of the issuer thereof and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

Covenant Defeasance

The Agreement also provides that the Issuer and the Guarantor need not comply with certain covenants of the Agreement (including those described under "—Limitation on liens"), if:

- the Issuer or the Guarantor, as the case may be, irrevocably deposits with the Fiscal Agent as trust funds in irrevocable trust, specifically pedged as security for, and dedicated solely to, the benefit of the Holders, (i) cash in U.S. dollars in an amount, or (ii) U.S. government obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide not later than the due date of any payment cash in U.S. dollars in an amount, or (iii) any combination of (i) and (ii), sufficient to pay all the principal of, and interest on, the Notes then outstanding on the dates such payments are due in accordance with the terms of the Notes;

- certain Events of Default, or events which with notice or lapse of time or both would become such an Event of Default, shall not have occurred and be continuing on the date of such deposit;

- the Issuer, or the Guarantor, as the case may be, delivers to the Fiscal Agent an opinion of tax counsel with respect to U.S. federal income tax matters to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would be the case if such Covenant Defeasance had not occurred;

- the Issuer , or the Guarantor, as the case may be, delivers to the Fiscal Agent an opinion of tax counsel in its jurisdiction of incorporation to the effect that such deposit and related Covenant Defeasance will not cause the Holders, other than Holders who are or who are deemed to be residents of such jurisdiction of incorporation or use or hold or are deemed to use or hold their Notes in carrying on a business in such jurisdiction of incorporation, to recognize income, gain or loss for income tax purposes in such jurisdiction of incorporation, and to the effect that payments out of the trust fund will be free and exempt from any and all withholding and other income taxes of whatever nature of such jurisdiction of incorporation or political subdivision thereof or therein having power to tax, except in the case of Notes beneficially owned (i) by a person who is or is deemed to be a resident of such jurisdiction of incorporation or (ii) by a person who uses or holds or is deemed to use or hold such Notes in carrying on a business in such jurisdiction of incorporation; and

- the Issuer, or the Guarantor, as the case may be, delivers to the Fiscal Agent an officers' certificate and an opinion of legal counsel of recognized standing, each stating that all conditions precedent provided for relating to such covenant defeasance have been complied with.

The effecting of these arrangements is also known as "Covenant Defeasance."

Additional Amounts

The Issuer or the Guarantor, as the case may be, will make all payments in respect of the Notes without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of The Netherlands or, in the case of payments under the Guarantees, by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. The Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction, shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable on account of any taxes or duties which:

(a) any tax or other governmental charge which would not have been imposed but for the existence of any present or former connection between such Holder and the Relevant Jurisdiction (as defined below) (other than the mere holding of the Notes and the receipt of payments thereon), including, without limitation, such Holder being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;

(b) any tax or other governmental charge which would not have been imposed but for the status of such Holder as an individual resident of a member state of the European Union;

(c) any tax or other governmental charge that would not have been imposed but for a failure by the Holder or the beneficial owner of a Security to comply with any applicable certification, information, identification, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the Relevant Jurisdiction if such compliance is required as a precondition to relief or exemption from such tax or other governmental charge (including without limitation a certification that such Holder is not resident in the Relevant Jurisdiction);

(d) any tax or other governmental charge which would not have been imposed but for a change in law that becomes effective more than 30 days after a payment by the Issuer on the Securities, or by the Guarantor under the Guarantees, as the case may be, becomes due and payable, or is duly provided for and notice thereof is duly published, whichever occurs later;

(e) any tax or other governmental charge required to be withheld by any Paying Agent from a payment on the Securities, if such payment can be made without such deduction or withholding by any other Paying Agent; or

(f) any combination of items (a), (b), (c), (d) and (e) above.

The foregoing provisions shall apply mutatis mutandis to any withholding or deduction for or on account of any present or future taxes or governmental charges of whatever nature of any jurisdiction in which any successor Person to the Issuer or the Guarantor, as the case may be, is organized, or any political subdivision or taxing authority thereof or therein. As used in (a), (b) and (c) above, references to Holder shall include a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation.

References to principal or interest in respect of the Notes shall be deemed to include any Additional Amounts which may be payable as set forth in the Agreement.

"Relevant Jurisdiction" means the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the Issuer or the Guarantor is incorporated.

Governing Law; Submission to Jurisdiction

The Agreement, the Notes and the Guarantees will be governed by and construed in accordance with the laws of the State of New York.

The Issuer and the Guarantor have irrevocably submitted to the non-exclusive jurisdiction of the courts of any U.S. state or federal court in the Borough of Manhattan in the City of New York, New York with respect to any legal suit, action or proceeding arising out of or based upon the Agreement, the Notes or the Guarantees.

Regarding the Fiscal Agent, Paying Agent, Transfer Agent and Registrar

In acting under the Agreement, and in connection with the Notes and the Guarantees, the Fiscal Agent is acting solely as an agent of the Issuer and does not assume any obligation towards or relationship of agency of trust for or with the Holders of the Notes. Any funds held by any paying agent for payment of principal of or interest on the Notes shall be held in trust by it for the persons entitled thereto and applied as set forth in the Agreement and in the Notes, but need not be segregated from other funds held by it except as required by law and as agreed upon separately by the Issuer, the Guarantor and the Fiscal Agent. For a description of the duties and the immunities and rights of any fiscal agent, paying agent, transfer agent or registrar under the Agreement, reference is made to the Agreement, and the obligations of any fiscal agent, paying agent, transfer agent and registrar to the Holder are subject to such immunities and rights.

Notices

So long as any Notes are represented by a global note and such global note is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders (except that (i) if and for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a daily newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, and (ii) in the event that the Notes are listed on any other stock exchange, notices shall also be given in accordance with the rules of that stock exchange) or, if any such delivery is not practicable, by publication in a leading English language daily newspaper having general circulation in Europe. Any such notice will be deemed to have been given on the date of first publication or, if published more than once or on different dates, on the first date on which publication is made.

BOOK-ENTRY; DELIVERY AND FORM; SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The information set out in the sections of this offering memorandum describing clearing and settlement arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of DTC as currently in effect. The information in such sections concerning clearing systems has been obtained from sources that the Issuer and Guarantor believe to be reliable. The Issuer and Guarantor accept responsibility only for the correct extraction and reproduction of such information, but not for the accuracy of such information. If an investor wishes to use the facilities of any clearing system, it should confirm the applicability of the rules, regulations and procedures of the relevant clearing system. The Issuer and Guarantor will not be responsible or liable for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interests.

The certificates representing the Notes and the Guarantees will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more permanent Regulation S global notes in, fully registered form without interest coupons, and will be deposited with the fiscal agent as custodian for, and registered in the name of a nominee of, DTC for the accounts of its participants, including Euroclear and Clearstream. Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the original issue of the Notes, any resale or other transfer of such interests to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S and in accordance with the certification requirements described below.

Notes sold in reliance on Rule 144A will be represented by one or more permanent Rule 144A global notes in definitive, fully registered form without interest coupons, and will be deposited with the fiscal agent as custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the fiscal agent of written certifications (in the form or forms provided in the Agreement) and pursuant to the transfer restrictions related to a Rule 144A global note as described in this offering memorandum.

Each global note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein described under "*Transfer Restrictions*." Except in the limited circumstances described below under "*— Summary of Provisions Relating to Certificated Notes*", owners of beneficial interests in the global notes will not be entitled to receive physical delivery of certificated Notes.

Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC, or participants, or persons who hold interests through participants. Ownership of beneficial interests in a global note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a Rule 144A global note directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

Investors may hold their interests in a Regulation S global note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Regulations S global notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global note for all purposes under the Agreement and the Notes. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Agreement and, if applicable, those of Euroclear and Clearstream.

Conveyance of notices and other communications by DTC to its participants, by each of those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The fiscal agent will send any notices in respect of the Notes held in book-entry form to DTC or its nominee.

Neither DTC nor its nominee will consent or vote with respect to the Notes unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns DTC's or its nominee's consenting or voting rights to those participants to whose account the Notes are credited on the record date.

Payments of the principal of, and interest on, a global note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Issuer, the Guarantor nor the fiscal agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a global note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in such global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the Notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the first day Euroclear or Clearstream, as the case may be, is open for business following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the first day Euroclear or Clearstream, as the case may be, is open for business following settlement in DTC.

The Issuer expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a global note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC will exchange the applicable global note for certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "*Transfer Restrictions*."

DTC

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly, or indirect participants.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the Initial Purchasers, or other financial entities involved in this offering, may be Euroclear participants. Non-participants in the Euroclear system may hold and transfer book-entry interests in the Notes through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Investors electing to acquire Notes in the offering through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of new issues of securities. Notes to be acquired against payment through an account with Euroclear will be credited to the securities clearance accounts of the respective Euroclear participants in the securities processing cycle for the first day Euroclear is open for business following the settlement date for value as of the settlement date.

Investors electing to acquire, hold or transfer Notes through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of secondary market transactions in securities. Euroclear will not monitor or enforce any transfer restrictions with respect to the Notes. Investors that acquire, hold and transfer interests in the Notes by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the individual Notes.

Euroclear has advised that, under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro rata share of the amount of interests in securities actually on deposit. Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in Notes on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records. Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions.

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear operator to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream participants are limited to securities brokers and dealers and banks, and may include the

Initial Purchasers, or other financial entities involved in, this offering. Other institutions that maintain a custodial relationship with a Clearstream participant may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC. Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a global note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Guarantor nor the fiscal agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations.

Summary of Provisions Relating to Certificated Notes

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Issuer within 90 days, or if there shall have occurred and be continuing an event of default with respect to the Notes and a holder so requests, the Issuer will issue certificated Notes, with Guarantees endorsed thereon by the Guarantor, in exchange for the Global Notes. Certificated notes delivered in exchange for book-entry interests will be registered in the names, and issued in denominations of $150,000 and integral multiples of $1,000 in excess thereof, requested by or on behalf of DTC or the successor depositary (in accordance with its customary procedures). Holders of book-entry interests in a Global Security may receive certificated Notes, which may bear the legend referred to under "*Transfer Restrictions*", in accordance with DTC's rules and procedures in addition to those provided for under the Agreement.

Except in the limited circumstances described above, owners of book-entry interests will not be entitled to receive physical delivery of individual definitive certificates. The Notes are not issuable in bearer form.

Subject to any applicable transfer restrictions, the holder of a certificated note bearing the legend referred to under "*Transfer Restrictions*" may transfer or exchange such Notes in whole or in part by surrendering them to the Fiscal Agent. Prior to any proposed transfer of Notes in certificated form, the holder may be required to provide certifications and other documentation to the Fiscal Agent as described above. In the case of a transfer of only part of a note, the original principal amount of both the part transferred and the balance not transferred must be in authorized denominations, and new Notes will be issued to the transferor and transferee, respectively, by the Fiscal Agent. Upon the transfer, exchange or replacement of certificated Notes not bearing the legend described above, the fiscal agent will deliver certificated Notes that do not bear such legend.

Upon the transfer, exchange or replacement of certificated Notes bearing the legend described above, or upon a specific request for removal of the legend from such certificated note, the Fiscal Agent will deliver only certificated Notes bearing such legend or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of legal counsel of recognized standing, as may be reasonably required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Payment of principal and interest in respect of the certificated Notes shall be payable at the office or agency of the Issuer in the City of New York which shall initially be at the corporate trust office of the Fiscal Agent, which is located at 60 Wall Street, New York, NY 10005, provided that at the option of the Issuer with prior notice to the paying agent, payment may be made by wire transfer, direct deposit or check mailed to the address of the holder entitled thereto as such address appears in the note register.

If the Issuer decides to maintain a paying agent with respect to the Notes in a member state of the European Union, it will ensure such paying agent is in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

The certificated Notes, at the option of the Holder and subject to the restrictions contained in the Notes and in the Agreement, may be exchanged or transferred, upon surrender for exchange or presentation for registration of transfer at the office of the Fiscal Agent. Any certificated note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the fiscal agent, duly endorsed by the Holder thereof or his attorney duly authorized in writing. Notes issued upon such transfer will be executed by the Issuer and authenticated by the Fiscal Agent, registered in the name of the designated transferee or transferees and delivered at the office of the Fiscal Agent or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

TAXATION

German Tax Considerations

The following is a discussion of certain German tax considerations that may be relevant to you as a holder of the Notes. The discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to you. The discussion is based on the law as it stands on the date of this offering memorandum and may be subject to change, potentially with retroactive effect. You should consult your own advisor regarding the tax consequences of the purchase, ownership and disposition of the Notes in a light of your particular circumstances, including the aspect of any state, local or other applicable tax laws.

Income Taxation

If you are not a tax resident of Germany and do not otherwise have a connection with Germany other than the mere purchase, holding and disposition of, or the receipt of payments on, the Notes, you will not be subject to income taxation in Germany with your income from the Notes.

If you are an individual and a tax resident of Germany and the income from the Notes constitutes income from capital investment to you (a "German Private Investor"), interest payments received by you with respect to the Notes as well as the gain from the sale or other disposition (including repayment or redemption) of the Notes (*i.e.,* the difference between the proceeds from the sale or disposition of the Notes, after deduction of the expenses that are directly connected with the sale or disposition, and the cost of acquisition), will be subject to personal income tax at a flat rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax). In order to determine the amount of the gain, the proceeds derived from the sale or disposition and the acquisition cost are converted into Euro at the conversion rate as of the date of acquisition and disposition, respectively (*i.e.,* currency gains are taxable).

Subject to an annual lump-sum allowance for savers (*Sparer-Pauschbetrag*) in the amount of € 801 (€ 1,602 for married couples filing jointly) for your overall income from capital investment, you will not be entitled to deduct any expenses incurred in connection with your investment in the Notes. In addition, you will only be able to offset losses from the investment in the Notes against positive income from capital investment but not against other types of income (*e.g.,* employment income).

Collection of the tax (including, if applicable, the church tax) by way of withholding through a Disbursing Agent (as described under the caption – "Withholding Tax" below) will satisfy your tax liability with respect to the aforementioned interest payments and gains (*Abgeltungssteuer*). If a Disbursing Agent has not withheld the tax, you must include the interest payments and the gain from the sale or other disposition of the Notes in your annual income tax return filing; the tax will then be collected by way of assessment.

Upon request, your income from the Notes (and any other income from capital investment) will be taxed at your individual progressive personal income tax rate (in lieu of the flat tax rate) together with your other taxable income if this leads to a lower tax burden than the application of the flat tax rate. In this case, the tax withheld by a Disbursing Agent is credited against your final personal income tax liability or, if in excess of such final tax liability, refunded. But even then, you will not be allowed to claim a deduction of expenses actually incurred in connection with your investment in the Notes or to offset losses from the investment in the Notes against other types of positive income.

If you are a tax resident of Germany or otherwise have a connection with Germany other than the mere purchase, holding and disposition of, or the receipt of payments on, the Notes, *e.g.,* because the Notes form part of the business property of a permanent establishment or fixed base maintained in Germany, but you are not a German Private Investor (*e.g.,* because you hold the Notes as business assets), the flat tax regime does not apply to you. In this case, your income from the Notes will be subject to personal income tax at individual progressive tax rates of up to 45% (plus 5.5% solidarity surcharge on such personal income tax and, if applicable, church tax) or, as the case may be, corporate income tax at a rate of 15% (plus 5.5% solidarity surcharge on such corporate income tax). When computing your income, you will be allowed to deduct your expenses incurred in connection with your investment in the Notes under general rules. Income derived from the Notes will also be subject to trade tax at the applicable municipal rate (which varies generally between 7 and 17%) if the Notes form part of the property of a permanent establishment of a commercial business in Germany.

Withholding Tax

If you are not a tax resident of Germany and do not otherwise have a connection with Germany other than the mere purchase, holding and disposition of, or the receipt of payments on, the Notes, interest payments to you under the Notes as well as gains realized by you on the sale or other disposition of the Notes will not be subject to German withholding tax.

If you are a tax resident of Germany or otherwise have a connection with Germany other than the mere purchase, holding and disposition of, or the receipt of payments on, the Notes, *e.g.,* because the Notes form part of the business property of a permanent establishment or fixed base maintained in Germany, and you keep the Notes in Germany in a custodial account with a Disbursing Agent (as defined below), the Disbursing Agent will be required to withhold tax at a rate of 25% (plus 5.5% solidarity surcharge thereon, resulting in an aggregate withholding rate of 26.375%) from the gross amount of the interest payments to be disbursed or credited to you with respect to the Notes. Upon request of a German Private Investor, the Disbursing Agent will also withhold the additional church tax.

The term "Disbursing Agent" relates to a bank, a financial services institution, a securities trading enterprise or a securities trading bank, each as defined in the German Banking Act (and, in each case, including a German branch of a foreign enterprise, but excluding a foreign branch of a German enterprise) that holds the Notes in custody for you or conducts their sale or other disposition and disburses or credits the income from the Notes to you.

In the event that you sell or otherwise dispose of the Notes (including the redemption or repayment of Notes), the Disbursing Agent will generally be required to withhold tax, too. If you have kept the Notes in a custodial account with the same Disbursing Agent since their acquisition or, in the event of a transfer of the Notes, your acquisition cost of the Notes has been evidenced to the Disbursing Agent (as described below), the tax is withheld at the above-mentioned rate from the gain (*i.e.,* the difference between the proceeds from the sale or the disposition of the Notes, after deduction of the expenses that are directly connected with the sale or disposition, and the acquisition cost). In order to determine the amount of the gain, the proceeds derived from the sale or disposition and the acquisition cost, are converted into Euro at the conversion rate as of the date of acquisition and disposition, respectively (*i.e.,* currency gains are taken into account for withholding).

When you transfer the Notes to another custodial account within Germany, the releasing Disbursing Agent has to inform the accepting Disbursing Agent of your acquisition cost. When you transfer the Notes to a Disbursing Agent from a bank or financial services institution that has its seat in another member state of the European Union or the European Economic Area or in another contracting state pursuant to Article 17 (2) (i) of the directive adopted by the Council of the European Union on June 3, 2003 on the taxation of savings income in the form of interest payments, or from a branch of a German bank or financial services institution established in such state, you can provide evidence of the acquisition cost through certification by such non-German institution. In all other cases, the evidence of the acquisition cost is not permissible.

If, in the event of a transfer of the Notes, the acquisition cost of the Notes has not been evidenced to the Disbursing Agent, the Disbursing Agent has to withhold tax at the above-mentioned rate from an amount equal to 30% of the proceeds from the sale or other disposition of the Notes.

If you transfer Notes that you keep in Germany in a custodial account with a Disbursing Agent to another holder, the Disbursing Agent must treat the transfer as a sale or disposition for withholding tax purposes, unless you inform the Disbursing Agent that the transfer is without consideration. If the Disbursing Agent is not so informed, the Disbursing Agent must withhold tax at the above-mentioned rate from a substitute tax base.

If you are a German Private Investor, you can take advantage of the Sparer-Pauschbetrag (as described above) by completing an exemption order (*Freistellungsauftrag*) for the Disbursing Agent. In this case, the Disbursing Agent will not withhold tax on your investment income (including income derived from the Notes) up to the amount shown on the exemption order. Furthermore, the Disbursing Agent will not withhold any tax, if you submit to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the local tax office.

If you are subject to personal or corporate income taxation in Germany with your income from the Notes, but the flat tax regime does not apply to you (*i.e.,* because you are not a German Private Investor), the tax withheld by a Disbursing Agent will be credited against your final personal or corporate income tax liability or, if in excess of such final tax liability, refunded. You should consult your tax advisor about ways to avoid or limit withholding by a Disbursing Agent, in particular in the event of a sale or other disposition of the Notes.

Gift or Inheritance Taxation

The gratuitous transfer of Notes by you as a gift or by reason of your death will be subject to German gift or inheritance tax if you are or the recipient is a resident, or deemed to be a resident, of Germany under German gift or inheritance tax law at the time of the transfer. If neither you nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German gift or inheritance tax will be levied unless the Notes form part of the property of a permanent establishment or a fixed base maintained by you in Germany. Tax treaties concluded by Germany with respect to gift and inheritance taxes generally permit Germany to tax the transfer in this situation.

Netherlands Tax Considerations

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this offering memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of this summary it is assumed that no holder of a Note has or will have a substantial interest, or - in the case of a holder of a Note being an entity - a deemed substantial interest, in the Issuer and that no connected person (verbonden persoon) to the holder of a Note has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (I) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of the Issuer, or (II) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company. An entity holding a Note has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term “entity” means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Note or Coupon.

Withholding Tax

All payments made by the Issuer of interest and principal under the Notes can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

Residents

Resident entities

An entity holding a Note which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income or a capital gain derived from a Note at the prevailing statutory rates.

Resident individuals

An individual holding a Note who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from a Note at rates up to 52 per cent if:

(i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, an individual holding a Note will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Note. The deemed return amounts to 4 per cent. of the average value of the individual's net assets in the relevant fiscal year (including the Note). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent.

Non-residents

A holder of a Note which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from a Note unless:

(i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and the holder of a Note derives profits from such enterprise (other than by way of securities); or

(ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift or Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

(i) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value Added Tax

The issuance or transfer of a Note, and payments of interest and principal under a Note, will not be subject to value added tax in The Netherlands.

Other Taxes and Duties

The subscription, issue, placement, allotment, delivery or transfer of a Note will not be subject to registration tax, stamp duty or any other similar tax or duty payable in The Netherlands.

Residence

A holder of a Note will not be, or deemed to be, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of a Note.

European Union Savings Directive

On June 3, 2003, the Council of the European Union adopted a directive on the taxation of savings income. Pursuant to the directive, a member state of the European Union will be required to provide to the tax authorities of other member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other member states, except that, for a transitional period, Luxembourg and Austria may instead operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The provisions of the directive entered into effect as of July 1, 2005. A number of non-EU countries and territories have adopted or agreed to adopt similar measures.

United States Federal Income Tax Considerations

To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant if you are a U.S. holder. You will be a U.S. holder if you are an individual who is a citizen or resident of the United States, a U.S. domestic corporation, or any other person that is subject to U.S. federal income tax on a net income basis in respect of an investment in the Notes. This summary is based upon provisions of the Internal Revenue Code of 1986, as amended and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules of general application or that are generally assumed to be known by investors.

This summary deals only with U.S. holders who purchase the Notes at original issuance at their issue price and who hold the Notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark to market treatment, person that will hold the Notes as a hedge against currency risk or as a position in a “straddle” or conversion transaction, tax-exempt organization or a person whose “functional currency” is not the U.S. dollar.

You should consult your tax adviser about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local or other tax laws.

Payments of Interest

Interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. In addition, if any additional amounts are paid in respect of any taxes withheld from the interest payments, you will also be required to include in income as ordinary income any such additional amounts. Such interest payments will be income from sources outside the United States and you generally will be entitled to deduct or credit taxes that are withheld from the interest payments, subject to certain limitations. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange and Retirement of Notes

Your tax basis in a Note will be, in general, your cost for that Note. Upon the sale, exchange, redemption, retirement or other disposition of a Note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, redemption, retirement or other disposition (less an amount equal to any accrued interest that you did not previously include in income, which will be taxable as interest income as described under "—Payments of Interest" above) and the tax basis of the Note. Such gain or loss will be capital gain or loss and will generally be treated as U.S. source gain or loss if you are a United States resident. Consequently, you may not be able to claim a credit for any foreign tax imposed upon a disposition of a Note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Capital gains of individuals derived in respect of capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

The paying agent must file information returns with the Internal Revenue Service in connection with Note payments made to certain United States persons. If you are a United States person, you generally will not be subject to United States backup withholding tax on such payments if you provide your taxpayer identification number to the paying agent. You may also be subject to information reporting and backup withholding tax requirements with respect to the proceeds from a sale of the Notes. If you are not a United States person, you may have to comply with certification procedures to establish that you are not a United States person in order to avoid information reporting and backup withholding tax requirements.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the initial purchasers listed in the table below (the "Initial Purchasers"). Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co. are acting as representatives for the Initial Purchasers. Subject to the terms and conditions contained in a purchase agreement dated April 4, 2011 among the Issuer, the Guarantor and the Initial Purchasers (the "Purchase Agreement"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from the Issuer, the principal amount of each series of Notes listed opposite their names below:

Initial Purchasers	Principal Amount of Notes
Citigroup Global Markets Inc.	$333,334,000
Credit Suisse Securities (USA) LLC	$333,333,000
Goldman, Sachs & Co.	$333,333,000
Commerz Markets LLC	$50,000,000
J.P. Morgan Securities LLC	$50,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$50,000,000
Mitsubishi UFJ Securities (USA), Inc.	$50,000,000
SG Americas Securities, LLC	$50,000,000
Total	$1,250,000,000

The Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes being sold pursuant to the Purchase Agreement if any of such Notes are purchased. If an Initial Purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in certain cases, the Purchase Agreement may be terminated.

The Initial Purchasers have advised the Issuer that they propose initially to offer the Notes for resale at the price listed on the cover page of this offering memorandum. After the initial offering of the Notes, the offering price and other selling terms may from time to time be varied by the Initial Purchasers. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Issuer and the Guarantor have agreed to indemnify the several Initial Purchasers against certain liabilities, including certain liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The expenses of the offering, not including the discount to the Initial Purchasers, are estimated at $685,000 and are payable by the Issuer and the Guarantor.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. After the Notes are released for sale, the Initial Purchasers may change the offering prices and other selling terms without notice.

The Notes are a new issue of securities with no established trading market. The Issuer intends to apply for the admission of each series of the Notes to the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Regulated Market of the Luxembourg Stock Exchange. However, there is no assurance that a liquid trading market in the Notes will develop. The Issuer has been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. The Issuer cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the operating performance and financial condition of the Issuer and the Guarantor, general economic conditions and other factors. See "*Risk Factors—Many factors may adversely affect the trading market, value or yield of the Notes*."

Price Stabilization, Short Positions

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

The Initial Purchasers also may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the representative has repurchased notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

Any of these activities may cause the prices of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected in any over-the-counter market, and, if commenced, may be discontinued at any time.

Neither the Issuer, the Guarantor nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer, the Guarantor nor any of the Initial Purchasers make any representation that the Representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Settlement

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum (the “Settlement Date”), which will be the fifth New York business day following the date of pricing of the Notes of this offering (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the third business day preceding the Settlement Date will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes prior to the third business day preceding the Settlement Date should consult their own advisor.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum, or any amendment or supplement to this offering memorandum, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Each Initial Purchaser has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this offering memorandum and none of the Issuer, the Guarantor or any other Initial Purchaser shall have any responsibility therefor.

United States

The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. Each Initial Purchaser has represented and agreed that it will offer and sell the Notes except:

(i) to persons whom it reasonably believes are QIBs in transactions meeting the requirements of Rule 144A, or

(ii) to, or for the account or benefit of, persons other than “U.S. persons” (within the meaning of Regulation S under the Securities Act) purchasing in offshore transactions outside the United States within the meaning of Regulation S under the Securities Act.

Any offer or sale of the Notes in the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act will be made by broker-dealers who are registered as such under the Exchange Act.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Initial Purchaser has represented and agreed that it has not offered or sold and will not offer or sell any of the Notes in the Netherlands, unless it has the Dutch regulatory capacity to do so, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

European Economic Area

In relation to each Member State of the European Economic Area (the “EEA”) which has implemented the Prospectus Directive (each, a “Relevant Member State”), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in the Federal Republic of Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the

Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, ;

provided that no such offer of Notes shall require the Issuer, the Guarantor or any Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Guarantor nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or the Initial Purchasers to publish or supplement a prospectus for such offer.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU..

This EEA selling restriction is in addition to any other selling restrictions set out in this offering memorandum.

TRANSFER RESTRICTIONS

Offers and Sales

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States except pursuant to an effective registration statement or (i) in a transaction not subject to the registration requirements under the Securities Act and any securities regulatory authority of any state of the United States or (ii) in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the Notes are being offered and sold hereunder only:

- inside the United States or to U.S. persons (as defined under Regulation S), to Qualified Institutional Buyers ("QIBs" and each, a "QIB") pursuant to Rule 144A; and
- outside the United States to non-U.S. persons or for the account or benefit of non-U.S. persons, in offshore transactions in reliance upon Regulation S.

Any offer or sale of the Notes in the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act will be made by broker-dealers who are registered as such under the Exchange Act.

Until the expiration of 40 days after the later of the commencement of the offering of the Notes and the original issue or sale date of the Notes, an offer or sale of the Notes within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

Each purchaser of the Notes will be deemed by its acceptance of the Notes to have represented and agreed that it is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

Rule 144A Global Notes

Each purchaser of Notes within the United States will be deemed by its acceptance of the Notes to have represented and agreed on its behalf and on behalf of any investor accounts for which it is purchasing the Notes, that neither the Issuer nor the Guarantor nor the Initial Purchasers, nor any person acting on their behalf, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Notes, has had access to such financial and other information concerning Deutsche Telekom, Finance and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, and that:

(i) the purchaser is not an affiliate of Deutsche Telekom or Finance or a person acting on behalf of Deutsche Telekom or Finance or on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Notes from Deutsche Telekom or Finance or an affiliate thereof in the initial distribution of the Notes;

(ii) the purchaser acknowledges that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(iii) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such Notes for its own account or for the account of a QIB, in each case for investment and not with a view to, or for offer or sale in connection with, any resale or distribution of the Notes in violation of the Securities Act or any state securities laws;

(iv) the purchaser is aware that the Notes are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

(v) if, prior to the date that is one year after the later of the date (the "Resale Restriction Termination Date") of the commencement of sales of the Notes and the last date on which the Notes were acquired from the Issuer or any of the Issuer's affiliates in the offering the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, (iii) in accordance with Rule 144 (if available), (iv) in accordance with an effective registration statement under the Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the Securities Act in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and agrees to give any subsequent purchaser of such Notes notice of any restrictions on the transfer thereof;

(vi) the Notes have not been offered to it by means of any general solicitation or general advertising;

(vii) the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any such Notes;

(viii) the Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (THE "ISSUER"), (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (5) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

(ix) the purchaser agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes; and

(x) the purchaser acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Fiscal Agent that the restrictsions set forth herein have been complied with.

Terms defined in Rule 144A shall have the same meaning when used in the foregoing sections (i)-(ix). Each purchaser acknowledges that the Issuer, the Guarantor and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or warranties deemed to have been made by such purchaser by its purchase of Notes are no longer accurate, it shall promptly notify the Issuer, the Guarantor and the Initial Purchasers; if they are acquiring any Notes offered hereby as a fiduciary or agent for one or more investor accounts, each purchaser represents that they have sole investment discretion with respect to each such account and full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

The Issuer and the Guarantor recognize that none of DTC, Euroclear nor Clearstream in any way undertakes to, and none of DTC, Euroclear nor Clearstream have any responsibility to, monitor or ascertain the compliance of any transactions in the Notes with any exemptions from registration under the Securities Act or any other state or federal securities law.

Regulation S Global Notes

Each purchaser of Notes outside the United States pursuant to Regulation S will be deemed by its acceptance of the Notes to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is purchasing the Notes, that neither the Issuer nor the Guarantor nor the Initial Purchasers, nor any person acting on their behalf, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Notes, has had access to such financial and other information concerning Deutsche Telekom and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, and that:

(i) the purchaser understands and acknowledges that the Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto;

(ii) the purchaser, and the person, if any, for whose account or benefit the purchaser is acquiring the Notes, is not a U.S. person and is acquiring the Notes in an “offshore transaction” meeting the requirements of Regulation S and was located outside the United States at the time the buy order for the Shares was originated and continues to be outside of the United States and has not purchased the Notes for the account or benefit of any U.S. person or entered into any arrangement for the transfer of the Notes to any U.S. person;

(iii) the purchaser is aware of the restrictions on the offer and sale of the Notes pursuant to Regulation S described in this offering memorandum and agrees to give any subsequent purchaser of such Notes notice of any restrictions on the transfer thereof;

(iv) the Notes have not been offered to it by means of any “directed selling efforts” as defined in Regulation S; and

(v) Deutsche Telekom shall not recognize any offer, sale, pledge or other transfer of the Notes made other than in compliance with the above-stated restrictions.

Terms defined in Regulation S shall have the same meaning when used in the foregoing sections (i)-(v).

Until the 41st day after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, the Regulation S notes will bear a restrictive legend to the following effect and may not be transferred otherwise than in accordance with the transfer restrictions set forth in such legend:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (THE “ISSUER”) HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

LEGAL MATTERS

The validity of the Notes has been passed upon for us by our United States counsel, Cleary Gottlieb Steen & Hamilton LLP, and for the underwriters by their United States counsel, Sullivan & Cromwell LLP. The validity of the Notes under Dutch law has been passed upon by our Dutch counsel Clifford Chance LLP.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Deutsche Telekom AG as of and for the years ended December 31, 2010 and December 31, 2009, which are included herein, have been prepared in accordance with IFRS as issued by the IASB and in accordance with IFRS as adopted by the European Union, and have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (formerly Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft) ("E&Y") and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("PwC"), independent accountants, as stated in their auditors' reports appearing herein.

The auditors' reports of E&Y and PwC for Deutsche Telekom AG as of December 31, 2010 and December 31, 2009 make reference to group management reports (*Konzernlageberichte*) that have not been included in the offering memorandum. The examination of and the auditors' report upon such group management report are required under German generally accepted auditing standards and German standards for the review of financial statements. Those examinations and reports were not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, E&Y and PwC do not express any opinion in accordance with U.S. generally accepted auditing standards or U.S. attestation standards on this information or on the consolidated financial statements prepared in accordance with IFRS as issued by the IASB and in accordance with IFRS as adopted by the European Union included in this offering memorandum.

GENERAL INFORMATION

Resolutions of the Board of Managing Directors and the Supervisory Board of Finance, dated December 17, 2010, authorized the issuance of the Notes. Resolutions of the Management Board of Deutsche Telekom, dated December 14, 2010, authorized the guarantees.

We intend to apply to list the Notes on the regulated market of the Luxembourg Stock Exchange. The listing prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) so long as any of the Notes are outstanding and listed on the Luxembourg Stock Exchange.

This document is an advertisement for the purposes of applicable measures implementing the Prospectus Directive. A prospectus prepared pursuant to the Prospectus Directive is intended to be published, which, when published, can be obtained from the offices of Deutsche Telekom.

SCHEDULES

We have included certain agreements as schedules to this offering memorandum to provide investors with more information regarding their terms and not to provide any other factual information about Deutsche Telekom AG or its subsidiaries.

In particular, the Stock Purchase Agreement and the Stockholder's Agreement are not intended to be a source of financial, business or operational information, or provide any other factual information, about AT&T or Deutsche Telekom or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Stock Purchase Agreement and the Stockholder's Agreement are made only for purposes of such agreement and are as of specific dates; are solely for the benefit of the parties thereto (except as specifically set forth therein); may be subject to limitations agreed upon by the parties thereto, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties, instead of establishing these matters as facts; and may be subject to standards of materiality and knowledge applicable to the contracting parties that differ from those applicable to investors in our securities. You should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of AT&T or Deutsche Telekom or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Stock Purchase Agreement or the Stockholder's Agreement, as applicable, which subsequent information may or may not be fully reflected in public disclosures of AT&T or Deutsche Telekom.

Schedule	Description
A	Form of Fiscal and Paying Agency Agreement
B	Stock Purchase Agreement, by and between AT&T, Inc. and Deutsche Telekom AG, dated as of March 20, 2011
C	Stockholder's Agreement, by and between AT&T, Inc. and Deutsche Telekom AG, dated as of March 20, 2011

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE TELEKOM AG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(millions of €)	Note	Dec. 31, 2010	Dec. 31, 2009
Assets			
Current assets		**15,243**	**23,012**
Cash and cash equivalents	1	2,808	5,022
Trade and other receivables	2	6,889	6,757
Current recoverable income taxes	25	224	144
Other financial assets	8	2,372	2,001
Inventories	3	1,310	1,174
Non-current assets and disposal groups held for sale	4	51	6,527
Other assets	9	1,589	1,387
Non-current assets		**112,569**	**104,762**
Intangible assets	5	53,807	51,705
Property, plant and equipment	6	44,298	45,468
Investments accounted for using the equity method	7	7,242	147
Other financial assets	8	1,695	1,739
Deferred tax assets	25	5,129	5,162
Other assets	9	398	541
Total assets		127,812	127,774
Liabilities and shareholders' equity			
Current liabilities		**26,452**	**24,794**
Financial liabilities	10	11,689	9,391
Trade and other payables	11	6,750	6,304
Income tax liabilities	25	545	511
Other provisions	13	3,193	3,369
Liabilities directly associated with non-current assets and disposal groups held for sale	4	-	1,423
Other liabilities	14	4,275	3,796
Non-current liabilities		**58,332**	**61,043**
Financial liabilities	10	38,857	41,800
Provisions for pensions and other employee benefits	12	6,373	6,179
Other provisions	13	1,628	2,161
Deferred tax liabilities	25	7,635	7,153
Other liabilities	14	3,839	3,750
Liabilities		**84,784**	**85,837**
Shareholders' equity	15	**43,028**	**41,937**
Issued capital		11,063	11,165
Treasury shares		(5)	(5)
		11,058	11,160
Capital reserves		51,635	51,530
Retained earnings including carryforwards		(24,355)	(20,951)
Total other comprehensive income		(2,017)	(3,576)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale		-	(2,162)
Net profit		1,695	353
Issued capital and reserves attributable to owners of the parent		**38,016**	**36,354**
Non-controlling interests		5,012	5,583
Total liabilities and shareholders' equity		**127,812**	**127,774**

CONSOLIDATED INCOME STATEMENT

(millions of €)		Note	2010	2009	2008
Net revenue		16	**62,421**	**64,602**	**61,666**
Cost of sales		17	(35,725)	(36,259)	(34,592)
Gross profit			**26,696**	**28,343**	**27,074**
Selling expenses		18	(14,620)	(15,863)	(15,952)
General and administrative expenses		19	(5,252)	(4,653)	(4,821)
Other operating income		20	1,498	1,504	1,971
Other operating expenses		21	(2,817)	(3,319)	(1,232)
Profit from operations			**5,505**	**6,012**	**7,040**
Finance costs		22	(2,500)	(2,555)	(2,487)
Interest income			349	341	408
Interest expense			(2,849)	(2,896)	(2,895)
Share of profit (loss) of associates and joint ventures accounted for using the equity method		23	(57)	24	(388)
Other financial income (expense)		24	(253)	(826)	(713)
Profit (loss) from financial activities			(2,810)	(3,357)	(3,588)
Profit before income taxes			2,695	2,655	3,452
Income taxes		25	(935)	(1,782)	(1,428)
Profit (loss)			**1,760**	**873**	**2,024**
Profit (loss) attributable to			**1,760**	**873**	**2,024**
Owners of the parent (net profit (loss))			1,695	353	1,483
Non-controlling interests		26	65	520	541
Earnings per share		27			
Basic	€		0.39	0.08	0.34
Diluted	€		0.39	0.08	0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions of €)	2010	2009	2008
Profit (loss)	**1,760**	**873**	**2,024**
Actuarial gains and losses on defined benefit pension plans	(32)	(461)	227
Revaluation due to business combinations	(2)	(38)	0
Exchange differences on translating foreign operations			
Recognition of other comprehensive income in income statement	2,151	0	0
Change in other comprehensive income (not recognized in income statement)	1,547	(211)	(352)
Available-for-sale financial assets			
Recognition of other comprehensive income in income statement	0	0	0
Change in other comprehensive income (not recognized in income statement)	(3)	(4)	1
Fair value measurement of hedging instruments			
Recognition of other comprehensive income in income statement	0	8	(101)
Change in other comprehensive income (not recognized in income statement)	58	(56)	60
Share of profit (loss) of investments accounted for using the equity method	28	0	0
Other income and expense recognized directly in equity	0	11	(8)
Income taxes relating to components of other comprehensive income	(5)	138	(53)
Other comprehensive income	**3,742**	**(613)**	**(226)**
Total comprehensive income	**5,502**	**260**	**1,798**
Total comprehensive income attributable to	**5,502**	**260**	**1,798**
Owners of the parent	5,443	(261)	1,251
Non-controlling interests	59	521	547

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital and reserves attributable to owners of the parent					
		Equity contributed			Consolidated shareholders' equity generated	
	Number of shares	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carry-forwards	Net profit (loss)
	(thousands)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)
Balance at January 1, 2008	**4,361,298**	**11,165**	**(5)**	**51,524**	**(16,218)**	**571**
Changes in the composition of the Group						
Unappropriated profit (loss) carried forward					571	(571)
Dividends					(3,386)	
Proceeds from the exercise of stock options	22			2		
Profit (loss)						1,483
Other comprehensive income					166	
Transfer to retained earnings					106	
Balance at December 31, 2008	**4,361,320**	**11,165**	**(5)**	**51,526**	**(18,761)**	**1,483**
Balance at January 1, 2009	**4,361,320**	**11,165**	**(5)**	**51,526**	**(18,761)**	**1,483**
Changes in the composition of the Group						
Unappropriated profit (loss) carried forward					1,483	(1,483)
Dividends					(3,386)	
Proceeds from the exercise of stock options				4		
Profit (loss)						353
Total comprehensive income					(333)	
Transfer to retained earnings					46	
Balance at December 31, 2009	**4,361,320**	**11,165**	**(5)**	**51,530**	**(20,951)**	**353**
Balance at January 1, 2010	**4,361,320**	**11,165**	**(5)**	**51,530**	**(20,951)**	**353**
Changes in the composition of the Group						
Unappropriated profit (loss) carried forward					353	(353)
Dividends					(3,386)	
Proceeds from the exercise of stock options				3	2	
Capital decrease	(40,001)	(102)		102	(400)	
Profit (loss)						1,695
Total comprehensive income					(52)	
Transfer to retained earnings					79	
Balance at December 31, 2010	**4,321,319**	**11,063**	**(5)**	**51,635**	**(24,355)**	**1,695**

Issued capital and reserves attributable to owners of the parent							Non-controlling interest	Total share-holders’ equity
Total other comprehensive income						Total		
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Cash-flow hedges	Other com-prehensive income	Taxes			
(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)			
(5,999)	**308**	**2**	**1,126**	**0**	**(344)**	**42,130**	**3,115**	**45,245**
						0	(2)	(2)
						0		0
						(3,386)	(545)	(3,931)
						2		2
						1,483	541	2,024
(357)		1	(41)	(11)	10	(232)	6	(226)
	(106)					0		0
6,356	**202**	**3**	**1,085**	**(11)**	**(334)**	**39,997**	**3,115**	**43,112**
6,356	**202**	**3**	**1,085**	**(11)**	**(334)**	**39,997**	**3,115**	**43,112**
						0	2,783	2,783
						0		0
						(3,386)	(840)	(4,226)
						4	4	8
						353	520	873
(221)	(38)	(6)	(48)	11	21	(614)	1	(613)
	(46)					0		0
(6,577)	**118**	**(3)**	**1,037**	**0**	**(313)**	**36,354**	**5,583**	**41,937**
(6,577)	**118**	**(3)**	**1,037**	**0**	**(313)**	**36,354**	**5,583**	**41,937**
						0	(23)	(23)
						0		0
						(3,386)	(612)	(3,998)
						5	5	10
						(400)		(400)
						1,695	65	1,760
3,734	(2)	(1)	85		(16)	3,748	(6)	3,742
	(79)					0		0
(2,843)	**37**	**(4)**	**1,122**	**0**	**(329)**	**38,016**	**5,012**	**43,028**

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of €)	Note	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
	31			
Profit (loss)		**1,760**	**873**	**2,024**
Depreciation, amortization and impairment losses		11,808	13,894	10,975
Income tax expense (benefit)		935	1,782	1,428
Interest income and interest expense		2,500	2,555	2,487
Other financial (income) expense		253	826	713
Share of (profit) loss of associates and joint ventures accounted for using the equity method		57	(24)	388
(Profit) loss on the disposal of fully consolidated subsidiaries		349	(26)	(455)
Other non-cash transactions		(21)	(230)	(147)
(Gain) loss from the disposal of intangible assets and property, plant and equipment		90	51	70
Change in assets carried as working capital		(243)	1,936	286
Change in provisions		(68)	(891)	493
Change in other liabilities carried as working capital		(209)	(1,818)	(130)
Income taxes received (paid)		(819)	(928)	(520)
Dividends received		412	29	13
Net payments from entering into or canceling interest rate swaps		265	242	-
Cash generated from operations		17,069	18,271	17,625
Interest paid		(3,223)	(3,456)	(3,431)
Interest received		885	980	1,174
Net cash from operating activities		**14,731**	**15,795**	**15,368**
Cash outflows for investments in				
Intangible assets		(2,978)	(1,598)	(1,799)
Property, plant and equipment		(6,873)	(7,604)	(6,908)
Non-current financial assets		(997)	(176)	(3,261)
Investments in fully consolidated subsidiaries and business units		(448)	(1,007)	(1,030)
Proceeds from disposal of				
Intangible assets		26	7	34
Property, plant and equipment		318	369	338
Non-current financial assets		162	99	102
Investments in fully consolidated subsidiaries and business units		4	116	778
Net change in short-term investments and marketable securities and receivables		491	(320)	611
Net change in cash and cash equivalents due to the first-time full consolidation of OTE		-	1,558	-
Other		(416)	(93)	(249)
Net cash used in investing activities		**(10,711)**	**(8,649)**	**(11,384)**
Proceeds from issue of current financial liabilities		30,046	3,318	39,281
Repayment of current financial liabilities		(34,762)	(9,314)	(44,657)
Proceeds from issue of non-current financial liabilities		3,219	5,379	6,477
Repayment of non-current financial liabilities		(149)	(93)	(96)
Dividend payments		(4,003)	(4,287)	(3,963)
Proceeds from the exercise of stock options		-	2	3
Share buy-back		(400)	-	-
Repayment of lease liabilities		(139)	(128)	(142)
Other		(181)	-	-
Net cash used in financing activities		(6,369)	(5,123)	(3,097)
Effect of exchange rate changes on cash and cash equivalents		50	58	(61)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale		85	(85)	-
Net increase (decrease) in cash and cash equivalents		(2,214)	1,996	826
Cash and cash equivalents, at the beginning of the year		5,022	3,026	2,200
Cash and cash equivalents, at the end of the year		2,808	5,022	3,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of accounting policies

General information

The Deutsche Telekom Group (hereinafter referred to as "Deutsche Telekom" or the "Group") is one of the world's leading service providers in the telecommunications and information technology sector. Deutsche Telekom offers its customers all kinds of products and services for connected life and work. The Group reports on the four operating segments Germany, Europe, United States, and Systems Solutions, as well as on Group Headquarters & Shared Services.

The Company was entered as Deutsche Telekom AG in the commercial register of the Bonn District Court (Amtsgericht – HRB 6794) on January 2, 1995.

The Company has its registered office in Bonn, Germany. Its address is Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

The declaration of conformity with the German Corporate Governance Code required pursuant to § 161 of the German Stock Corporation Act
(Aktiengesetz – AktG) was released and made available to shareholders. This Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) via the following path: Investor Relations/Corporate Governance/Declaration of Conformity.

The shares of Deutsche Telekom AG are traded on the Frankfurt/Main Stock Exchange as well as on other German stock exchanges.

The annual financial statements of Deutsche Telekom AG as well as the consolidated financial statements of Deutsche Telekom AG, which have an unqualified audit opinion from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, are published in the electronic Federal Gazette (elektronischer Bundesanzeiger). The annual report is available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on Deutsche Telekom's homepage at www.telekom.com.

The consolidated financial statements of Deutsche Telekom for the 2010 financial year were released for publication by the Board of Management on February 18, 2011.

Basis of preparation

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). All IFRSs issued by the International Accounting Standards Board (IASB), effective at the time of preparing the consolidated financial statements and applied by Deutsche Telekom, have been adopted for use in the EU by the European Commission. The consolidated financial statements of Deutsche Telekom thus also comply with IFRS as issued by the IASB. Therefore the term IFRS is used in the following.

The financial year corresponds to the calendar year. The consolidated statement of financial position includes comparative amounts for one reporting date. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows include two comparative years.

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities, which are generally broken down further by their respective maturities in the notes to the financial statements. The consolidated income statement is presented using the cost-of-sales method. Under this format, net revenue is compared against the expenses incurred to generate these revenues, classified into cost of sales, selling, and general and administrative functions. The consolidated financial statements are prepared in euros.

The financial statements of Deutsche Telekom AG and its subsidiaries included in the consolidated financial statements were prepared using uniform group accounting policies.

Initial application of standards, interpretations and amendments to standards and interpretations in the financial year

In the financial year, Deutsche Telekom applied the following IASB pronouncements and/or amendments to such pronouncements for the first time:

Pronouncement	Date of issue by the IASB	Title
IFRS 3/IAS 27	January 10, 2008	Business Combinations/Consolidated and Separate Financial Statements
IAS 39	July 31, 2008	Financial Instruments: Recognition and Measurement
IFRIC 17	November 27, 2008	Distribution of Non-Cash Assets to Owners
IAS 24	November 4, 2009	Related Party Disclosures
Annual Improvements Project	April 16, 2009	Improvements to IFRSs
IFRS 2	June 18, 2009	Share-based Payment

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** has made to the previous 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 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 to be recognized 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** has made to the previous 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 in full to the non-controlling interests.

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 observed 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.

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.

IAS 24 "Related Party Disclosures." In November 2009, the IASB issued amendments to IAS 24. Previously, entities that are controlled or significantly influenced by a government had been required to disclose information about all transactions with entities that are controlled or significantly influenced by the same state. The revised standard still requires disclosures that are important to users of financial statements. However, in the future, information that is costly to produce or that is of little value for users of financial statements will be exempt from this requirement. Only information on transactions that are individually or collectively significant is still to be disclosed. In addition, the definition of a related party was simplified and a number of inconsistencies were eliminated. The European Union endorsed these amendments in July 2010. The revised standard is effective retrospectively for financial years beginning on or after January 1, 2011. Earlier application is permitted. Deutsche Telekom has applied the amendment to IAS 24 since January 1, 2010. These amendments did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

"Improvements to IFRSs." This is the second Annual Improvements Project which aims to amend 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.

IFRS 2 "Share-based Payment." 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. The European Union endorsed these amendments in March 2010. 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.

Standards, interpretations and amendments issued, but not yet adopted

In October 2009, the IASB issued an amendment to **IAS 32 "Financial Instruments: Presentation."** The European Union endorsed this amendment in December 2009. This amendment clarifies the classification of rights issues as equity or liabilities when the rights are denominated in a currency other than the issuer's functional currency. Previously, such rights issues had been accounted for as derivative liabilities. The amendment requires that if such rights are issued pro rata to an entity's shareholders for a fixed amount of currency, they are to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for financial years beginning on or after February 1, 2010. The amendment is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In November 2009, the IASB issued **IFRS 9 "Financial Instruments."** The European Union has not yet endorsed the amendments. The standard is the result of the first of three phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9. IFRS 9 governs the classification and measurement of financial assets. The rules for impairment of financial instruments and hedge accounting are currently being revised by the IASB. IFRS 9 requires financial assets to be assigned to one of the following two measurement categories: "at amortized cost" or "at fair value." IFRS 9 also grants a fair value option which allows financial assets that would normally be assigned to the "at amortized cost" category to be designated as "at fair value" if the fair value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the "at fair value" category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition to designate it as "at fair value" through other comprehensive income. Dividend income resulting from the equity instrument is recognized in profit or loss. IFRS 9 is effective for financial years beginning on or after January 1, 2013. The provisions are to be applied retrospectively. Deutsche Telekom is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In November 2009, the IASB issued an amendment to its requirements on accounting for pension plans. The European Union endorsed the amendment in July 2010. The amendment is to **IFRIC 14 "Prepayments of a Minimum Funding Requirement,"** which is an interpretation of IAS 19 "Employee Benefits." The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of January 1, 2011. Retrospective adoption is required. Deutsche Telekom is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In November 2009, the IASB issued the interpretation **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments."** The European Union endorsed IFRIC 19 in July 2010. The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to settle the financial liabilities fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability fully or partially. In addition, these equity instruments are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The interpretation is effective for financial years beginning on or after July 1, 2010. The adoption of IFRIC 19 is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In May 2010, the IASB published pronouncements as part of its third **Annual Improvements Project** containing amendments to six standards and one interpretation. The European Union has not yet endorsed the amendments. The amendments do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows and are effective for financial years beginning on or after January 1, 2011.

In October 2010, the IASB issued the pronouncement "Disclosures – Transfers of Financial Assets" as an amendment to **IFRS 7 "Financial Instruments: Disclosures."** The amendment requires quantitative and qualitative disclosures to be made for transfers of financial assets where the transferred assets are not derecognized in their entirety or the transferor retains continuing involvement. The amendment is intended to provide greater transparency around such transactions (e.g., securitizations) and help users understand the possible effects of any risks that may remain with the entity that transferred the assets. The amendment also requires supplementary information to be disclosed if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period. The amendments are applicable for financial years beginning on or after July 1, 2011. The European Union has not yet endorsed this pronouncement. Deutsche Telekom is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

Also in October 2010, the IASB issued requirements on accounting for financial liabilities. These are integrated into **IFRS 9 "Financial Instruments"** and replace the existing provisions on this subject in IAS 39 "Financial Instruments: Recognition and Measurement." In the new pronouncement, the requirements relating to recognition and derecognition as well as most of the requirements for classification and measurement are carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities are changed in the new IFRS 9 to address own credit risk and the prohibition of fair value measurement is eliminated for derivative liabilities that are linked to an unquoted equity instrument and must be settled by delivery of an unquoted equity instrument. The pronouncement is effective for financial years beginning on or after January 1, 2013. The European Union has not yet endorsed this pronouncement. Deutsche Telekom is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In December 2010, the IASB issued the pronouncements **“Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12.”** The amendment sets presumptions for the recovery of certain assets. This is relevant in those cases where different tax consequences can arise depending on how the carrying amounts are recovered. The pronouncement introduces a rebuttable presumption that the carrying amount of an investment property that is measured using the fair value model in IAS 40 “Investment Property” will be recovered through sale. In any case, there is also a non-rebuttable presumption that the carrying amount of a non-depreciable asset that is measured using the fair value model in IAS 16 “Property, Plant and Equipment” will be recovered through sale. Interpretation SIC 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” was replaced by the new pronouncement. The pronouncement is effective for financial years beginning on or after January 1, 2012 and has not yet been endorsed by the European Union. Deutsche Telekom is analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

Changes in accounting policies and changes in the reporting structure

Deutsche Telekom did not make any major changes to its accounting policies in the 2010 financial year. The structure of the operating segments was changed as follows to reflect the realigned management structure of the Europe and Southern and Eastern Europe operating segments.

The Europe and Southern and Eastern Europe operating segments were merged on April 1, 2010 to form the new Europe operating segment. This new operating segment encompasses 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 joint venture in 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. All descriptions in the notes to the consolidated financial statements and in the combined management report were retrospectively modified to reflect this change.

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.

Accounting policies

The material principles on recognition and measurement outlined below were applied uniformly to all accounting periods presented in these consolidated financial statements.

Intangible assets (excluding goodwill) with finite useful lives, including UMTS licenses, are measured at cost and amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount, which is measured at the higher of fair value less costs to sell and value in use, is lower than the carrying amount. Indefinite-lived intangible assets (mobile communications licenses granted by the Federal Communications Commission in the United States (FCC licenses)) are carried at cost. While FCC licenses are issued for a fixed time, renewals of FCC licenses have occurred routinely and at nominal costs. Moreover, Deutsche Telekom has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of the FCC licenses, and therefore treats the FCC licenses as an indefinite-lived intangible asset. They are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The useful lives and the amortization method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

Amortization of mobile communications licenses begins as soon as the related network is ready for use. The useful lives of mobile communications licenses are determined based on several factors, including the term of the licenses granted by the respective regulatory body in each country, the availability and expected cost of renewing the licenses, as well as the development of future technologies.

The remaining useful lives of the Company's most important mobile communications licenses are as follows:

	Years
Mobile communications licenses:	
FCC licenses	Indefinite
UMTS licenses	4 to 14
GSM licenses	1 to 14

Development expenditures are capitalized if they meet the criteria for recognition as assets and are amortized over their useful lives. **Research expenditures** are not capitalized and are expensed as incurred.

Goodwill is not amortized, but is tested for impairment based on the recoverable amount of the cash-generating unit to which the goodwill is allocated (impairment-only approach). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment test must be performed annually, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit must be reduced in the amount of the difference. Impairment losses for goodwill may not be reversed. If the impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognized through the pro-rata reduction of the carrying amounts of the assets allocated to the cash-generating unit. Deutsche Telekom determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell, unless a higher value in use can be determined. The fair value less costs to sell is usually determined based on discounted cash flow calculations. These discounted cash flow calculations use projections that are based on financial budgets approved by management covering a ten-year period and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. Key assumptions on which management has based its determination of fair value less costs to sell include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, growth rates and discount rates. Cash flow calculations are supported by external sources of information.

Property, plant and equipment is carried at cost less straight-line depreciation, and impairment losses, if applicable. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8. In addition to directly attributable costs, the costs of internally developed assets include proportionate indirect material and labor costs, as well as administrative expenses relating to production or the provision of services. In addition to the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, costs also include the estimated costs for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Investment grants received reduce the cost of the assets for which the grants were made.

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in the following table:

	Years
Buildings	25 to 50
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment and technical equipment for broadband distribution networks	2 to 12
Broadband distribution networks, outside plant networks and cable conduit lines	8 to 35
Other equipment, operating and office equipment	2 to 23

Leasehold improvements are depreciated over the shorter of their useful lives or applicable lease terms.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Deutsche Telekom defines qualifying assets as construction projects or other assets for which a period of at least twelve months is necessary in order to get them ready for their intended use or sale. Borrowing costs relating to assets measured at fair value and to inventories that are manufactured or produced in large quantities on a repetitive basis are not capitalized, even if it takes a substantial period of time to get the assets ready for use or sale.

Impairment of intangible assets and items of property, plant and equipment is identified by comparing the carrying amount with the recoverable amount. If no future cash flows generated independently of other assets can be allocated to the individual assets, recoverability is tested on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date, Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. In addition, annual impairment tests are carried out for intangible assets with indefinite useful lives (FCC licenses). Indefinite-lived intangible assets are not amortized, but are tested for impairment based on the recoverable amount of a cash-generating unit. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment loss had been recognized in prior periods.

The recoverable amount of the cash-generating units is generally determined using discounted cash flow calculations. Cash flows are projected over the estimated useful life of the asset or cash-generating unit. The discount rate used reflects the risk specific to the asset or cash-generating unit. The cash flows used reflect management assumptions and are supported by external sources of information.

Beneficial ownership of **leased assets** is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred. If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the statement of financial position by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss. Contractually defined future changes in the lease payments during the term of the lease are recognized on a straight-line basis over the entire lease term, which is defined only once at the inception date of the contract. Where extension options exist, the exercise of those extension options that are reasonably certain is initially taken into account at the time the lease is concluded. In the course of the lease, when circumstances come to light that could lead to a change in the original assessment of the exercise of extension options, the estimated future obligations arising from operating leases will be changed accordingly.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease), the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

Other non-current receivables are measured at amortized cost using the effective interest method.

Non-current assets and disposal groups held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs to sell and are classified as non-current assets and disposal groups held for sale. Such assets are no longer depreciated. As a rule, impairment of such assets is only recognized if fair value less costs to sell is lower than the carrying amount. If fair value less costs to sell subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. The assets are to be measured at the lower of the carrying amount that would have applied if the asset had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

Inventories are carried at the lower of net realizable value or cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Deutsche Telekom sells handsets separately and in connection with service contracts. As part of the strategy to acquire new customers, it sometimes sells handsets, in connection with a service contract, at below its acquisition cost. As the handset subsidy is part of the Company's strategy for acquiring new customers, the loss on the sale of handsets is recognized at the time of the sale and, as a rule, shown under cost of sales.

Financial assets are measured at fair value on initial recognition. For all financial assets not subsequently remeasured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account. The fair values recognized in the statement of financial position are generally based on the market prices of the financial assets. If these are not available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

Trade and other current receivables are measured at the amount the item is initially recognized less any impairment losses using the effective interest method, if applicable. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the derecognition of the respective receivables. For allowances, financial assets that may need to be written down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment and written down, if necessary. When the expected future cash flows of the portfolio are being calculated as required for this, previous cases of default are taken into consideration in addition to the cash flows envisaged in the contract. The cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets contained in the relevant portfolio.

Write-offs of trade receivables are recognized in some cases using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. As there is a variety of operating segments and regional circumstances, this decision is the responsibility of the respective portfolio managers.

Cash and cash equivalents, which include cash accounts and short-term cash deposits at banks, have maturities of up to three months when initially recognized and are measured at amortized cost.

The Group arranges **defined benefit pension plans** in different countries on the basis of the pensionable compensation of its employees and their length of service. Some of these pension plans are financed through external pension funds. **Provisions for pensions** are measured using the projected unit credit method for defined benefit plans, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations is set on the basis of the yield on high-quality corporate bonds in the respective currency area. In countries without a deep market for such bonds, estimates based on the yield on government bonds are used instead. Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are recognized in the period in which they occur outside profit or loss within equity (retained earnings). The return on plan assets and expenses for interest added to obligations are reported in finance costs. Service costs are classified as operating expenses. Past service costs are recognized immediately to the extent that the benefits are vested; otherwise, they are recognized on a straight-line basis over the average remaining vesting period.

The Group's defined benefit plans are pension plans in Germany. Other pension plans exist in Switzerland, Greece, and in a number of other European Union countries.

In addition to the Group's pension obligations for non-civil servants in Germany based on direct and indirect pension commitments, there are further obligations under Article 131 of the Basic Law (Grundgesetz – GG). Since 1996, the pension commitments in Germany have been based on direct pension commitments in the form of credits to capital accounts held by employees. Within the scope of the realignment of the company pension plan in 1997, existing commitments were transferred to these capital accounts in accordance with an agreement for the protection of vested benefits. The benefit obligations due to retirees and employees approaching retirement remained unchanged.

Individual Group entities grant **defined contribution plans** to their employees. Under defined contribution plans, the employer does not assume any other obligations above and beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. The amounts payable are expensed when the obligation to pay the amounts is established, and classified as expenses.

Civil-servant retirement arrangements at Deutsche Telekom. In accordance with the provisions of the German Posts and Telecommunications Reorganization Act (Postneuordnungsgesetz), the Federal Pension Service for Post and Telecommunications (Bundes-Pensions-Service für Post und Telekommunikation e.V. – BPS-PT) for current and former employees with civil-servant status makes pension and allowance payments to retired employees and their surviving dependents who are entitled to pension payments as a result of civil-servant status. The level of Deutsche Telekom AG's payment obligations to its special pension fund is defined under § 16 of the German Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz – PostPersRG). Since 2000, Deutsche Telekom AG has been legally obliged to make an annual contribution to the special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence.

Part-time working arrangements for employees approaching retirement are largely based on the block model of the partial retirement arrangement (Altersteilzeit). Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding settlement amount, which is recorded on a pro-rata basis during the active/working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering partial retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme and is recognized in full when the obligation arises.

Provisions for voluntary redundancy and severance payments and in connection with early retirement arrangements for civil servants are recognized when Deutsche Telekom is demonstrably committed to granting those benefits. This is the case when Deutsche Telekom has a detailed formal plan for the termination of the employment relationship and is without realistic possibility of withdrawal. The termination benefits are measured based on the number of employees expected to be affected by the measures. Where termination benefits fall due more than twelve months after the reporting date, the expected amount to be paid is discounted to the reporting date.

Other provisions are recognized where Deutsche Telekom has legal or constructive obligations to third parties on the basis of past transactions or events that will probably require an outflow of resources to settle, and this outflow can be reliably measured. These provisions are carried at their expected settlement amount, taking into account all identifiable risks, and may not be offset against reimbursements. The settlement amount is calculated on the basis of a best estimate. Provisions are discounted when the effect of the time value of money is material. Changes in estimates of the amount and timing of payments or changes in the discount rate applied in measuring provisions for decommissioning, restoration, and similar obligations are recognized in accordance with the change in the carrying amount of the related asset. Where the decrease in the amount of a provision exceeds the carrying amount of the related asset, the excess is recognized immediately in profit or loss. Provisions are recognized for external legal fees related to litigation risks.

Contingencies (contingent liabilities and assets) are potential liabilities or assets arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of Deutsche Telekom. Contingent liabilities can also be present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured reliably. Contingent liabilities are only recognized at their fair value if they were assumed in the course of a business combination. Contingent liabilities not assumed in the course of a business combination are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, liabilities to non-banks from promissory notes, and derivative financial liabilities. Financial instruments are recognized as soon as Deutsche Telekom becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale (purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned), the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Deutsche Telekom. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis. To the extent that contracts to buy or sell non-financial assets fall within the scope of IAS 39, they are accounted for in accordance with this standard.

Financial assets held for trading are measured at fair value. These mainly include derivatives that are not part of an effective hedging relationship as set out in IAS 39 and therefore shall be classified as held for trading. Any gains or losses arising from subsequent measurement are recognized in the income statement.

Certain types of investment are intended and expected **to be held to maturity** with reasonable economic certainty. These financial assets are measured at amortized cost using the effective interest method.

Other non-derivative financial assets are classified as **available for sale** and generally measured at fair value. The gains and losses arising from fair value measurement are recognized directly in equity, unless the impairment is permanent or significant, or the changes in the fair value of debt instruments resulting from currency fluctuations are recognized in profit or loss. The cumulative gains and losses arising from fair value measurement are only recognized in profit or loss on disposal of the related financial assets. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Deutsche Telekom has not yet made use of the option of designating financial assets upon initial recognition as **financial assets at fair value through profit or loss.**

The carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested at each reporting date to determine whether there is objective, material evidence of impairment (e.g., a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortized cost). Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss. Where impairments of the fair values of available-for-sale financial assets were recognized directly in equity in the past, these must now be reclassified from equity in the amount of the impairment determined to the income statement. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed in the appropriate amount. In the case of debt instruments, these reversed impairment losses are recognized in profit or loss. Impairment losses on unquoted equity instruments that are classified as available for sale and carried at cost may not be reversed. Both the fair value of held-to-maturity securities to be determined by testing for impairment and the fair value of the loans and receivables measured at amortized cost, which are required for impairment testing, correspond to the present value of the estimated future cash flows, discounted using the original effective interest rate. The fair value of unquoted equity instruments measured at cost is calculated as the present value of the expected future cash flows, discounted using the current interest rate that corresponds to the investment's special risk position.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognized.

Trade payables and other non-derivative financial liabilities are generally measured at amortized cost using the effective interest method.

The Group has not yet made use of the option to designate financial liabilities upon initial recognition as **financial liabilities at fair value through profit or loss.**

Derivatives that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and measured at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities.

Deutsche Telekom uses **derivatives** to hedge the interest rate and currency risks resulting from its operating, financing, and investing activities.

The Company does not hold or issue derivatives for speculative trading purposes.

Derivatives are carried at their fair value upon initial recognition. The fair values are also relevant for subsequent measurement. The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available, the fair value is determined using standard financial valuation models.

The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were discontinued at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates and interest rates at the reporting date. Calculations are made using middle rates. In the case of interest-bearing derivatives, a distinction is made between the "clean price" and the "dirty price." In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Recording the changes in the fair values – in either the income statement or directly in equity – depends on whether or not the derivative is part of an effective hedging relationship as set out in IAS 39. If **hedge accounting** pursuant to IAS 39 is not employed, the changes in the fair values of the derivatives must be recognized in profit or loss. If, on the other hand, an effective hedging relationship as set out in IAS 39 exists, the hedge will be recognized as such.

Deutsche Telekom applies hedge accounting to hedge items in the statement of financial position and future cash flows, thus reducing income statement volatility. A distinction is made between fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation depending on the nature of the hedged item.

Fair value hedges are used to hedge the fair values of assets recognized in the statement of financial position, liabilities recognized in the statement of financial position, or firm commitments not yet recognized in the statement of financial position. Any change in the fair value of the derivative designated as the hedging instrument is recognized in profit or loss; the carrying amount of the hedged item is adjusted by the profit or loss to the extent of the hedged risk (basis adjustment). The adjustments to the carrying amount are not amortized until the hedging relationship has been discontinued.

Cash flow hedges are used to hedge against fluctuations in future cash flows from assets and liabilities recognized in the statement of financial position, from firm commitments (in the case of currency risks), or from highly probable forecast transactions. To hedge the currency risk of an unrecognized firm commitment, Deutsche Telekom makes use of the option to recognize this as a cash flow hedge rather than a fair value hedge. If a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognized in equity (hedging reserve) until the gain or loss on the hedged item is realized; the ineffective portion of the hedging instrument is recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial or non-financial asset or liability, the associated cumulative gains and losses that were recognized directly in equity are reclassified into profit or loss in the same periods during which the financial asset acquired or the financial liability assumed affects profit or loss for the period. In doing so, Deutsche Telekom has decided not to make use of the basis adjustment option for hedging forecast transactions when non-financial items in the statement of financial position arise.

If **hedges of a net investment in a foreign operation** are employed, all gains or losses on the effective portion of the hedging instrument, together with any gains or losses on the foreign-currency translation of the hedged investment, are taken directly to equity. Any gains or losses on the ineffective portion are recognized immediately in profit or loss. The cumulative remeasurement gains and losses on the hedging instrument that had previously been recognized directly in equity and the gains and losses on the currency translation of the hedged item are recognized in profit or loss only on disposal of the investment.

IAS 39 sets out strict requirements on the use of hedge accounting. These are fulfilled at Deutsche Telekom by documenting, at the inception of a hedge, both the relationship between the financial instrument used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This involves concretely assigning the hedging instruments to the corresponding assets or liabilities or (firmly agreed/expected) future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis; ineffective hedges are discontinued immediately.

Deutsche Telekom also employs hedges that do not satisfy the strict hedge accounting criteria of IAS 39 but which make an effective contribution to hedging the financial risk in accordance with the principles of risk management. Furthermore, Deutsche Telekom does not use hedge accounting in accordance with IAS 39 to hedge the foreign-currency exposure of recognized monetary assets and liabilities, because the gains and losses on the hedged item from currency translation that are recognized in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments.

Stock options (equity-settled share-based payment transactions) are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Obligations arising from cash-settled share-based payment transactions are recognized as a liability and measured at fair value at the reporting date. The expenses are recognized over the vesting period. For both cash-settled and equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Black-Scholes model or the Monte Carlo model.

Revenues include all revenues from the ordinary business activities of Deutsche Telekom. Revenues are recorded net of value-added tax and other taxes collected from customers that are remitted to governmental authorities. They are recognized in the accounting period in which they are earned in accordance with the realization principle. Customer activation fees are deferred and amortized over the estimated average period of customer retention, unless they are part of a multiple-element arrangement, in which case they are a component of the arrangement consideration to be paid by the customer. Activation costs and costs of acquiring customers are deferred, up to the amount of deferred customer activation fees, and recognized over the average customer retention period.

For **multiple-element arrangements,** revenue recognition for each of the units of accounting (elements) identified must be determined separately. Revenue is recognized on the basis of the fair value of the individual elements. Arrangements involving the delivery of bundled products or services shall be separated into individual elements, each with its own separate revenue contribution. Total arrangement consideration relating to the bundled contract is allocated among the different elements based on their relative fair values (i.e., a ratio of the fair value of each element to the aggregated fair value of the bundled deliverables is generated). The relative fair value of an individual element and thus the revenue recognized for this unit of accounting, however, is limited by that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements. If the fair value of the delivered elements cannot be determined reliably but the fair value of the undelivered elements can be determined reliably, the total arrangement consideration provided by the customer is allocated by determining the fair value of the delivered elements as the difference between the total arrangement consideration and the fair value of the undelivered elements.

Payments to customers, including payments to dealers and agents (discounts, provisions) are generally recognized as a decrease in revenue. If the consideration provides a benefit in its own right and can be reliably measured, the payments are recognized as expenses.

Revenue recognition at Deutsche Telekom is as follows:

Revenue generated by the **mobile communications business** of the operating segments Germany, Europe, and United States includes revenues from the provision of mobile services, customer activation fees, and sales of mobile handsets and accessories. Mobile services revenues include monthly service charges, charges for special features, call charges, and roaming charges billed to T-Mobile customers, as well as other mobile operators. Mobile services revenue is recognized based upon minutes of use or other agreed calling plans less credits and adjustments for discounts. The revenue and related expenses associated with the sale of mobile phones, wireless data devices, and accessories are recognized when the products are delivered and accepted by the customer.

The **fixed-network business** in the operating segments Germany and Europe provides narrow and broadband access to the fixed network as well as the Internet. Revenue generated from these types of access for the use of voice and data communications is recognized upon rendering of the service. The services rendered relate to use by customers (e.g., call minutes), availability over time (e.g., monthly service charges) or other agreed calling plans. Telecommunications equipment is also sold, leased, and serviced. Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from rentals and operating leases is recognized monthly as the entitlement to the fees accrues. Revenues from customer activation fees are deferred over the average customer retention period. Revenues also result from charges for advertising and e-commerce. Advertising revenues are recognized in the period in which the advertisements are exhibited. Transaction revenues are recognized upon notification from the customer that qualifying transactions have occurred and collection of the resulting receivable is reasonably assured.

In the **Systems Solutions** operating segment, revenue is recognized when persuasive evidence of a sales arrangement exists, products are delivered or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured.

Revenue from Computing & Desktop Services is recognized as the services are provided using a proportional performance model. Revenue is recognized ratably over the contractual service period for fixed-price contracts and on an output or consumption basis for all other service contracts. Revenue from service contracts billed on the basis of time and material used is recognized at the contractual hourly rates as labor hours are delivered and direct expenses are incurred.

Revenue from hardware sales or sales-type leases is recognized when the product is shipped to the customer, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Telecommunication services include network services and hosting & ASP services. Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of approximately three years. Customer activation fees and related costs are deferred and amortized over the estimated average period of customer retention. Revenues for voice and data services are recognized under such contracts when used by the customer. When an arrangement contains a lease, the lease is accounted for separately in accordance with IFRIC 4 and IAS 17. Revenues from hosting & ASP services are recognized as the services are provided.

Revenue from rentals and leases is recognized on a straight-line basis over the rental period.

Income taxes include current income taxes as well as deferred taxes. Tax liabilities/tax receivables mainly comprise liabilities/receivables relating to domestic and foreign income taxes. They include liabilities/receivables for the current period as well as for prior periods. The liabilities/receivables are measured based on the applicable tax law in the countries Deutsche Telekom operates in and include all facts the Company is aware of.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base, as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising on the investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or loss (before income taxes) under IFRS nor taxable profit or loss. Currently enacted tax laws and tax laws that have been substantively enacted as of the reporting date are used as the basis for measuring deferred taxes.

Judgments and estimates

The presentation of the results of operations, financial position or cash flows in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties may have on the consolidated financial statements.

Measurement of **property, plant and equipment, and intangible assets** involves the use of estimates for determining the fair value at the acquisition date, provided they were acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management’s judgment.

The determination of **impairments of property, plant and equipment, and intangible assets** involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions.

The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. Specifically, the estimation of cash flows underlying the fair values from the mobile business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment to write down these investments to their fair values, which could adversely affect future operating results.

The determination of the **recoverable amount of a cash-generating unit** involves the use of estimates by management. Methods used to determine the fair value less costs to sell include discounted cash flow-based methods and methods that use quoted stock market prices as a basis. Key assumptions on which management has based its determination of fair value less costs to sell include revenue, customer acquisition and retention costs, churn rates, capital expenditure and market share. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any goodwill impairment.

The valuation of **investments accounted for using the equity method** in the case of the 50-percent stake in the Everything Everywhere joint venture, which was based on the discounted cash flow method, involved the use of estimates for determining the fair value at the date of first-time inclusion using the equity method.

Management maintains an **allowance for doubtful accounts** to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment is required for the calculation of actual and deferred taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss carryforward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, loss carryforward periods, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, results of operations, the financial position, and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced in profit or loss or directly in equity, or the impaired deferred tax assets must be recognized in profit or loss or directly in equity, depending on how the deferred tax assets were originally recognized.

Pension obligations for benefits to non-civil servants are generally satisfied by defined benefit plans. Pension benefit costs for non-civil servants are determined in accordance with actuarial valuations, which rely on assumptions including discount rates, life expectancies and, if applicable, expected return on plan assets. The assumptions concerning the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. In the event that changes in assumptions are required with respect to discount rates and expected returns on invested assets, the future amounts of the pension benefit costs may be affected materially.

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the **Civil Service Health Insurance Fund** (Postbeamtenkrankenkasse) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund may not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing age distribution of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom's share in the fund's future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

Deutsche Telekom exercises considerable judgment in measuring and recognizing **provisions** and the **exposure to contingent liabilities** related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recorded for liabilities when losses are expected from executory contracts, a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes, environmental liabilities and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future operating results.

Revenue recognition

Customer activation fees. The operating segments Germany, Europe, and United States receive installation and activation fees from new customers. These fees (and related directly attributable costs) are deferred and amortized over the expected duration of the customer relationship. The estimation of the expected average duration of the relationship is based on historical customer turnover. If management's estimates are revised, material differences may result in the amount and timing of revenue for any period.

Multiple-element arrangements. The fair values of individual units of accounting of bundled products or services are complex to determine, because some of the elements are price-sensitive and, thus, volatile in a competitive marketplace. Revisions to the estimates of these relative fair values may significantly affect the allocation of total arrangement consideration among the different units of accounting, affecting future operating results.

Consolidated group

All subsidiaries, joint ventures and associates are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom and are fully consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. Joint ventures are companies jointly controlled by Deutsche Telekom and other companies. Associates are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the equity method.

Subsidiaries are not included in the consolidated financial statements if an operating segment or the Group considers them to be insignificant based on the following criterion: The sum of all unconsolidated subsidiaries must not account for more than 1 percent of the Group's total assets, revenue, profit/loss for the year, contingent assets/liabilities, and other financial obligations. If the 1 percent limit is exceeded, the subsidiary to be included in the consolidated financial statements will be determined taking expected duration and consolidation effects into account. The materiality assessment for associates and jointly controlled entities is limited solely to the criteria of profit/loss for the year, contingencies, and other financial obligations. Aside from the quantitative criteria, qualitative criteria will also be used to assess the materiality of an entity for the consolidated group. Excluding a subsidiary must not significantly change the segment result or the Group's profit/loss for the year, or obscure other significant trends.

The composition of the Deutsche Telekom Group changed as follows in the 2010 financial year:

	Domestic	International	Total
Consolidated subsidiaries			
January 1, 2010	62	182	244
Additions	4	10	14
Disposals (including mergers)	(2)	(15)	(17)
December 31, 2010	**64**	**177**	**241**
Associates accounted for using the equity method			
January 1, 2010	5	7	12
Additions	0	2	2
Disposals	0	(1)	(1)
December 31, 2010	**5**	**8**	**13**
Joint ventures accounted for using the equity method			
January 1, 2010	2	3	5
Additions	0	1	1
Disposals	0	(1)	(1)
December 31, 2010	**2**	**3**	**5**
Total			
January 1, 2010	69	192	261
Additions	4	13	17
Disposals (including mergers)	(2)	(17)	(19)
December 31, 2010	**71**	**188**	**259**

Deutsche Telekom did not hold more than half of the shares in the OTE group at the reporting date. In accordance with shareholder agreements between Deutsche Telekom and the Hellenic Republic, Deutsche Telekom has taken control of 50 percent plus two voting shares and therefore the OTE group's financial and operating policy. Consequently, the OTE group companies are fully consolidated subsidiaries.

Business combinations and other transactions

The significant business combinations and other transactions in the 2010 financial year are described below.

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 values 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 and has remained unchanged since the acquisition date in the financial year.

The fair values of STRATO's acquired assets and liabilities recognized at the acquisition date are presented in the following table:

	Fair value at the acquisition date
	millions of €
Assets	**397**
Current assets	**54**
Cash and cash equivalents	25
Trade and other receivables	3
Other assets	26
Non-current assets	**343**
Intangible assets	324
Of which: goodwill	184
Property, plant and equipment	14
Other assets	5
Liabilities	**106**
Current liabilities	**60**
Trade and other payables	37
Other liabilities	23
Non-current liabilities	**46**
Deferred tax liabilities	45
Other liabilities	1

The fair values of the assets and 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 91 million as a result of the acquisition of STRATO. Profit for the current period includes a profit at STRATO of EUR 10 million.

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

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

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

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

Other current assets include cash and cash equivalents of EUR 0.2 billion. 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.

Pro forma information

The pro forma information shown in the table on the right presents Deutsche Telekom’s financial data, including its principal consolidated subsidiaries acquired in the financial years 2008 through 2010, as if they had been included in the consolidated financial statements from the beginning of each financial year in which they were acquired.

	2010	2009	2008
	millions of €		
Net revenue			
Reported	62,421	64,602	61,666
Pro forma	62,421	65,101	61,750
Net profit			
Reported	1,695	353	1,483
Pro forma	1,695	377	1,477
Earnings per share (€)			
Reported	0.39	0.08	0.34
Pro forma	0.39	0.09	0.34

Principal subsidiaries

The Group's principal subsidiaries are presented in the following table:

Name and registered office	Deutsche Telekom share % Dec. 31, 2010	Net revenue millions of € 2010	Average number of employees 2010
Telekom Deutschland GmbH, Bonn	100.00	23,862	4,781
T-Mobile USA, Inc., Bellevue, Washington, United States [a, b]	100.00	16,087	37,795
T-Systems International GmbH, Frankfurt/Main	100.00	6,253	18,747
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece [a]	30.00	5,483	31,589
Magyar Telekom Nyrt., Budapest, Hungary [a, b]	59.30	1,943	10,355
PTC, Polska Telefonia Cyfrowa Sp.z o.o., Warsaw, Poland [b]	97.00	1,839	5,364
T-Mobile Netherlands Holding B.V., The Hague, Netherlands [a, b]	100.00	1,767	2,125
T-Mobile Czech Republic a.s., Prague, Czech Republic [b]	60.77	1,157	2,904
Hrvatski Telekom d.d., Zagreb, Croatia [a]	51.00	1,148	6,177
T-Mobile Austria Holding GmbH, Vienna, Austria [a, b]	100.00	983	1,391
Slovak Telekom a.s., Bratislava, Slovakia [a]	51.00	934	5,066

[a] Consolidated subgroup financial statements.
[b] Indirect shareholding of Deutsche Telekom AG.

In accordance with § 313 HGB, the full list of investment holdings, which form part of the notes to the consolidated financial statements, is published in the electronic Federal Gazette (elektronischer Bundesanzeiger) together with the consolidated financial statements. The list is available upon request from Deutsche Telekom AG, Bonn, Investor Relations. Furthermore, the list of investment holdings includes a full list of all subsidiaries that exercise simplification options in accordance with § 264 (3) HGB or disclosure simplification options in accordance with § 264b HGB.

Consolidation methods

Under IFRS, all business combinations must be accounted for using the purchase method. The acquirer allocates the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Non-current assets that are classified as held for sale are recognized at fair value less costs to sell. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities taken over, regardless of the level of the investment held, is recognized as goodwill. Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognized in profit or loss.

Income and expenses of a subsidiary remain included in the consolidated financial statements from the acquisition date. Income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount, including the cumulative amount of any exchange differences that are recognized in equity and relate to the subsidiary, is recognized in the consolidated income statement as the gain or loss on the disposal of the subsidiary. Intercompany income and expenses, receivables and liabilities, and profits or losses are eliminated.

Investments in joint ventures and associates accounted for using the equity method are carried at the acquirer's interest in the identifiable assets (including any attributable goodwill), liabilities and contingent liabilities which are remeasured to fair value upon acquisition. Goodwill from application of the equity method is not amortized. Unrealized gains and losses from transactions with these companies are eliminated in proportion to the acquirer's interest. The carrying amount of the investment accounted for using the equity method is tested for impairment whenever there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss must be recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs to sell and value in use.

Currency translation

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At the reporting date, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in profit or loss.

The assets and liabilities of Group entities whose functional currency is not the euro are translated into euros from the local currency using the middle rates at the reporting date. The middle rates are the average of the bid and ask rates at closing on the respective dates. The income statements and corresponding profit or loss of foreign-currency denominated Group entities are translated at average exchange rates for the period. Exchange rate differences are recognized as a separate component of equity.

The exchange rates of certain significant currencies changed as follows:

	Annual average rate			Rate at the reporting date	
(€)	**2010**	**2009**	**2008**	**Dec. 31, 2010**	**Dec. 31, 2009**
100 Czech korunas (CZK)	3.95536	3.78123	4.00894	3.98728	3.77646
1 Pound sterling (GBP)	1.16553	1.12218	1.25601	1.15979	1.12387
100 Croatian kuna (HRK)	13.72000	13.62190	13.84420	13.54730	13.70710
1,000 Hungarian forints (HUF)	3.63022	3.56631	3.97687	3.59999	3.69609
100 Macedonian denars (MKD)	1.62536	1.62428	1.62523	1.59628	1.63024
100 Polish zlotys (PLN)	25.03330	23.09760	28.47930	25.25810	24.35900
1 U.S. dollar (USD)	0.75398	0.71692	0.67976	0.74698	0.69393

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 Cash and cash equivalents

Cash and cash equivalents have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 625 million (December 31, 2009: EUR 578 million) on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

In the reporting period, cash and cash equivalents decreased by EUR 2.2 billion to EUR 2.8 billion. This decrease was mainly attributable to dividend payments of EUR 4.0 billion, a net financing repayment of EUR 1.6 billion, the acquisition of spectrum for EUR 1.3 billion, the acquisition of a bond for EUR 0.8 billion and the share buy-back amounting to EUR 0.4 billion. The free cash flow (before dividend payments and before spectrum investment) of EUR 6.5 billion had an offsetting effect.For further information, please refer to the consolidated statement of cash flows.

As of December 31, 2010, the Group reported cash and cash equivalents of EUR 0.5 billion (December 31, 2009: EUR 0.6 billion) held by subsidiaries in Croatia, the F.Y.R.O. Macedonia and Montenegro. These countries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

2 Trade and other receivables

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Trade receivables	6,766	6,643
Other receivables	123	114
	6,889	**6,757**

Of the total amount of trade and other receivables, EUR 6,849 million (December 31, 2009: EUR 6,715 million) is due within one year.

The following table shows the maturity structure of the trade receivables that are not impaired at the reporting date:

Trade receivables	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
(millions of €)		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
as of Dec. 31, 2010	**3,295**	**483**	**93**	**59**	**96**	**97**	**32**
as of Dec. 31, 2009	3,245	814	115	77	179	205	38

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The following table shows the development of allowances on trade receivables:

(millions of €)	2010	2009
Allowances as of January 1	1,178	1,023
Currency translation adjustments	15	(11)
Additions (allowances recognized as expense)	822	676
Use	(529)	(447)
Reversal	(163)	(63)
Allowances as of December 31	**1,323**	**1,178**

The following table presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

(millions of €)	2010	2009	2008
Expenses for full write-off of receivables	138	327	424
Income from recoveries on receivables written off	7	39	55

All income and expenses relating to allowances and write-offs of trade receivables are reported under selling expenses.

3 Inventories

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Raw materials and supplies	167	193
Work in process	108	48
Finished goods and merchandise	1,033	929
Advance payments	2	4
	1,310	**1,174**

Of the inventories reported as of December 31, 2010, write-downs of EUR 50 million (2009: EUR 33 million; 2008: EUR 53 million) on the net realizable value were recognized in profit or loss.

The carrying amount of inventories recognized as expense amounted to EUR 5,774 million (2009: EUR 6,311 million; 2008: EUR 6,188 million).

4 Non-current assets and disposal groups held for sale

As of December 31, 2010, current assets recognized in the consolidated statement of financial position included EUR 51 million in non-current assets and disposal groups held for sale. These mainly relate to real estate of Deutsche Telekom AG (Group Headquarters & Shared Services) as a result of measures to make the use of floor space more efficient, especially in technical facilities. The non-current assets and disposal groups held for sale are not included in the other disclosures in the notes to the consolidated financial statements or presented as a reconciliation.

The decrease of EUR 6.5 billion compared with December 31, 2009 was mainly due to the merger of T-Mobile UK (Europe operating segment) and Orange UK to create a joint venture company under the name Everything Everywhere from April 1, 2010.For further details, please refer to Note 7 and the section “Business combinations and other transactions.”

5 Intangible assets

(millions of €)	Internally generated intangible assets	Acquired intangible assets: Total	Acquired concessions, industrial and similar rights and assets	UMTS licenses	GSM licenses	FCC licenses (T-Mobile USA)	Other acquired intangible assets	Goodwill	Advance payments	Total
Cost										
At December 31, 2008	**2,220**	**42,940**	**1,180**	**13,870**	**1,280**	**17,666**	**8,944**	**29,788**	**872**	**75,820**
Currency translation	(12)	(98)	3	410	2	(547)	34	246	2	138
Changes in the composition of the Group	0	2,953	425	327	198	0	2,003	0	0	2,953
Additions	232	713	26	0	11	31	645	2,470	676	4,091
Disposals	278	1,352	88	0	0	0	1,264	18	11	1,659
Change from non-current assets and disposal groups held for sale	(219)	(5,413)	0	(4,593)	0	(35)	(785)	(5,933)	0	(11,565)
Reclassifications	572	462	(16)	8	0	0	470	0	(430)	604
At December 31, 2009	**2,515**	**40,205**	**1,530**	**10,022**	**1,491**	**17,115**	**10,047**	**26,553**	**1,109**	**70,382**
Currency translation	59	1,521	12	12	13	1,308	176	702	1	2,283
Changes in the composition of the Group	1	232	35	4	0	8	185	4	0	237
Other Changes	0	0	0	0	0	0	0	(260)	0	(260)
Additions	162	2,064	6	8	0	14	2,036	465	829	3,520
Disposals	334	1,067	1	0	0	0	1,066	19	19	1,439
Change from non-current assets and disposal groups held for sale	0	(4)	0	0	0	(4)	0	0	0	(4)
Reclassifications	513	1,001	9	0	71	1	920	2	(861)	655
At December 31, 2010	**2,916**	**43,952**	**1,591**	**10,046**	**1,575**	**18,442**	**12,298**	**27,447**	**1,059**	**75,374**
Accumulated amortization										
At December 31, 2008	**1,310**	**11,421**	**646**	**3,865**	**669**	**0**	**6,241**	**9,162**	**0**	**21,893**
Currency translation	(8)	163	2	109	2	0	50	250	1	406
Changes in the composition of the Group	0	(33)	0	0	0	0	(33)	0	0	(33)
Additions (amortization)	561	2,742	175	767	138	0	1,662	0	0	3,303
Additions (impairment)	0	7	7	0	0	0	0	2,345	0	2,352
Disposals	278	1,344	81	0	0	0	1,263	0	0	1,622
Change from non-current assets and disposal groups held for sale	(132)	(1,969)	0	(1,356)	0	0	(613)	(5,538)	0	(7,639)
Reclassifications	2	15	(14)	0	0	0	29	0	0	17
At December 31, 2009	**1,455**	**11,002**	**735**	**3,385**	**809**	**0**	**6,073**	**6,219**	**1**	**18,677**
Currency translation	39	150	11	1	7	0	131	312	(1)	500
Changes in the composition of the Group	0	11	0	0	0	0	11	0	0	11
Additions (amortization)	577	2,767	158	605	138	0	1,866	0	0	3,344
Additions (impairment)	0	3	0	0	0	0	3	395	1	399
Disposals	332	1,061	6	0	0	0	1,055	0	1	1,394
Change from non-current assets and disposal groups held for sale	0	0	0	0	0	0	0	0	0	0
Reclassifications	(14)	44	(3)	0	0	0	47	0	0	30
At December 31, 2010	**1,725**	**12,916**	**895**	**3,991**	**954**	**0**	**7,076**	**6,926**	**0**	**21,567**
Net carrying amounts										
At December 31, 2009	1,060	29,203	795	6,637	682	17,115	3,974	20,334	1,108	51,705
At December 31, 2010	**1,191**	**31,036**	**696**	**6,055**	**621**	**18,442**	**5,222**	**20,521**	**1,059**	**53,807**

The net carrying amount of the UMTS licenses of EUR 6.1 billion mainly relates to the Germany operating segment.

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 0.3 billion (December 31, 2009: EUR 0.3 billion) as of the reporting date. These are largely related to the network build-out in the United States and Germany operating segments.

The **carrying amounts of goodwill** are mainly allocated to the following operating segments and cash-generating units:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Germany	4,016	3,587
Europe	8,683	9,282
Of which: PTC	1,650	1,607
T-Mobile Netherlands	1,317	1,317
T-Mobile Austria group	1,202	1,202
Hungary – Mobile communications	933	958
Greece – Mobile communications	838	964
T-Mobile Czech Republic	666	631
Hungary – Fixed network	366	373
Croatia – Fixed network	305	297
Bulgaria – Mobile communications	262	293
Slovakia – Fixed network	231	225
Croatia – Mobile communications	194	196
Slovakia – Mobile communications	168	168
Romania – Mobile communications	145	251
Greece – Fixed network	124	476
Other	282	324
United States	4,827	4,471
Systems Solutions	2,995	2,994
	20,521	**20,334**

In the 2010 financial year, the main changes in the carrying amounts of goodwill at cash-generating units were as follows:

Germany. The carrying amount of the Germany cash-generating unit increased by EUR 0.4 billion compared with December 31, 2009. The business combination with STRATO resulted in goodwill of EUR 0.2 billion. Furthermore, the carrying amount increased by EUR 0.2 billion following the Frankfurt/Main Higher Regional Court's ruling on a supplementary cash payment to former T-Online shareholders (relates to transaction carried out in 2006).

Europe. On the one hand, the cash-generating units **Greece – Mobile communications and Greece – Fixed network** were impacted by a reduction of EUR 0.3 billion in the carrying amount of put option II held by the Hellenic Republic (For further details, please refer to Note 10). On the other, the cash-generating units **Greece – Fixed network, Romania – Mobile communications** and **Albania** had to recognize impairment losses totaling EUR 0.4 billion.

All other changes in goodwill were primarily a result of exchange rate effects.

Disclosures on impairment tests. Deutsche Telekom performed its annual impairment tests of the goodwill recognized for the cash-generating units at December 31, 2010. The following table gives an overview of the periods for which the Group has provided cash flow projections, the growth rates used as the basis for the cash flow projections, and the discount rates applied to the cash flow projections, broken down by operating segment:

	Periods used (years)	Growth rates (%)	Discount rates (%)
Germany	10	1.0	5.88
Europe	10	1.5 – 2.0	6.68 – 10.21
United States	10	2.5	7.14
Systems Solutions	10	1.5	6.95

The measurements of the cash-generating units are founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the planning horizon are extrapolated using appropriate growth rates. The key assumptions on which management has based its determination of fair value less costs to sell include the following assumptions that were primarily derived from internal sources and largely reflect past experience and/or are compared with external market values: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates were determined on the basis of external figures derived from the market. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units. Any changes to these assumptions resulting from future developments in the macroeconomic situation, continued intense competition, the mobile communications taxes imposed/raised in some countries, and other potential amendments to legislation (for example in the course of state austerity programs) may have a greater, possibly negative, impact in the countries assigned to the Europe operating segment.

On the basis of information available at the reporting date and expectations with respect to the market and competitive environment, the year-end impairment tests indicated a need for impairment at the following cash-generating units:

(millions of €)	**Goodwill impairments**	**Impairment of property, plant and equipment**	**Assigned to segment**
Greece – Fixed network	287		Europe
Romania – Mobile communications	80		Europe
Romania – Fixed network	2	285	Europe
Other	26		Europe
Impairments (other operating expenses)	**395**	**285**	
Deferred taxes		(46)	
Effect on profit (loss)	**395**	**239**	
Of which: non-controlling interests		(189)	
Of which: owners of the parent (net profit (loss))	**395**	**50**	

The impairment of property, plant and equipment assigned to the cash-generating unit Romania – Fixed network as a result of impairment tests relates to land and equivalent rights, and buildings including buildings on land owned by third parties, and to technical equipment and machinery.

These impairments were primarily attributable to the unexpected scale of the economic uncertainties regarding the growth prospects of gross domestic product as a result of the financial market crisis. Furthermore, the development of disposable income deteriorated and competition in the countries in which these cash-generating units are based intensified in the second half of 2010.

If the impairment tests of goodwill at the cash-generating units where impairment losses totaling EUR 0.7 billion were recognized at year-end, had been conducted using discount rates that were 0.5 percentage points higher, the impairment losses to be recognized would have increased by EUR 0.2 billion. If, by contrast, the discount rates had been 0.5 percentage points lower, the resulting impairment losses would have been

EUR 0.2 billion lower. If the growth rates used as a basis in the impairment tests had been 0.5 percentage points lower, the impairment losses would have been EUR 0.1 billion higher. In turn, impairment losses would have been EUR 0.1 billion lower if the growth rates had been 0.5 percentage points higher.

6 Property, plant and equipment

(millions of €)	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
Costs					
At December 31, 2008	**16,178**	**94,344**	**6,701**	**3,192**	**120,415**
Currency translation	(41)	(40)	(6)	(21)	(108)
Changes in the composition of the Group	1,779	4,492	87	695	7,053
Additions	140	2,522	436	4,278	7,376
Disposals	55	3,397	438	47	3,937
Change from non-current assets and disposal groups held for sale	437	(3,588)	(211)	(326)	(3,688)
Reclassifications	454	3,382	537	(4,977)	(604)
At December 31, 2009	**18,892**	**97,715**	**7,106**	**2,794**	**126,507**
Currency translation	121	830	117	67	1,135
Changes in the composition of the Group	4	11	94	(13)	96
Additions	151	2,596	455	4,038	7,240
Disposals	93	3,638	543	113	4,387
Change from non-current assets and disposal groups held for sale	(146)	(6)	(31)	(4)	(187)
Reclassifications	491	2,315	285	(3,746)	(655)
At December 31, 2010	**19,420**	**99,823**	**7,483**	**3,023**	**129,749**
Accumulated depreciation					
At December 31, 2008	**7,193**	**67,161**	**4,497**	**5**	**78,856**
Currency translation	(18)	30	(9)	0	3
Changes in the composition of the Group	2	6	0	0	8
Additions (depreciation)	762	6,498	760	0	8,020
Additions (impairment)	179	10	3	11	203
Disposals	46	3,240	341	0	3,627
Change from non-current assets and disposal groups held for sale	251	(2,427)	(100)	0	(2,276)
Reclassifications	(3)	(14)	0	0	(17)
Reversal of impairment losses	(131)	0	0	0	(131)
At December 31, 2009	**8,189**	**68,024**	**4,810**	**16**	**81,039**
Currency translation	57	375	69	(1)	500
Changes in the composition of the Group	1	1	65	0	67
Additions (depreciation)	814	6,098	701	2	7,615
Additions (impairment)	158	271	1	19	449
Disposals	75	3,491	457	1	4,024
Change from non-current assets and disposal groups held for sale	(109)	(6)	0	(7)	(122)
Reclassifications	39	(82)	10	3	(30)
Reversal of impairment losses	(43)	0	0	0	(43)
At December 31, 2010	**9,031**	**71,190**	**5,199**	**31**	**85,451**
Net carrying amounts					
At December 31, 2009	10,703	29,691	2,296	2,778	45,468
At December 31, 2010	**10,389**	**28,633**	**2,284**	**2,992**	**44,298**

For further details on depreciation, please refer to Note 30. For further details on impairments, please refer to Note 5.

Restoration obligations of EUR 0.2 billion were recognized as of December 31, 2010 (December 31, 2009: EUR 0.2 billion). Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 0.6 billion (December 31, 2009: EUR 0.9 billion) as of the reporting date.

Deutsche Telekom changed the useful lives of certain items of property, plant and equipment in the United States and Systems Solutions operating segments. This change to estimates resulted in a net increase in depreciation of EUR 0.1 billion in the 2010 financial year.

7 Investments accounted for using the equity method

Significant investments in entities accounted for using the equity method are as follows:

	Dec. 31, 2010		Dec. 31, 2009	
	Deutsche Telekom share	Net carrying amounts	Deutsche Telekom share	Net carrying amounts
Name	**%**	**(millions of €)**	**%**	**(millions of €)**
Everything Everywhere [a]	50.00	7,095	-	-
HT Mostar [b]	39.10	47	39.10	51
Toll Collect [a]	45.00	40	45.00	46
Other		60		50
		7,242		**147**

[a] Joint venture.
[b] Indirect shareholding via Hrvatski Telekom d.d., Croatia (Deutsche Telekom AG's share: 51.00 %).

Aggregated key financial figures for the associates accounted for using the equity method are shown in the following overview. The data is not based on the portions attributable to the Deutsche Telekom Group, but represents the shareholdings on a 100-percent basis.

(billions of €)	**Dec. 31, 2010**	**Dec. 31, 2009**
Total assets	0.2	0.2
Total liabilities	0.1	0.1
	2010	**2009**
Net revenue	0.2	0.2
Profit (loss)	0.0	0.0

The following table is a summary presentation of aggregated key financial figures – pro-rated according to the relevant percentage of shares held – for the joint ventures of Deutsche Telekom accounted for using the equity method:

	Everything Everywhere	**Other**	**Total as of**	**Total as of**
(billions of €)			**Dec. 31, 2010**	**Dec. 31, 2009**
Total assets	9.5	0.4	9.9	0.5
Current	1.2	0.3	1.5	0.3
Non-current	8.3	0.1	8.4	0.2
Total liabilities	2.4	0.3	2.7	0.4
Current	2.0	0.3	2.3	0.3
Non-current	0.4	0.0	0.4	0.1
			Total in 2010	**Total in 2009**
Net revenue	3.1	0.2	3.3	0.2
Profit (loss)	0.0	(0.1)	(0.1)	0.0

8 Other financial assets

(millions of €)	Dec. 31, 2010 Total	Dec. 31, 2010 Of which: current	Dec. 31, 2009 Total	Dec. 31, 2009 Of which: current
Originated loans and receivables	2,628	2,124	2,003	1,509
Available-for-sale financial assets	513	79	609	74
Derivative financial assets	835	126	1,048	348
Miscellaneous assets	91	43	80	70
	4,067	**2,372**	**3,740**	**2,001**

Originated loans and receivables (millions of €)	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
as of Dec. 31, 2010							
Due within one year	1,960	76	11	4	21	11	12
Due after more than one year	491	-	-	-	-	-	2
as of Dec. 31, 2009							
Due within one year	1,413	26	8	3	19	18	1
Due after more than one year	482	9	-	-	-	-	3

With respect to the originated loans and receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Receivables of EUR 223 million (December 31, 2009: EUR 337 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions.

The increase in short-term originated loans and receivables is mainly related to the acquisition of a bond in the amount of EUR 0.8 billion issued by the new Everything Everywhere joint venture.

The available-for-sale financial assets include unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 335 million as of December 31, 2010 (December 31, 2009: EUR 411 million).

In the 2010 financial year, EUR 101 million (2009: EUR 8 million) in impairment losses on available-for-sale financial assets were recognized in profit or loss because the impairment was permanent or significant.

9 Other assets

Other assets mainly comprise deferred tax assets of EUR 1.4 billion (December 31, 2009: EUR 1.2 billion).

10 Financial liabilities

(millions of €)	Dec. 31, 2010 Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities				
Non-convertible bonds	23,078	3,894	9,317	9,867
Commercial paper, medium-term notes, and similar liabilities	15,112	2,843	6,195	6,074
Liabilities to banks	4,190	472	3,284	434
	42,380	7,209	18,796	16,375
Lease liabilities	1,934	142	426	1,366
Liabilities to non-banks from promissory notes	1,164	-	192	972
Other interest-bearing liabilities	1,304	1,056	139	109
Other non-interest-bearing liabilities	3,193	3,176	15	2
Derivative financial liabilities	571	106	457	8
	8,166	4,480	1,229	2,457
Financial liabilities	**50,546**	**11,689**	**20,025**	**18,832**

(millions of €)	Dec. 31, 2009 Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities				
Non-convertible bonds	25,055	4,121	9,686	11,248
Commercial paper, medium-term notes and similar liabilities	13,453	285	8,318	4,850
Liabilities to banks	4,718	974	2,764	980
	43,226	5,380	20,768	17,078
Lease liabilities	1,909	131	446	1,332
Liabilities to non-banks from promissory notes	1,057	0	177	880
Other interest-bearing liabilities	1,025	675	229	121
Other non-interest-bearing liabilities	2,995	2,908	85	2
Derivative financial liabilities	979	297	463	219
	7,965	4,011	1,400	2,554
Financial liabilities	**51,191**	**9,391**	**22,168**	**19,632**

Deutsche Telekom reached an agreement with Vivendi (France), Elektrim (Poland), and Elektrim's creditors in December 2010 regarding the various legal disputes about the interests in PTC in Poland, giving it full and undisputed ownership of PTC. Under the agreement, Deutsche Telekom will pay a total of EUR 1.4 billion to Elektrim and Vivendi upon closing. Settlement of all legal disputes between the parties was also agreed. By January 14, 2011 all legal disputes between the parties were settled once and for all. In addition to the EUR 0.8 billion shown in the prior year and included directly in equity as a result of the first-time consolidation, a further EUR 0.4 billion was recorded under other non-interest-bearing liabilities as of the reporting date. A further EUR 0.2 billion for the acquisition of the non-controlling interests is to be recognized in equity upon closing.

Under the share purchase agreement relating to the investment in the OTE group in 2009, Deutsche Telekom granted the Hellenic Republic a put option ("put option II") for an additional 10 percent of the shares. This option can be exercised at market price plus a premium initially of 20 percent for a period of twelve months from November 10, 2009, after which it can be exercised at market price plus a premium of 15 percent until December 31, 2011. Should market prices change, the carrying amount of put option II will be adjusted at each reporting date and recognized directly in equity, thus changing the goodwill. This put option is reported under other non-interest-bearing liabilities.

At December 31, 2010, Deutsche Telekom had standardized bilateral credit agreements with 21 banks for a total of EUR 12.6 billion. EUR 0.2 billion of these credit lines had been utilized by December 31, 2010. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom's rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months. The situation on the international financial markets eased considerably in 2009 and, in particular, toward the end of 2010. From today's perspective, access to the international debt capital markets is not jeopardized. The 2010 financial year was marked by substantial new issuances. Throughout 2010, we raised EUR 3.1 billion in debt capital in various markets.

The following tables show Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

	Carrying amounts Dec. 31, 2010	Cash flows in 2011			Cash flows in 2012		
(millions of €)		**Fixed interest rate**	**Variable interest rate**	**Repay-ment**	**Fixed interest rate**	**Variable interest rate**	**Repay-ment**
Non-derivative financial liabilities:							
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(43,544)	(2,334)	(63)	(7,897)	(1,822)	(47)	(4,618)
Finance lease liabilities	(1,400)	(105)		(168)	(91)		(104)
Other interest-bearing liabilities	(1,838)	(55)	(5)	(1,055)	(52)		(41)
Other non-interest-bearing liabilities	(3,193)			(3,176)			(8)
Derivative financial liabilities and assets:							
Derivative financial liabilities:							
Currency derivatives without a hedging relationship	(43)			(44)			
Currency derivatives in connection with cash flow hedges	(56)			(50)			(4)
Interest rate derivatives without a hedging relationship	(196)	49	(60)	(3)	12	(17)	(106)
Interest rate derivatives in connection with fair value hedges	-						
Interest rate derivatives in connection with cash flow hedges	(266)	(71)	36		(141)	54	
Derivative financial assets:							
Currency derivatives without a hedging relationship	53			56			1
Currency derivatives in connection with cash flow hedges	13			8			2
Interest rate derivatives without a hedging relationship	507	46	(27)	48	21	(9)	34
Interest rate derivatives in connection with fair value hedges	144	163	(57)		163	(55)	
Interest rate derivatives in connection with cash flow hedges	118	8			8		15

Cash flows in 2013 –2015			Cash flows in 2016 –2020			Cash flows in 2021 and thereafter		
Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate	Repay-ment	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment
(4,188)	(42)	(14,255)	(3,821)		(9,962)	(4,207)		(8,096)
(241)		(295)	(247)		(441)	(201)		(392)
(159)		(94)	(177)		(624)	(43)		(25)
		(7)			(1)			(1)
(26)	(8)	(75)	(2)	(2)	(1)	(1)	(4)	(3)
(474)	131							
		3						
21	(24)	359	29	(48)		108	(115)	107
301	(99)		36	(9)		57	(14)	
17			36		44	23		65

(millions of €)	Carrying amounts Dec. 31, 2009	Cash flows in				
Non-derivative financial liabilities:		**2010**	**2011**	**2012-2014**	**2015-2019**	**2020 and thereafter**
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(44,283)	(8,015)	(8,982)	(18,506)	(16,516)	(10,052)
Finance lease liabilities	(1,423)	(234)	(202)	(537)	(771)	(644)
Other interest-bearing liabilities	(1,511)	(828)	(110)	(215)	(669)	(98)
Other non-interest-bearing liabilities	(2,995)	(2,908)	(85)		(1)	(1)
Derivative financial liabilities and assets:						
Derivative financial liabilities:						
Currency derivatives without a hedging relationship	(46)	(45)	(2)			
Currency derivatives in connection with cash flow hedges	(17)	(15)				
Interest rate derivatives without a hedging relationship	(635)	(205)	(47)	(264)	(92)	(95)
Interest rate derivatives in connection with fair value hedges	(52)	87	87	262	27	50
Interest rate derivatives in connection with cash flow hedges	(174)	(32)	(43)	(280)	3	19
Derivative financial assets:						
Currency derivatives without a hedging relationship	91	102	1	2		
Currency derivatives in connection with cash flow hedges	15	11	1	1		
Interest rate derivatives without a hedging relationship	562	90	12	276	175	
Interest rate derivatives in connection with fair value hedges	225	112	129	250	197	340
Interest rate derivatives in connection with cash flow hedges	155	103	(24)			

The tables showing the contractually agreed (undiscounted) interest payments and repayments do not include the financing commitment granted to Everything Everywhere (please refer to Note 37).

All instruments held at December 31, 2010 and for which payments were already contractually agreed are included. Planning data for future, new liabilities were not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2010. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act – Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities which were already outstanding as at January 1, 1995. At December 31, 2010, this figure was a nominal EUR 2.0 billion (December 31, 2009: EUR 1.9 billion).

11 Trade and other payables

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Trade payables	6,737	6,294
Other liabilities	13	10
	6,750	**6,304**

Of the total of trade and other payables, EUR 6,745 million (December 31, 2009: EUR 6,300 million) is due within one year.

12 Provisions for pensions and other employee benefits

Defined benefit plans

The following table shows the composition of pension obligations:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Defined benefit liability	6,373	6,179
Defined benefit asset	(28)	(14)
Net defined benefit liability	**6,345**	**6,165**
Pension obligations		
Unfunded	5,996	5,804
Funded	346	358
Obligations in accordance with Article 131 GG	3	3

The defined benefit asset is recognized under other non-current assets in the consolidated statement of financial position.

Calculation of net defined benefit liability (+)/defined benefit asset (–):

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Present value of funded obligations	977	979
Plan assets at fair value	(629)	(618)
Defined benefit obligations in excess of plan assets	**348**	**361**
Present value of unfunded obligations	6,040	5,854
Unrecognized past service cost	(43)	(50)
Defined benefit liability (+)/ defined benefit asset (-) according to IAS 19.54	6,345	6,165

Assumptions for the measurement of defined benefit obligations as of December 31:

(%)		2010	2009
Discount rate	Germany	5.16	5.25
	Switzerland (T-Systems)	3.05	3.15
	Greece (OTE S.A.)	4.56/3.71	4.56/3.89
	United Kingdom	5.40	5.70
Projected salary increase	Germany (pay-scale employees)	3.25	3.25
	Germany (non-pay-scale employees)	3.50	3.50
	Switzerland (T-Systems)	1.50	1.50
	Greece (OTE S.A.)	2.20/3.20/2.40/2.50	4.50/5.50
	United Kingdom	4.40	4.60
Projected pension increase	Germany (general)	1.50	1.50
	Germany (according to arrticles of association)	1.00	1.00
	Switzerland (T-Systems)	0.30	0.30
	Greece (OTE S.A.)	n.a	n.a.
	United Kingdom	3.20	3.40

Pension obligations at German entities of the Group are measured using the biometrical assumptions of the 2005G tables published by Prof. Klaus Heubeck. Local actuarial tables are used in the other countries.

Assumptions for determining the pension expense for years ending December 31:

(%)		2010	2009	2008
Discount rate	Germany	5.25	5.80	5.50
	Switzerland (T-Systems)	3.15	3.00	3.25
	Greece (OTE S.A.)	4.56/3.89	5.50/5.00	n.a.
	United Kingdom	5.70	5.80	5.40
Projected salary increase	Germany (pay-scale employees)	3.25	3.50	2.50
	Germany (non-pay-scale employees)	3.50	4.25	3.25
	Switzerland (T-Systems)	1.50	1.50	1.50
	Greece (OTE S.A.)	4.50/5.50	6.50/4.50	n.a.
	United Kingdom	4.60	4.20	4.20
Return on plan assets	Germany	3.90	3.50	4.30
	Switzerland (T-Systems)	4.50	4.50	4.50
	United Kingdom	7.00	6.90	7.00
Projected pension increase	Germany (general)	1.50	2.00	1.70
	Germany (according to arrticles of association	1.00	1.00	1.00
	Switzerland (T-Systems)	0.30	0.30	0.60
	Greece (OTE S.A.)	n.a.	n.a.	n.a.
	United Kingdom	3.40	3.20	3.20

Development of defined benefit obligations in the reporting year:

(millions of €)	2010	2009
Present value of the defined benefit obligations as of January 1	**6,833**	**6,101**
Reclassification in accordance with IFRS 5	-	(454)
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	(10)	609
Current service cost	193	204
Interest cost	344	371
Contributions by plan participants	5	3
Actuarial losses (gains)	39	373
Total benefits actually paid	(401)	(393)
Plan amendments	(2)	(12)
Exchange rate fluctuations for foreign-currency plans	29	31
Present value of the defined benefit obligations as of December 31	**7,017**	**6,833**

Taking the plan assets into consideration, the pension obligations were accounted for in full.

Development of plan assets at fair value in the respective reporting year:

(millions of €)	2010	2009
Plan assets at fair value as of January 1	**618**	**952**
Reclassification in accordance with IFRS 5	-	(307)
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	15	0
Expected return on plan assets	27	50
Actuarial (losses) gains	7	(91)
Contributions by employer	2	45
Contributions by plan participants	5	3
Benefits actually paid through pension funds	(56)	(61)
Settlements	(12)	0
Exchange rate fluctuations for foreign-currency plans	23	27
Plan assets at fair value as of December 31	**629**	**618**

Breakdown of plan assets at fair value by investment category:

(%)	Dec. 31, 2010	Dec. 31, 2009
Equity securities	19	19
Debt securities	65	64
Real estate	6	6
Other	10	11

The investment structure is defined, managed and regularly reviewed using asset/liability studies. The resulting target allocations for the plan assets of the respective pension plans therefore reflect the duration of the obligations, the defined benefit obligation, the minimum requirements for the policy reserve, and other factors.

At the reporting date, the plan assets include shares issued by Deutsche Telekom amounting to EUR 0.8 million (December 31, 2009: shares totaling EUR 1.0 million). No other own financial instruments were included in the years shown.

Determination of the expected return on essential plan assets:

These expectations are based on consensus forecasts for each asset class as well as on bank estimates. The forecasts are based on historical figures, economic data, interest rate forecasts, and anticipated stock market developments.

The pension expense for each period is composed of the following items and is reported in the indicated accounts of the income statement:

(millions of €)	Presentation in the income statement	2010	2009	2008
Current service cost	Functional costs[1]	193	204	204
Interest cost	Other financial income (expense)	344	371	331
Expected return on plan assets	Other financial income (expense)	(27)	(50)	(52)
Past service cost	Functional costs[1]	9	0	0
Pension expense before curtailments/ settlements		519	525	483
Curtailments	Functional costs[1]	(2)	0	0
Settlements	Functional costs[1]	(3)	0	0
Pension expense		**514**	**525**	**483**
Actual return on plan assets		34	(41)	50

[1] Including other operating expenses.

The consolidated statement of **comprehensive** income contains the following amounts:

(millions of €)	2010	2009	2008
Cumulative losses (gains) recognized directly in equity as of January 1	576	115	342
Actuarial (gains) losses as shown in the consolidated statement of comprehensive income	32	461	(227)
Of which: recognition directly in equity of actuarial (gains) losses in the reporting period	32	464	(230)
Of which: change in the additional provision recognized due to a minimum funding requirement	-	(3)	3
Cumulative losses (gains) recognized directly in equity as of December 31	608	576	115
Actuarial (gains) losses resulting from pension obligations formerly attributable to the Group	(55)	13	3
	553	**589**	**118**

Expected employer contributions for the subsequent year are estimated as follows:

(millions of €)	2011
Expected contributions by employer	**17**

Amounts for the current year and four preceding years of defined benefit obligations, plan assets, defined benefit obligations in excess of plan assets, and experience-based adjustments:

(millions of €)	2010	2009	2008	2007	2006
Defined benefit obligations	7,017	6,833	6,101	6,327	7,134
Plan assets at fair value	(629)	(618)	(952)	(986)	(966)
Defined benefit obligations in excess of plan assets (funded status)	**6,388**	**6,215**	**5,149**	**5,341**	**6,168**
Adjustment in %	**2010**	**2009**	**2008**	**2007**	**2006**
Experience-based increase (decrease) of pension obligations	0.1	(0.7)	(0.1)	(0.8)	(0.4)
Experience-based increase (decrease) of plan assets	1.1	(9.9)	(0.2)	(2.5)	1.1

Defined contribution plans

In the 2010 financial year, current contributions for defined contributions plans, which are reported as an expense in the consolidated income statement of the respective year, amounted to EUR 114 million (2009: EUR 73 million; 2008: EUR 160 million).

Civil-servant retirement arrangements at Deutsche Telekom

An expense of EUR 676 million was recognized in the 2010 financial year (2009: EUR 684 million; 2008: EUR 762 million) for the annual contribution to the BPS-PT special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The present value to the total obligation arising from payment obligations to this special pension fund was EUR 5.9 billion as of the reporting date (December 31, 2009: EUR 6.6 billion).

13 Other provisions

(millions of €)	Provisions for re-structuring expenses	Other provisions for personnel costs	Provisions for restoration obligations	Provisions for litigation risks	Provisions for sales and procurement support	Miscellaneous other provisions	Total
At December 31, 2008	**2,251**	**1,875**	**700**	**472**	**487**	**956**	**6,741**
Of which: current	695	1,466	26	170	474	606	3,437
Changes in the composition of the Group	1	83	7	48	0	12	151
Currency translation adjustments	7	4	6	1	(1)	3	20
Addition	460	1,382	156	105	456	397	2,956
Use	(1,341)	(1,477)	(38)	(68)	(481)	(288)	(3,693)
Reversal	(116)	(296)	(24)	(104)	(23)	(194)	(757)
Interest effect	131	17	67	0	0	17	232
Other changes	(54)	13	(76)	(4)	(31)	32	(120)
At December 31, 2009	**1,339**	**1,601**	**798**	**450**	**407**	**935**	**5,530**
Of which: current	536	1,349	39	424	407	614	3,369
Changes in the composition of the Group	1	16	1	0	0	6	24
Currency translation adjustments	(2)	19	7	0	5	11	40
Addition	191	1,510	88	126	508	430	2,853
Use	(1,031)	(1,433)	(36)	(104)	(443)	(318)	(3,365)
Reversal	(72)	(110)	(30)	(19)	(22)	(146)	(399)
Interest effect	(9)	25	46	2	0	6	70
Other changes	41	11	0	2	(1)	15	68
At December 31, 2010	**458**	**1,639**	**874**	**457**	**454**	**939**	**4,821**
Of which: current	281	1,360	32	427	454	639	3,193

The provisions for restructuring expenses mainly include provisions for staff restructuring. The provisions for restructuring expenses developed as follows in the financial year:

(millions of €)	Jan. 1, 2010	Addition	Use	Reversal	Other changes	Dec. 31, 2010
Early retirement	622	18	(702)	(8)	82	12
Severance and voluntary redundancy models	366	58	(191)	(55)	23	201
Partial retirement	292	113	(98)	(3)	(80)	224
Other	59	2	(40)	(6)	6	21
	1,339	**191**	**(1,031)**	**(72)**	**31**	**458**
Of which: current	536					281

Some of the staff restructuring measures are covered by law as, for instance, early retirement for civil servants. For civil servants employed at Deutsche Telekom, the law provides the opportunity under certain conditions to retire early from the age of 55. When the reform of civil-service law came into effect, the provisions for early retirement for civil servants were extended until December 31, 2012. Exercise of the early retirement option in 2011 and 2012, however, will be subject to a resolution by the Board of Management.

Other provisions for personnel costs include a variety of individual issues such as provisions for deferred compensation and allowances, as well as for anniversary gifts. The expenses are allocated to functional costs or to other operating expenses based on actual cost generation.

Provisions for restoration obligations include the estimated costs for dismantling and removing an asset, and restoring the site on which it is located. The estimated costs are included in the costs of the relevant asset.

The provisions for litigation risks primarily include possible settlements attributable to pending lawsuits.

Provisions for sales and procurement support include dealer commissions, subsidies for advertising expenses and reimbursements.

Miscellaneous other provisions include provisions related to the disposal of businesses and site closures, provisions for environmental damage and risks, warranty provisions as well as a variety of other items for which the individually recognized amounts are not material.

14 Other liabilities

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Deferred revenue	1,980	2,095
Early retirement	2,325	1,819
Liabilities from other taxes	1,221	1,178
Liabilities from straight-line leases	1,080	845
Other deferred revenue	601	527
Miscellaneous other liabilities	907	1,082
	8,114	**7,546**

15 Shareholders' equity

Issued capital

As of December 31, 2010, the **share capital** of Deutsche Telekom totaled EUR 11,063 million. The share capital is divided into 4,321,319,206 no par value registered shares.

	2010	
	(thousands)	(%)
Federal Republic of Germany	646,575	15.0
KfW Bankengruppe	735,662	17.0
Free float	2,939,082	68.0
Of which: Blackstone Group	191,700	4.4
Of which: BlackRock	145,762	3.4
	4,321,319	**100.0**

Capital decrease

The shareholders' meeting resolved on May 3, 2010 to authorize the Board of Management to purchase shares in the Company by November 2, 2011, with the amount of share capital accounted for by these shares totaling up to EUR 1,116,497,918.20, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of the Company's share capital. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG must be complied with. Shares shall not be purchased for the purpose of trading in treasury shares. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The shares are purchased in compliance with the principle of equal treatment (§ 53a AktG) through the stock exchange. Shares can instead also be purchased by means of a public purchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

A resolution of the shareholders' meeting of May 3, 2010 authorized the Board of Management to redeem Deutsche Telekom AG's shares purchased on the basis of the aforementioned authorization, without such redemption or its implementation requiring a further resolution of the shareholders' meeting. Based on this authorization, the Board of Management resolved on July 27, 2010 to implement a share buy-back program.

The buy-back program was completed on December 3, 2010. A total of 40,001 thousand shares were acquired for a total price of EUR 400 million (excluding transaction costs) with an average purchase price of EUR 9.99 per share. The Board of Management decided on December 14, 2010 to reduce the share capital of

Deutsche Telekom AG accordingly and to retire the shares that had been bought back. This resulted in a decrease of EUR 102 million in issued capital (imputed value of EUR 2.56 per share) and EUR 400 million in the retained earnings of the Group. EUR 102 million was transferred to capital reserves in accordance with § 237 (5) AktG.

Voting rights

Each share entitles the holder to one vote. The voting rights are nevertheless restricted in relation to the treasury shares (around 2 million as of December 31, 2010) and the trust shares (around 19 million as of December 31, 2010). The trust shares are connected with the acquisitions of VoiceStream and Powertel (now T-Mobile USA) in 2001. As part of these acquisitions, Deutsche Telekom AG issued new shares from authorized capital to trustees for the benefit of holders of warrants, options, and conversion rights, among others. As regards the shares issued to trusts, the trustees in question waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts' existence. The shares issued to the trusts can be sold on the stock exchange on the instruction of Deutsche Telekom AG if the beneficiaries do not exercise their options or conversion rights or if these expire. The proceeds from the sale accrue to Deutsche Telekom AG. As of December 31, 2010, the number of T-Shares reserved for the stock options still outstanding was 3,042,055.

Authorized capital and contingent capital

Authorized capital and contingent capital comprised the following components as of December 31, 2010:

	Amount millions of €	No par value shares thousands	Purpose
2009 Authorized capital I[1]	2,176	850,000	Increase in share capital (until April 29, 2014)
2009 Authorized capital II[1]	38	15,000	Employee shares (until April 29, 2014)
Contingent capital II	32	12,427	Meeting preemptive rights to shares from stock options under the 2001 Stock Option Plan
Contingent capital IV	1,100	429,688	Servicing guaranteed convertible bonds or bonds with warrants issued on or before April 25, 2010

1 The Supervisory Board's approval is required.

Capital reserves

The capital reserves of the Group primarily encompass the capital reserves of Deutsche Telekom AG. Differences to the capital reserves of Deutsche Telekom AG result from the recognition at fair value of the Deutsche Telekom AG shares newly issued in the course of the acquisition of T-Mobile USA Inc., Bellevue (United States)/Powertel Inc., Bellevue (United States) instead of at their par value, which is permissible in the consolidated financial statements, and from the related treatment of the issuing costs, which are deducted from capital reserves.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

16 Net revenue

Net revenue breaks down into the following revenue categories:

(millions of €)	2010	2009	2008
Revenue from the rendering of services	58,159	61,017	58,449
Revenue from the sale of goods and merchandise	4,067	3,442	3,036
Revenue from the use of entity assets by others	195	143	181
	62,421	**64,602**	**61,666**

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the combined management report.

17 Cost of sales

The decrease in cost of sales of EUR 0.5 billion was primarily attributable to consolidation effects from the deconsolidation of T-Mobile UK amounting to EUR 1.5 billion, which were partially offset by exchange rate effects totaling EUR 0.7 billion.

18 Selling expenses

Selling expenses declined by EUR 1.2 billion, due in particular to effects of EUR 0.6 billion from changes in the composition of the Group and a reduction in customer acquisition and retention costs in the Germany operating segment. The decline was partially offset by exchange rate effects totaling EUR 0.3 billion, primarily from the translation of U.S. dollars.

19 General and administrative expenses

The increase of EUR 0.6 billion in general and administrative expenses related mainly to EUR 0.2 billion higher expenses for early retirement arrangements. In addition, a provision of EUR 0.2 billion for the Civil Service Health Insurance Fund had been reversed in the prior year.

20 Other operating income

(millions of €)	2010	2009	2008
Income from reimbursements	381	344	272
Income from the reversal of impairment losses on noncurrent financial assets in accordance with IFRS 5	47	131	134
Income from disposal of non-current assets	70	104	100
Income from insurance compensation	42	49	50
Income from divestitures	3	20	505
Miscellaneous other operating income	955	856	910
	1,498	**1,504**	**1,971**

Other operating income did not change significantly compared to the prior year.

21 Other operating expenses

(millions of €)	2010	2009	2008
Impairment losses from the year-end impairment test			
Of which: goodwill	395	2,345	289
Of which: property, plant and equipment	285	-	-
Expenses in connection with the agreement with Vivendi (France) and Elektrim (Poland) concerning the stake in PTC	400	-	-
Losses from divestitures	350	1	62
Loss on disposal of non-current assets	159	154	170
Miscellaneous other operating expenses	1,228	819	711
	2,817	**3,319**	**1,232**

Other operating expenses decreased year-on-year by EUR 0.5 billion, due in part to lower depreciation, amortization and impairment losses posted in connection with the year-end impairment tests. In the prior year, other operating expenses included an impairment loss of EUR 1.8 billion that had been recognized on the goodwill of the cash-generating unit T-Mobile UK. For further details, please refer to Note 5. The decrease in other operating expenses was partially offset by expenses of EUR 0.4 billion incurred in connection with the agreement concerning the stake in PTC, and of EUR 0.4 billion from the deconsolidation of T-Mobile UK recognized in the second quarter of 2010 due to the establishment of the Everything Everywhere joint venture.

22 Finance costs

(millions of €)	2010	2009	2008
Interest income	349	341	408
Interest expense	(2,849)	(2,896)	(2,895)
	(2,500)	**(2,555)**	**(2,487)**
Of which: from financial instruments relating to categories in accordance with IAS 39:			
Loans and receivables	77	132	162
Held-to-maturity investments	2	3	23
Available-for-sale financial assets	15	42	32
Financial liabilities measured at amortized cost[1]	(2,490)	(2,637)	(2,668)

[1] Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives that were used as hedging instruments against interest rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting period for hedge accounting in accordance with IAS 39 (2010: interest income of EUR 155 million; 2009: interest income of EUR 107 million; 2008: interest income of EUR 68 million and interest expense of EUR 11 million).

EUR 69 million was recognized as part of acquisition costs in the financial year (2009: EUR 27 million). The amount was calculated on the basis of an average capitalization rate of 5.4 percent (2009: 5.9 percent) applied across the Group.

Interest payments of EUR 3.3 billion (2009: EUR 3.5 billion, 2008: EUR 3.4 billion) were made in the financial year.

Accrued interest payments from derivatives (interest rate swaps) that were designated as hedging instruments in a fair value hedge in accordance with IAS 39 are netted per swap contract and recognized as interest income or interest expense depending on the net amount. Finance costs are assigned to the categories on the basis of the hedged item; only financial liabilities were hedged in the reporting period.

23 Share of profit/loss of associates and joint ventures accounted for using the equity method

(millions of €)	2010	2009	2008
Share of profit (loss) of joint ventures	(59)	9	31
Share of profit (loss) of associates	2	15	(419)
	(57)	**24**	**(388)**

The Everything Everywhere joint venture has been included in the consolidated statement of financial position under investments accounted for using the equity method since April 1, 2010. Since then the share of profit generated by the joint venture that is allocated to Deutsche Telekom (2010: EUR –49 million) has been shown under share of profit/loss of joint ventures.

24 Other financial income/expense

(millions of €)	2010	2009	2008
Income from investments	30	22	44
Gain (loss) from financial instruments	133	(171)	(254)
Interest component from measurement of provisions and liabilities	(416)	(677)	(503)
	(253)	**(826)**	**(713)**

All income/expense components including interest income and expense from financial instruments classified as held for trading in accordance with IAS 39 are reported under other financial income/expense.

Gain/loss from financial instruments includes currency translation effects amounting to EUR –424 million (2009: EUR –22 million; 2008: EUR –587 million). The item includes EUR 557 million (2009: EUR –149 million, 2008: EUR 333 million) in gains from financial instruments that were used mainly to hedge against currency effects.

In addition to the change in gain/loss from financial instruments, the EUR 0.6 billion decrease in other financial expense compared with the prior year is mainly attributable to lower interest rate expenses on provisions and liabilities.

25 Income taxes

Income taxes in the consolidated income statement

Income taxes are broken down into current taxes paid or payable in the individual countries and into deferred taxes.

The following table provides a breakdown of income taxes in Germany and internationally:

(millions of €)	2010	2009	2008
Current taxes	768	873	644
Germany	87	163	88
International	681	710	556
Deferred taxes	167	909	784
Germany	197	353	515
International	(30)	556	269
	935	**1,782**	**1,428**

Deutsche Telekom's combined income tax rate for 2010 amounted to 30.5 percent. It consists of corporate income tax at a rate of 15 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade income tax at an average multiplier of 419 percent. The combined income tax rate amounted to 30.5 percent for 2009 and 2008.

Reconciliation of the effective tax rate

Income taxes of EUR 935 million in the reporting year (2009: EUR 1,782 million; 2008: EUR 1,428 million) are derived as follows from the expected income tax expense that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit/loss before income taxes:

(millions of €)	2010	2009	2008
Profit before income taxes	**2,695**	**2,655**	**3,452**
Expected income tax expense (income tax rate applicable to Deutsche Telekom AG: 2010: 30.5 %; 2009: 30.5 %, 2008: 30.5 %)	822	810	1,053
Adjustments to expected tax expense			
Effect of changes in statutory tax rates	(113)	26	3
Tax effects from prior years	112	(26)	29
Tax effects from other income taxes	68	161	115
Non-taxable income	(85)	(106)	(86)
Tax effects from equity investments	16	(9)	124
Non-deductible expenses	130	136	110
Permanent differences	123	64	(47)
Goodwill impairment losses	106	702	71
Tax effects from loss carryforwards	(385)	51	(34)
Tax effects from additions to and reductions of local tax	91	71	86
Adjustment of taxes to different foreign tax rates	52	(102)	3
Other tax effects	(2)	4	1
Income tax expense (benefit) according to the consolidated income statement	**935**	**1,782**	**1,428**
Effective income tax rate (%)	**35**	**67**	**41**

Current income taxes in the consolidated income statement

The following table provides a breakdown of current income taxes:

(millions of €)	2010	2009	2008
Current income taxes	**768**	**873**	**644**
Of which:			
Current tax expense	560	744	596
Prior-period tax expense (income)	208	129	48

Deferred taxes in the consolidated income statement

The following table shows the development of deferred taxes:

(millions of €)	2010	2009	2008
Deferred tax expense (income)	**167**	**909**	**784**
Of which:			
On temporary differences	21	692	409
On loss carryforwards	165	232	419
From tax credits	(19)	(15)	(44)

Income taxes decreased year-on-year despite the increase in profits before income taxes. This was due in part to the fact that, relative to the reporting year, in 2009 a high level of goodwill impairment losses was included in profit before income taxes and had no tax effect, and thus raised the tax rate in 2009. In addition, deferred taxes of EUR 466 million were recognized on temporary differences and loss carryforwards in the Europe operating segment in the reporting period, since it has become likely that these temporary differences and loss carryforwards will be used in the future. The Special Contribution Tax II introduced in Greece had the opposite effect, since it resulted in an increase in tax expense and the tax rate for the Group in the reporting period. The tax rate also increased due to the deconsolidation of T-Mobile UK which had no tax effect.

Income taxes in the consolidated statement of financial position

Current income taxes in the consolidated statement of financial position:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Recoverable taxes	224	144
Tax liabilities	(545)	(511)

Deferred taxes in the consolidated statement of financial position:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Deferred tax assets	5,129	5,162
Deferred tax liabilities	(7,635)	(7,153)
	(2,506)	(1,991)
Of which: recognized in equity:		
Actuarial gains and losses	175	151
Revaluation surplus	3	3
Cash flow hedges	(338)	(319)
Financial assets available for sale	3	3
	(157)	**(162)**

Development of deferred taxes:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Deferred taxes recognized in statement of financial position	(2,506)	(1,991)
Difference to prior year	(515)	(1,117)
Of which:		
Recognized in income statement	(167)	(909)
Recognized in equity	5	138
Acquisitions/disposals	(63)	(482)
Currency translation adjustments	(290)	136

Deferred taxes relate to the following key items in the statement of financial position, loss carryforwards, and tax credits:

	Dec. 31, 2010		Dec. 31, 2009	
(millions of €)	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Current assets	**895**	**(415)**	**788**	**(368)**
Trade and other receivables	699	(344)	339	(52)
Other financial assets	0	0	317	(251)
Inventories	86	(25)	13	(17)
Other assets	110	(46)	119	(48)
Non-current assets	**2,448**	**(11,315)**	**1,279**	**(9,739)**
Intangible assets	996	(7,216)	493	(6,802)
Property, plant and equipment	579	(2,844)	459	(2,588)
Investments accounted for using the equity method	0	0	0	0
Other financial assets	873	(1,255)	327	(349)
Current liabilities	**784**	**(741)**	**641**	**(405)**
Financial liabilities	326	(415)	267	(229)
Trade and other payables	146	(81)	29	(58)
Other provisions	119	(21)	176	(46)
Other liabilities	193	(224)	169	(72)
Non-current liabilities	**2,942**	**(630)**	**3,209**	**(998)**
Financial liabilities	1,464	(352)	1,572	(734)
Provisions for pensions and other employee benefits	491	(165)	542	(162)
Other provisions	287	(74)	393	(75)
Other liabilities	700	(39)	702	(27)
Tax credits	**224**	**-**	**196**	**-**
Loss carryforwards	**3,973**	**-**	**4,458**	**-**
Total	**11,266**	**(13,101)**	**10,571**	**(11,510)**
Of which: non-current	9,587	(11,946)	8,865	(10,737)
Allowance	(671)	-	(1,052)	
Netting	(5,466)	5,466	(4,357)	4,357
Recognition	**5,129**	**(7,635)**	**5,162**	**(7,153)**

The allowances relate primarily to loss carryforwards.

The loss carryforwards are shown in the following table:

(millions of €)	**Dec. 31, 2010**	**Dec. 31, 2009**
Loss carryforwards for corporate income tax purposes	**11,972**	**13,516**
Expiry within		
1 year	88	38
2 years	119	1,403
3 years	76	165
4 years	29	128
5 years	32	157
After 5 years	3,873	5,051
Unlimited carryforward period	7,755	6,574

Loss carryforwards and temporary differences for which no deferred taxes were recorded amount to:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Loss carryforwards for corporate income tax purposes	1,669	3,295
Expiry within		
1 year	7	18
2 years	67	1,127
3 years	57	46
4 years	10	43
5 years	15	81
After 5 years	300	202
Unlimited carryforward period	1,213	1,778
Temporary differences in corporate income tax	348	477

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 88 million (December 31, 2009: EUR 124 million) and on temporary differences for trade tax purposes in the amount of EUR 1 million (December 31, 2009: EUR 40 million). Apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 160 million (December 31, 2009: EUR 118 million) were recognized for other foreign income tax loss carryforwards.

No deferred tax assets were recognized on the aforementioned tax loss carryforwards and temporary differences as it is not probable that taxable profit will be available in the foreseeable future against which these tax loss carryforwards can be utilized.

A positive tax effect in the amount of EUR 301 million (2009: EUR 12 million; 2008: EUR 12 million) attributable to the utilization of tax loss carryforwards on which deferred tax assets had not yet been recognized, was recorded.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 1,130 million (December 31, 2009: EUR 1,590 million) as it is unlikely that these differences will be reversed in the near future.

Differences between income tax rates on distributed and retained earnings may lead to a tax burden on the Group of up to EUR 160 million in future.

Disclosure of tax effects relating to each component of other comprehensive income.

	2010			2009			2008		
(millions of €)	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Actuarial gains and losses on defined benefit pension plans	(32)	12	(20)	(461)	116	(345)	227	(64)	163
Revaluation due to business combinations	(2)	0	(2)	(38)	3	(35)	0	0	0
Exchange differences on translating foreign operations	3,698	0	3,698	(211)	0	(211)	(352)	0	(352)
Of which: recognized in income statement	2,151	0	2,151	0	0	0	0	0	0
Available-for-sale financial assets	(3)	1	(2)	(4)	0	(4)	1	0	1
Of which: recognized in income statement	0	0	0	0	0	0	0	0	0
Fair value measurement of hedging instruments	58	(18)	40	(48)	19	(29)	(41)	8	(33)
Of which: recognized in income statement	0	0	0	8	(1)	7	(101)	5	(96)
Share of profit (loss) of investments accounted for using the equity method	28	0	28	0	0	0	0	0	0
Other income and expense recognized directly in equity	0	0	0	11	0	11	(8)	3	(5)
Other comprehensive income	**3,747**	**(5)**	**3,742**	**(751)**	**138**	**(613)**	**(173)**	**(53)**	**(226)**
Profit (loss)			1,760			873			2,024
Total comprehensive income			**5,502**			**260**			**1,798**

26 Profit/loss attributable to non-controlling interests

Profit attributable to non-controlling interests of EUR 65 million (2009: EUR 520 million; 2008: EUR 541 million) comprises gains of EUR 484 million (2009: EUR 527 million; 2008: EUR 859 million) and losses of EUR 419 million (2009: EUR 7 million; 2008: EUR 318 million).

The share in profit attributable to non-controlling interests in 2010 primarily related to T-Mobile CZ, Hrvatski Telekom, Magyar Telekom, Slovak Telekom and T-Mobile Macedonia.

The share in loss attributable to non-controlling interests in 2010 is mainly attributable to entities within the OTE group.

27 Earnings per share

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

		2010	2009	2008
Profit attributable to the owners of the parent (net profit)	millions of €	1,695	353	1,483
Adjustment	millions of €	-	-	-
Adjusted net profit (basic)	**millions of €**	**1,695**	**353**	**1,483**
Number of ordinary shares issued	millions	4,358	4,361	4,361
Treasury shares	millions	(5)	(2)	(2)
Shares reserved for outstanding options (T-Mobile USA/Powertel)	millions	(19)	(19)	(19)
Adjusted weighted average number of ordinary shares outstanding (basic)	**millions**	**4,334**	**4,340**	**4,340**
Basic earnings per share	**€**	**0.39**	**0.08**	**0.34**

The calculation of basic earnings per share is based on the time-weighted number of all ordinary shares outstanding. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the treasury shares held by Deutsche Telekom AG as well as the shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA/Powertel, are held in a trust deposit account for later issue and later trading as registered shares, each multiplied by the corresponding time weighting factor.

Diluted earnings per share.

		2010	2009	2008
Adjusted profit attributable to the owners of the parent (net profit) (basic)	millions of €	1,695	353	1,483
Dilutive effects on profit (loss) from stock options (after taxes)	millions of €	0	0	0
Net profit (diluted)	**millions of €**	**1,695**	**353**	**1,483**
Adjusted weighted average number of ordinary shares outstanding (basic)	millions	4,334	4,340	4,340
Dilutive potential ordinary shares from stock options and warrants	millions	0	0	0
Weighted average number of ordinary shares outstanding (diluted)	**(millions)**	**4,334**	**4,340**	**4,340**
Diluted earnings per share	**€**	**0.39**	**0.08**	**0.34**

The calculation of diluted earnings per share generally corresponds to the method for calculating basic earnings per share. However, the calculation must be adjusted for all dilutive effects arising from potential ordinary shares. Equity instruments may dilute basic earnings per share in the future and – to the extent that a potential dilution already occurred in the respective reporting period – have been included in the calculation of diluted earnings per share.For further details on the equity instruments currently applicable, please refer to Notes 15 and 35.

28 Dividend per share

For the 2010 financial year, the Board of Management proposes a dividend of EUR 0.70 for each no par value share carrying dividend rights. On the basis of this payout volume, total dividends in the amount of EUR 3,011 million (2009: EUR 3,386 million) will be appropriated to the no par value shares carrying dividend rights at February 18, 2011.

The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

29 Average number of employees and personnel costs

	2010	2009	2008
Group (total)	**252,494**	**257,601**	**234,887**
Domestic	126,952	130,477	141,123
International	125,542	127,124	93,764
Non-civil servants	224,428	226,460	201,036
Civil servants (domestic)	28,066	31,141	33,851
Trainees and student interns	9,217	9,805	10,424

		2010	2009	2008
Personnel costs	**millions of €**	**15,071**	**14,333**	**14,078**

The number of employees decreased by 2.0 percent in the financial year. This development was caused by the following effects: In Germany, the decrease was primarily attributable to staff cuts in the fixed network operations of the Germany operating segment, although this was partially offset by the higher number of employees assigned to Vivento and at units integrated into Group Headquarters & Shared Services as part of the Group-wide realignment of the management structure.

Outside Germany, the number of employees decreased mainly as a result of staff restructuring measures in the Europe operating segment and the deconsolidation of T-Mobile UK. These effects were partially offset by a higher average number of employees in the Systems Solutions operating segment as a consequence of offshore activities and the fact that employees were taken over under the terms of large-scale contracts.

Personnel costs increased by 5.1 percent year-on-year, mainly as a result of increased expenses for civil-servant early retirement in Germany and increased personnel costs in the Germany operating segment and at Group Headquarters & Shared Services following collectively agreed pay rises. This increase was also a result of higher staff-related expenses in the United States operating segment which were mainly attributable to retail distribution growth and exchange rate effects, as well as the increase in international headcount in the Systems Solutions operating segment.

30 Depreciation, amortization and impairment losses

The following table provides a breakdown of depreciation, amortization and impairment losses included in the functional costs and in other operating expenses:

(millions of €)	2010	2009	2008
Amortization and impairment of intangible assets	**3,743**	**5,657**	**3,397**
Of which: goodwill impairment losses	395	2,345	289
Of which: amortization of mobile communications licenses	743	905	1,013
Depreciation and impairment of property, plant and equipment	**8,065**	**8,237**	**7,578**
Of which: impairment of property, plant and equipment from the year-end impairment test	**285**	**-**	**-**
	11,808	**13,894**	**10,975**

The following table provides a breakdown of impairment losses:

(millions of €)	2010	2009	2008
Intangible assets	399	**2,354**	**340**
Of which: goodwill from the year-end impairment test	395	2,345	289
Of which: U.S. mobile communications licenses	-	-	21
Property, plant and equipment	**450**	**217**	**140**
Land and buildings	159	193	123
Of which: from the year-end impairment test	27	-	-
Technical equipment and machinery	271	10	5
Of which: from the year-end impairment test	258	-	-
Other equipment, operating and office equipment	1	3	8
Advance payments and construction in progress	19	11	4
	849	**2,571**	**480**

Depreciation, amortization and impairment losses decreased by EUR 2.1 billion year-on-year, with the latter accounting for EUR 1.7 billion. The decline in depreciation and amortization is mainly due to lower depreciation of property, plant and equipment (technical equipment and machinery). This decrease, in turn, is mainly attributable to the fact that depreciation charges for T-Mobile UK’s assets were no longer recognized in 2010.

The year-end impairment tests at the cash-generating units resulted in goodwill impairments of EUR 0.4 billion as well as impairment losses of EUR 0.3 billion on property, plant and equipment. By comparison, an impairment loss of EUR 2.3 billion on goodwill had to be recognized in the prior year. For further details on the impairment tests at the cash-generating units, please refer to Note 5.

OTHER DISCLOSURES

31 Notes to the consolidated statement of cash flows

Net cash from operating activities

Net cash from operating activities in the 2010 financial year decreased by EUR 1.1 billion compared with the prior-year period to EUR 14.7 billion. Aside from effects from business operations, this decrease was primarily due to the following effects: lower year-on-year cash inflows from factoring amounting to EUR 0.6 billion and higher net outflows of EUR 0.4 billion for additions to inventories. This was partially offset by higher inflows from dividends received amounting to EUR 0.4 billion – mainly from an interim dividend paid out by the Everything Everywhere joint venture. The remaining changes in net cash from operating activities consisted of various partially offsetting effects.

Net cash used in investing activities

Net cash used in investing activities totaled EUR 10.7 billion as compared with EUR 8.6 billion in 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 in the prior year, compared with the overall effect of the deconsolidation of T-Mobile UK, amounting to EUR 0.4 billion. In addition, Deutsche Telekom invested EUR 0.8 billion in 2010 in a bond issued by the Everything Everywhere joint venture and posted higher outflows for intangible assets amounting to EUR 1.4 billion, which is mainly attributable to the outflows of EUR 1.3 billion for the acquisition of mobile communications licenses (spectrum) in Germany.

Cash outflows for property, plant and equipment, which decreased by EUR 0.7 billion, and net cash outflows from the change in short-term investments and marketable securities and receivables, which improved by EUR 0.8 billion, had an offsetting effect. In particular 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 0.3 billion contributed to this development in the financial year ended on December 31, 2010. In addition, cash outflows for the acquisition of companies decreased by EUR 0.6 billion. While cash outflows amounting to EUR 1.0 billion for the acquisition of further shares in OTE and of ZAPP were recorded in the 2009 financial year, the 2010 financial year saw cash outflows of EUR 0.3 billion for the acquisition of STRATO and EUR 0.1 billion for the acquisition of ClickandBuy.

Net cash used in financing activities

Net cash used in financing activities amounted to EUR 6.4 billion, compared with EUR 5.1 billion in the prior year.

This is attributable to a net issuance of non-current financial liabilities of EUR 3.1 billion (2009: EUR 5.3 billion) and outflows for the share buy-back totaling EUR 0.4 billion. These factors were offset by the net repayment of current financial liabilities which decreased by EUR 1.3 billion, and the dividends paid out by OTE and Slovak Telekom which declined by EUR 0.2 billion and EUR 0.1 billion respectively.

The issue of financial liabilities in the 2010 financial year consisted in particular of the sale of medium-term notes for EUR 1.8 billion, the sale of euro bonds amounting to EUR 1.2 billion, the net borrowing of funds from the joint venture in the United Kingdom in the amount of EUR 0.3 billion, a loan of EUR 0.1 billion from the European Investment Bank and the issue of promissory notes for EUR 0.1 billion. In the same period, USD bonds amounting to EUR 2.4 billion, euro bonds amounting to EUR 2.0 billion, a loan of EUR 0.6 billion from the European Investment Bank, medium term notes amounting to EUR 0.3 billion and a loan of EUR 0.2 billion from KfW Bankengruppe were repaid. In addition, the net returns from hedging transactions totaled EUR 0.5 billion.

32 Segment reporting

On February 24, 2010, the Supervisory Board resolved to realign the management structure of the two previous operating segments Southern and Eastern Europe, and Europe. The two operating segments were merged on April 1, 2010 to form the new Europe operating segment that encompasses all fixed-network and mobile operations 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, and Montenegro, as well as the UK joint venture. It also includes the International Carrier Sales and Services unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. Since April 1, 2010, Deutsche Telekom has therefore reported on the four operating segments Germany, Europe, United States, and Systems Solutions, as well as on Group Headquarters & Shared Services.

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

The business activities in three of these four operating segments are assigned by regions and in the fourth operating segment by customers and products.

The **Germany** operating segment comprises all fixed-network and mobile activities in Germany. In addition, the operating segment provides wholesale telecommunications services for the Group's other operating segments. The **Europe** operating segment encompasses all fixed-network and mobile operations 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, and Montenegro, as well as the UK joint venture. It also includes the International Carrier Sales and Services unit, which mainly provides wholesale telecommunications services for the Group's other operating segments. The **United States** operating segment combines all mobile activities in the U.S. market.

Fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers.

The mobile communications business offers mobile voice and data services to consumers and business customers. Mobile terminals and other hardware are sold in connection with the services offered. In addition, T-Mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (MVNOs).

The **Systems Solutions** operating segment bundles business with ICT products and solutions for large multinational corporations under the T-Systems brand. The operating segment offers its customers information and communication technology (ICT) from a single source. It develops and operates infrastructure and industry solutions for multinational corporations and public institutions. The products and services offered range from standard products and IP-based high-performance networks through to complete ICT solutions.

Group Headquarters & Shared Services comprises Service Headquarters and those subsidiaries of Deutsche Telekom AG that are not allocated to the operating segments.

The reconciliation summarizes the elimination of intersegment transactions.

The measurement principles for Deutsche Telekom's segment reporting structure are based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices. Segment assets and liabilities include all assets and liabilities that are accounted for on the basis of the financial statements prepared by the operating segments and included in the consolidated financial statements. Segment investments include additions to intangible assets and property, plant and equipment. Where entities accounted for using the equity method are directly allocable to a segment, their share of profit or loss after income taxes and their carrying amount is reported in this segment's accounts. The following tables show the performance indicators used by Deutsche Telekom to evaluate the operating segments' performance as well as additional segment-related indicators:

(millions of €)	Year	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method	Income taxes
Germany	**2010**	**23,523**	**1,622**	**25,145**	**4,916**	**24**	**(600)**	**-**	**8**
	2009	23,813	1,610	25,423	5,062	172	(107)	2	(13)
	2008	24,754	1,646	26,400	4,624	654	(425)	(1)	16
Europe	**2010**	**16,183**	**657**	**16,840**	**985**	**147**	**(840)**	**(52)**	**(319)**
	2009	18,996	611	19,607	140	218	(666)	7	(582)
	2008	15,295	637	15,932	1,412	289	(420)	7	(282)
United States	**2010**	**16,075**	**12**	**16,087**	**2,092**	**24**	**(514)**	**(1)**	**(595)**
	2009	15,457	14	15,471	2,233	16	(543)	6	(643)
	2008	14,942	15	14,957	2,299	81	(577)	6	(694)
Systems Solutions	**2010**	**6,411**	**2,646**	**9,057**	**44**	**23**	**(31)**	**(4)**	**(12)**
	2009	6,083	2,715	8,798	(11)	39	(46)	10	(12)
	2008	6,368	2,975	9,343	81	82	(59)	41	(10)
Group Headquarters & Shared Services	**2010**	**229**	**1,937**	**2,166**	**(2,479)**	**1,892**	**(3,089)**	**-**	**117**
	2009	253	2,157	2,410	(1,249)	1,156	(2,768)	-	(570)
	2008	307	2,474	2,781	(1,266)	1,559	(3,627)	(441)	(476)
Total	**2010**	**62,421**	**6,874**	**69,295**	**5,558**	**2,110**	**(5,074)**	**(57)**	**(801)**
	2009	64,602	7,107	71,709	6,175	1,601	(4,130)	25	(1,820)
	2008	61,666	7,747	69,413	7,150	2,665	(5,108)	(388)	(1,446)
Reconciliation	**2010**	**-**	**(6,874)**	**(6,874)**	**(53)**	**(1,761)**	**2,225**	**-**	**(134)**
	2009	-	(7,107)	(7,107)	(163)	(1,260)	1,234	(1)	38
	2008	-	(7,747)	(7,747)	(110)	(2,257)	2,213	-	18
Group	**2010**	**62,421**	**-**	**62,421**	**5,505**	**349**	**(2,849)**	**(57)**	**(935)**
	2009	64,602	-	64,602	6,012	341	(2,896)	24	(1,782)
	2008	61,666	-	61,666	7,040	408	(2,895)	(388)	(1,428)

(millions of €)	Year	Segment assets	Segment liabilities	Segment investments	Investments accounted for using the equity method	Depreciation and amortization	Impairment losses	Average number of employees (average)
Germany	**2010**	**35,334**	**26,111**	**4,902**	**26**	**(4,178)**	**(15)**	**79,364**
	2009	52,002	16,244	3,221	23	(4,189)	(7)	84,584
	2008	49,797	14,693	3,412	18	(4,164)	(16)	89,961
Europe	**2010**	**46,040**	**20,334**	**2,127**	**7,143**	**(3,453)**	**(704)**	**65,435**
	2009	46,759	22,063	4,813	52	(3,772)	(2,385)	69,277
	2008	34,327	10,646	1,940	68	(3,090)	(301)	39,174
United States	**2010**	**38,316**	**23,056**	**2,118**	**24**	**(2,063)**	**(1)**	**37,795**
	2009	36,087	19,326	2,494	18	(2,025)	(3)	38,231
	2008	37,213	20,998	3,615	14	(1,863)	(21)	36,076
Systems Solutions	**2010**	**8,855**	**5,783**	**819**	**49**	**(619)**	**(4)**	**47,588**
	2009	8,872	5,932	837	54	(718)	(3)	45,328
	2008	9,280	6,342	846	46	(765)	(16)	46,095
Group Headquarters & Shared Services	**2010**	**107,357**	**60,806**	**675**	**0**	**(714)**	**(126)**	**22,312**
	2009	120,162	78,379	747	0	(660)	(173)	20,181
	2008	116,948	75,764	545	3,411	(646)	(127)	23,581
Total	**2010**	**235,902**	**136,090**	**10,641**	**7,242**	**(11,027)**	**(850)**	**252,494**
	2009	263,882	141,944	12,112	147	(11,364)	(2,571)	257,601
	2008	247,565	128,443	10,358	3,557	(10,528)	(481)	234,887
Reconciliation	**2010**	**(108,090)**	**(51,306)**	**(302)**	**-**	**68**	**1**	**-**
	2009	(136,108)	(56,107)	(645)	-	41	-	-
	2008	(124,425)	(48,415)	(241)	-	33	1	-
Group	**2010**	**127,812**	**84,784**	**10,339**	**7,242**	**(10,959)**	**(849)**	**252,494**
	2009	127,774	85,837	11,467	147	(11,323)	(2,571)	257,601
	2008	123,140	80,028	10,117	3,557	(10,495)	(480)	234,887

(millions of €)	Year	Net cash from operating activities	Net cash (used in) from investing activities	Of which: Cash capex[1]	Net cash (used in) from financing activities
Germany	**2010**	**9,167**	**(4,977)**	**(4,765)**	**(10,023)**
	2009	9,777	(2,801)	(3,158)	(3,689)
	2008	9,941	(2,791)	(3,038)	(7,224)
Europe	**2010**	**4,481**	**(3,045)**	**(2,012)**	**(2,839)**
	2009	5,034	(1,510)	(2,489)	(6,071)
	2008	4,296	(2,048)	(2,018)	(1,900)
United States	**2010**	**3,691**	**(1,870)**	**(2,121)**	**(1,920)**
	2009	3,929	(3,014)	(2,666)	(1,004)
	2008	3,740	(2,892)	(2,540)	(852)
Systems Solutions	**2010**	**517**	**(726)**	**(725)**	**(373)**
	2009	325	(643)	(681)	88
	2008	766	9	(823)	(838)
Group Headquarters & Shared Services	**2010**	**7,486**	**3,424**	**(406)**	**(5,554)**
	2009	6,801	(2,995)	(449)	(2,147)
	2008	3,366	(1,021)	(426)	(1,028)
Total	**2010**	**25,342**	**(7,194)**	**(10,029)**	**(20,709)**
	2009	25,866	(10,963)	(9,443)	(12,823)
	2008	22,109	(8,743)	(8,845)	(11,842)
Reconciliation	**2010**	**(10,611)**	**(3,517)**	**178**	**14,340**
	2009	(10,071)	2,314	241	7,700
	2008	(6,741)	(2,641)	138	8,745
Group	**2010**	**14,731**	**(10,711)**	**(9,851)**	**(6,369)**
	2009	15,795	(8,649)	(9,202)	(5,123)
	2008	15,368	(11,384)	(8,707)	(3,097)

[1] Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, as shown in the statement of cash flows.

Information on geographic areas

The Group's non-current assets and net revenue are shown by region. These are the regions in which Deutsche Telekom is active: Germany, Europe (excluding Germany), North America and other countries. The Europe (excluding Germany) region covers the entire European Union (excluding Germany) and the other countries in Europe. The North America region comprises the United States and Canada. "Other countries" includes all countries that are not Germany or in Europe (excluding Germany) or North America. Non-current assets are allocated to the regions according to the location of the assets in question. Non-current assets encompass intangible assets; property, plant and equipment; investments accounted for using the equity method as well as other non-current assets. Net revenue is allocated according to the location of the respective customers' operations.

	Non-current assets			Net revenue		
(millions of €)	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	2010	2009	2008
Germany	41,138	40,499	44,385	27,268	28,033	28,885
International	64,607	57,362	55,227	35,153	36,569	32,781
Of which: Europe (excluding Germany)	31,385	26,575	23,854	18,217	20,573	17,324
North America	33,104	30,717	31,298	16,192	15,527	14,931
Other countries	118	70	75	744	469	526
Group	**105,745**	**97,861**	**99,612**	**62,421**	**64,602**	**61,666**

Information on products and services

Revenue generated with external customers for groups of comparable products and services developed as follows:

	Net revenue		
(millions of €)	**2010**	**2009**	**2008**
Telecommunications	55,781	58,266	54,991
Systems solutions	6,411	6,083	6,368
Other	229	253	307
	62,421	**64,602**	**61,666**

33 Contingent liabilities and assets

As of the reporting date, the Group was exposed to contingent liabilities amounting to EUR 771 million (December 31, 2009: EUR 724 million) that, on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities in the statement of financial position. Deutsche Telekom is involved in a number of court and arbitration proceedings in connection with its regular business activities. Litigation provisions include the costs of legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group.

In addition to individual cases that do not have any significant impact on their own, the aforementioned total contingent liabilities include the following:

Year-end bonus for civil servants

In November 2004, the Federal Republic of Germany passed the first Act to amend the Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz – PostPersRG), which abolished the obligation on Deutsche Telekom and other successor companies to Deutsche Bundespost to pay active civil servants an annual year-end bonus under the German Federal Act on Bonus Payments (Bundessonderzahlungsgesetz). This Act was reviewed at several court instances. In December 2008, the Federal Administrative Court decided to refer the case to the Federal Constitutional Court for a judicial review pursuant to Art. 100 of the Basic Law. A Federal Constitutional Court decision is expected in early 2011. If the court rules that the abolition of the bonus payment was unconstitutional, a supplementary payment of up to EUR 0.2 billion for the period 2004 to June 2009 may have to be made.

European Commission investigates Slovak Telekom

In April 2009, the European Commission started an investigation into allegedly abusive behavior of Slovak Telekom in the retail and wholesale broadband market in Slovakia. According to the European Commission, such an infringement could consist of refusing access to the unbundled local loop, margin squeeze situations in these products as well as other discriminating behavior. In December 2010, the European Commission formally extended the investigation to include Deutsche Telekom as Slovak Telekom’s parent company, allowing the European Commission to also hold Deutsche Telekom liable for Slovak Telekom’s alleged infringements. Should the investigation of the European Commission arrive at finding an infringement of European competition law, it could impose fines of EUR 0.1 billion against Slovak Telekom and it could also impose fines against Deutsche Telekom.

IPR proceedings against ADSL technology

Deutsche Telekom is facing four proceedings alleging patent infringements relating to DSL data transmission processes. Specifically, the patents concerned relate to special processes used to check the quality of DSL channels, to code data, to set transmission rates, and to correct transmission errors. The German Federal Patent Court upheld Deutsche Telekom’s first-instance claim regarding two of the patents and declared them void. A nullity suit is pending against another of the patents and a fourth nullity suit is in preparation but has not yet been filed. Two proceedings before the German infringement court have been suspended and the other two are unscheduled, meaning no hearings have been set for the allegations of violations. The amount in dispute in all proceedings against Deutsche Telekom totals EUR 0.1 billion.

Likewise, on the basis of the information and estimates available, the following issues do not fulfill the requirements for recognition as liabilities in the statement of financial position. As, however, the Group is unable to estimate the amount of the contingent liabilities in each case due to the uncertainties described below, they have not been included in the aforementioned total contingent liabilities.

Toll Collect

In the arbitration proceedings between the principle members of the Toll Collect consortium (Daimler Financial Services AG, Deutsche Telekom and the consortium company Toll Collect GbR) on the one hand and the Federal Republic of Germany on the other regarding disputes relating to the truck toll collection system, Deutsche Telekom received the Federal Republic’s statement of claim on August 2, 2005. In the statement of claim, the Federal Republic maintained its claim to lost toll revenues of approximately EUR 3.51 billion plus interest for the delayed commencement of operations on September 1, 2003. The total claim for contractual penalties amounted to EUR 1.65 billion plus interest. The contractual penalties are based on alleged violations of the operator agreement (lack of consent to subcontracting, delayed provision of on-board units and monitoring equipment). In a letter dated May 16, 2008, the Federal Republic recalculated its claim for damages for lost toll revenues and reduced it minimally by EUR 169 million. The new claim is approximately EUR 3.3 billion plus interest. The main claims by the Federal Republic (including contractual penalties) amount to around EUR 4.99 billion.

The defendants responded on June 30, 2006. The plaintiff responded in writing on February 14, 2007. Following further exchanges of submissions between the parties, a first hearing took place in June 2008 during which the arbitration court discussed legal issues with the parties, yet shed no light on the possible outcome of the case. The parties have submitted further written responses since then. Various witnesses and experts were heard at another hearing in December 2010. A further deadline of May 20, 2011 was set for the parties to respond in writing.

- **Bank loans guarantee.** Deutsche Telekom AG guarantees to third parties bank loans of up to a maximum amount of EUR 115 million granted to Toll Collect GmbH. These guarantees for bank loans will expire on May 31, 2012.

- **Equity maintenance undertaking**. The consortium partners have the obligation, on a joint and several basis, to provide Toll Collect GmbH with additional equity in order to ensure a minimum equity ratio of 15 percent (in the single-entity financial statements prepared in accordance with German GAAP) (equity maintenance undertaking). This obligation ends when the operating agreement expires on August 31, 2015, or earlier if the operating agreement is terminated early.

In June 2006, the Federal Republic of Germany began to partially offset its monthly advance payments for operating fees to Toll Collect GmbH of EUR 8 million against the contractual penalty claims that are already subject of the aforementioned arbitration proceedings. As a result, it may become necessary for the consortium members to provide Toll Collect GmbH with further liquidity.

The risks and obligations of Cofiroute, which holds a 10-percent stake in Toll Collect, are limited to EUR 70 million. Deutsche Telekom AG and Daimler Financial Services AG have the obligation, on a joint and several basis, to indemnify Cofiroute against further claims.

Deutsche Telekom believes the claims of the Federal Republic of Germany are unfounded. Furthermore, the amount of a possible settlement attributable to the equity maintenance undertaking or the arbitration proceedings described, which may be material, cannot be estimated because of the aforementioned uncertainties.

Rates for unbundled local loop lines

In November 2008, the Cologne Administrative Court revoked the rates approval for the unbundled local loop line (ULL) from 1999 with regard to the monthly charges. Both Deutsche Telekom AG and the Federal Network Agency filed complaints against non-allowance of appeal. In a ruling dated October 5, 2009, the Federal Administrative Court rejected these complaints because the points raised relate to the previous legal situation. The rulings of the Cologne Administrative Court revoking the approvals thus became final and binding and the rate approval proceedings from 1999 applied again, i.e., the Federal Network Agency must decide again on ULL monthly charges for the period from February 1999 to March 2001.

Regarding the 2001 ULL rate approvals, the Federal Administrative Court in its ruling on June 23, 2010 upheld an appeal relating to the ULL monthly charges against the ruling of the Cologne Administrative Court on August 27, 2009 on the complaints against non-allowance of appeal filed by Deutsche Telekom AG and the Federal Network Agency. Relating to the ULL one-time charges for the period April 2001 through March 2002, the court rejected the complaint against non-allowance of appeal. The ruling of the Administrative Court revoking the approvals thus became final and binding and the Federal Network Agency has to decide again on the ULL one-time charges.

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 2002 approval of ULL one-time charges for the period April 2002 through June 2003. In a ruling dated January 19, 2011, the Federal Network Agency approved new charges for the plaintiffs for the period specified.

All other rulings of the Federal Network Agency on ULL rates since 1999 have been challenged and, apart from the 1999 ULL one-time charges, are therefore not final.

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

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

Proceedings by Anti-Monopoly Commission in Poland

The Polish Anti-Monopoly Commission (UOKiK) initiated several legal proceedings in 2010 against a number of Polish telecommunications companies, including PTC. The providers are suspected of collusion. The UOKiK also accuses PTC of infringing customer interests in various ways. Under Polish law, the maximum fine for both cases is set at 10 percent of the revenues from telecommunications services or 10 percent of taxable revenues.

OTE Lannet case

In May 2009, Lannet Communications SA filed a lawsuit claiming compensation for damages of EUR 176 million arising from the allegedly unlawful termination of services (mainly interconnection services, unbundling of ULLs, and leasing of dedicated lines) by OTE. A court hearing is set for February 17, 2011.

IPR risks

Like many other large telecommunications/Internet providers, Deutsche Telekom is exposed to an increasing number of IPR (intellectual property rights) disputes. For Deutsche Telekom, there is a risk that it may have to pay license fees and/or compensation. Some disputes may result in cease-and-desist orders.

Contingent assets

Deutsche Telekom reports a contingent asset of EUR 0.1 billion for a receivable from the German Main Customs Office.

34 Disclosures on leases

Deutsche Telekom as lessee

Finance leases

When a lease transfers substantially all risks and rewards to Deutsche Telekom as lessee, Deutsche Telekom initially recognizes the leased assets in the statement of financial position at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the statement of financial position as part of a finance lease relate to long-term rental and lease agreements for office buildings with a typical lease term of up to 25 years. The agreements include extension and purchase options. The table on the right shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the reporting date:

(millions of €)	Dec. 31, 2010	Of which: sale and lease-back transactions	Dec. 31, 2009	Of which: sale and leaseback transactions
Land and buildings	954	539	1,035	591
Technical equipment and machinery	91	3	35	9
Other	15	1	21	0
Net carrying amounts of leased assets capitalized	**1,060**	**543**	**1,091**	**600**

At the inception of the lease term, Deutsche Telekom recognizes a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognized in the income statement.

The following table provides a breakdown of these amounts:

	Dec. 31, 2010					
(millions of €)	**Minimum lease payments**		**Interest component**		**Present values**	
Maturity	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**
Within 1 year	235	106	93	63	142	43
In 1 to 3 years	405	213	185	114	220	99
In 3 to 5 years	360	211	154	96	206	115
After 5 years	1,279	758	447	290	832	468
	2,279	**1,288**	**879**	**563**	**1,400**	**725**

	Dec. 31, 2009					
(millions of €)	**Minimum lease payments**		**Interest component**		**Present values**	
Maturity	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**
Within 1 year	231	114	110	66	121	48
In 1 to 3 years	387	211	202	120	185	91
In 3 to 5 years	358	213	154	104	204	109
After 5 years	1,415	860	502	334	913	526
	2,391	**1,398**	**968**	**624**	**1,423**	**774**

Operating leases

Beneficial ownership of a lease is attributed to the lessor if this is the party to which all the substantial risks and rewards incidental to ownership of the asset are transferred. The lessor recognizes the leased asset in its statement of financial position. Deutsche Telekom recognizes the lease payments made during the term of the operating lease in profit or loss. Deutsche Telekom's obligations arising from operating leases are mainly related to long-term rental or lease agreements for network infrastructure, radio towers and real estate.

Some leases include extension options and provide for stepped rents. Most of these leases relate to radio towers in the United States. In the 2010 financial year (as of June 30, 2010), Deutsche Telekom revised its assessment of lease terms for existing U.S. operating leases with regard to the exercise of extension options. Contrary to the 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 USD 11.4 billion (December 31, 2010: EUR 8.5 billion; December 31, 2009: EUR 7.9 billion) in the United States operating segment.

The operating lease expenses recognized in profit or loss amounted to EUR 2.2 billion as of the end of 2010 (2009: EUR 2.1 billion; 2008: EUR 2.0 billion). The following table provides a breakdown of future obligations arising from operating leases:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Maturity		
Within 1 year	2,627	2,553
In 1 to 3 years	4,502	4,195
In 3 to 5 years	3,767	3,325
After 5 years	6,767	14,475
	17,663	**24,548**

The obligations from operating leases as of December 31, 2009 did not include the obligations of T-Mobile UK which was classified as held for sale.

Deutsche Telekom as lessor

Finance leases

Deutsche Telekom acts as lessor in connection with finance leases. Essentially, these relate to the leasing of routers which Deutsche Telekom provides to its customers for data and telephone network solutions. Deutsche Telekom recognizes a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as finance income in the income statement. The amount of the net investment in a finance lease is determined as shown in the following table:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Minimum lease payments	328	307
Unguaranteed residual value	-	-
Gross investment	328	307
Unearned finance income	(39)	(43)
Net investment (present value of the minimum lease payments)	**289**	**264**

The gross investment amount and the present value of payable minimum lease payments are shown in the following table:

(millions of €)	Dec. 31, 2010		Dec. 31, 2009	
Maturity	**Gross investment**	**Present value of minimum lease payments**	**Gross investment**	**Present value of minimum lease payments**
Within 1 year	126	110	98	83
In 1 to 3 years	142	124	131	112
In 3 to 5 years	55	50	57	49
After 5 years	5	5	21	20
	328	**289**	**307**	**264**

Operating leases

Deutsche Telekom acts as a lessor in connection with operating leases and continues to recognize the leased assets in its statement of financial position. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of building space and radio towers and have an average term of ten years. The future minimum lease payments arising from non-cancelable operating leases are shown in the following table:

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Maturity		
Within 1 year	359	338
In 1 to 3 years	456	406
In 3 to 5 years	346	318
After 5 years	756	624
	1,917	**1,686**

Agreements that are not leases in substance

In 2002, Telekom Deutschland GmbH (formerly T-Mobile Deutschland GmbH) concluded so-called lease-in/lease-out agreements (QTE lease agreements) for substantial parts of its GSM mobile communications network (amounting to USD 0.8 billion). The contracting parties were initially four and, after the contract with one of them was terminated by mutual agreement in 2009, three U.S. trusts backed by U.S. investors. Under the terms of the principal lease agreements, Telekom Deutschland GmbH is obliged to grant the respective U.S. trust unhindered use of the leased objects for a period of 30 years. After expiry of the principal lease agreements, the U.S. trusts have the right to acquire the network components for a purchase price of USD 1.00 each. In return, Telekom Deutschland GmbH has leased the network components back for 16 years by means of sublease agreements. After around 13 years, Telekom Deutschland GmbH has the option of acquiring the rights of the respective U.S. trust arising from the principal lease agreements (call option). Upon exercise of this call option, all the rights of the U.S. trust in question to the leased objects arising are transferred to Telekom Deutschland GmbH. In this case, Telekom Deutschland GmbH would be the only party to the principal lease agreement, meaning that this agreement would be extinguished as a result of the fusion of rights and obligations under the agreement.

35 Mid-term incentive plans (MTIPs)/Phantom share plan/Share-based compensation plans

The Group has a variety of stock option plans, mid-term incentive plans, and phantom share plans that together do not have a material impact on the presentation of the Group's results of operations, financial position or cash flows. The expense incurred for share-based compensation plans totaled EUR 47 million in the reporting year (2009: EUR 31 million; 2008: EUR 96 million). Provisions total EUR 68 million as of the reporting date (December 31, 2009: EUR 78 million).

Mid-term incentive plans (MTIPs)/Phantom share plan

Mid-term incentive plans (MTIPs) and a phantom share plan (PSP) have been established in the Group for members of the Board of Management, senior executives, and other beneficiaries.

Mid-term incentive plans

The MTIP of Deutsche Telekom AG is a cash-based plan pegged to two equally weighted, share-based performance parameters – one absolute and one relative. If both performance targets are achieved, then the total amount earmarked as an award to the beneficiaries by the respective employers is paid out; if one performance target is achieved, 50 percent of the amount is paid out, and if neither performance target is achieved, no payment is made.

The absolute performance target is achieved if, at the end of the individual plans, Deutsche Telekom's share price has risen by at least 30 percent compared with its share price at the beginning of the plan. The benchmark for the assessment is the non-weighted average price of the T-Share (on the basis of the T-Share closing price in Xetra trading) at the Frankfurt Stock Exchange (Deutsche Börse AG) during the last 20 trading days prior to the beginning and end of the plan.

The relative performance target is achieved if the total return of the T-Share has outperformed the Dow Jones EURO STOXX® Total Return Index on a percentage basis during the term of the individual plan. The benchmark is the non-weighted average price of the T-Share (on the basis of the T-Share closing price in Xetra trading) plus the value of dividends paid and reinvested in Deutsche Telekom shares, bonus shares etc., and the non-weighted average of the Dow Jones EURO STOXX® Total Return Index during the last 20 trading days prior to the beginning and end of the plan.

At the end of the term of the individual plans, Deutsche Telekom AG’s Supervisory Board will establish whether the absolute and relative performance targets for the Board of Management have been achieved. Based on these findings, the Board of Management will establish whether the target has been achieved for Deutsche Telekom and all participating companies as a whole and will communicate this decision. Once it has been established whether one or both targets have been achieved, the relevant amounts will be paid out to the beneficiaries.

The General Committee of the Supervisory Board determined at its meeting on February 3, 2010 that the relative plan target for the 2007 tranche of the MTIP had been achieved, a finding that was confirmed by the Supervisory Board at its meeting on February 24, 2010. Consequently, 50 percent of the award amount for the 2007 tranche was paid out in 2010.

MTIP plan year	Maximum budget (millions of €)	Term of plan (years)	Share price at start of plan (€)	Absolute performance target (€)	Starting value of the index
2008	83	3	15.11	19.64	601.59
2009	55	3	11.01	14.31	328.55
2010	**57**	**3**	**10.29**	**13.38**	**417.62**

The proportionate amount to be expensed is calculated based on a Monte Carlo simulation.

The MTIP of **Magyar Telekom** is largely based on the model that has been used for the MTIP of Deutsche Telekom AG, except that the assessment benchmark is the performance of Magyar Telekom shares and the Dow Jones EURO STOXX® Total Return Index. In addition, the absolute performance target is achieved if, at the end of the individual plans, Magyar Telekom’s share price has risen by at least 35 percent compared with Magyar Telekom’s share price at the beginning of the plan. The 2008 to 2010 plans are still in operation.

The MTIP of **Hrvatski Telekom** is largely based on the model that has been used for the MTIP of Deutsche Telekom AG. The absolute performance target for the 2008 MTIP is, however, EBITDA, and the relative performance target is a combined index from a basket of telecommunications shares. The absolute performance target for the 2010 MTIP is a 30-percent increase in the HT share price.

PTC has established a performance cash plan program with long-term incentive plans (LTIPs). The program provides for additional pay in the form of deferred compensation under the terms and conditions of the LTIP and is aimed at employees whose performance is of outstanding significance for the company’s shareholder value. The LTIP is generally open to high-performers at specific management levels. Participants in the plans are selected individually by the management of PTC. Each plan encompasses three consecutive cycles, each running from January 1 through December 31. Participants receive payments from the plan after three years, provided the defined EBITDA target has been achieved (EBITDA hurdle). In addition, a bonus is paid at the end of each cycle. The amount of the bonus is determined for each cycle individually and depends on the level of target achievement. The 2008 to 2010 plans are still in operation.

Phantom share plan (PSP). T-Mobile USA has established a phantom share plan (PSP) as Long-Term Incentive Plan (LTIP) on a revolving basis for the years 2005 through 2010, providing benefits for the top management. Under the PSP, T-Mobile USA grants performance-based cash bonus awards. These awards are earned (in full or in part) based upon the customer growth on a sliding scale from 60 to 150 percent of the original number of phantom shares granted. The value of a phantom share appreciates or depreciates from its USD 10 per share face value proportionate to the change in the appraised enterprise value of T-Mobile USA over the performance period. The value of an award is determined by multiplying the number of phantom share awards earned by the appraised value of one phantom share. Awards are earned and paid out ratably over a performance period of two to three years.

Stock option plans

The following table provides an overview of all existing stock option plans in the Group:

Entity	Plan	Year of issuance	Stock options granted (thousands)	Vesting period (years)	Contractual term (years)	Weighted exercise price	Share price at grant date	Max. price for SARs	Classification/ accounting treatment
Deutsche Telekom AG	2001 SOP	2001	8,221	2 - 3	10	€ 30.00	€ 19.10		Equity-settled
		2002	3,928	2 - 3	10	€ 12.36	€ 10.30		Equity-settled
	SARs	2001	165	2 - 3	10	€ 30.00	€ 19.10	€ 50.00	Cash-settled
		2002	3	2 - 3	10	€ 12.36	€ 10.30	€ 20.60	Cash-settled
T-Online International AG	2001 SOP	2001	2,369	2 – 3	10	€ 10.35	€ 8.28		Cash-settled
		2002	2,067	2 – 6	10	€ 10.26	€ 8.21		Cash-settled
T-Mobile USA	SOP	2001	24,278	up to 4	max. 10	USD 15.36			Cash-settled
		2002	5,964	up to 4	max. 10	USD 13.35			Cash-settled
		2003	1,715	up to 4	max. 10	USD 12.86			Cash-settled
	Powertel	2001	5,323	up to 4	max. 10	USD 20.04			Cash-settled
	T-Mobile USA/ Powertel	2004	230	up to 4	max. 10	USD 19.64			Cash-settled
OTE group	Cosmote group	2005-2007	3,440	up to 3	6	€ 14.90	€ 15.48		Equity-settled
	OTE (original) 2008	2008	3,142	up to 3	max. 6	€ 15.70	€ 21.38		Equity-settled
	OTE group 2008	2009	3,226	up to 3	max. 6	€ 16.20	€ 10.40		Equity-settled
		2010	4,671	up to 3	max. 6	€ 9.32	€ 11.26		Equity-settled

Deutsche Telekom AG

The 2001 Stock Option Plan (SOP 2001) led to the issuance of stock options in August 2001 and in July 2002. Deutsche Telekom also granted stock appreciation rights (SARs) to employees in countries where it was not legally possible to issue stock options.

Deutsche Telekom AG (formerly T-Online International AG (prior to merger))

The merger of T-Online International AG into Deutsche Telekom AG became effective upon entry in the commercial register on June 6, 2006. Under the German Reorganization and Transformation Act (Umwandlungsgesetz) Deutsche Telekom AG had to grant the holders of stock options “equivalent rights.” Accordingly, the merger agreement entitled holders to purchase 0.52 registered no par value share per option at the exercise price specified in the terms and conditions for the respective options. Pursuant to the merger agreement, the Board of Management decided on August 2, 2005 that in future, equivalent rights would be granted in the form of a cash settlement. In the proceedings concerning the review of the appropriateness of the exchange ratio in the merger of T-Online International AG into Deutsche Telekom AG, the Frankfurt/Main Higher Regional Court ruled on September 3, 2010 that Deutsche Telekom must make a supplementary cash payment of EUR 1.15 per share to former T-Online shareholders. According to the provisions of the merger agreement, this cash payment reduces the exercise price specified in the terms and conditions for the options. The exercise price less the cash payment is EUR 9.20 for the 2001 tranche and EUR 9.11 for the 2002 tranche.

T-Mobile USA

Prior to the acquisition on May 31, 2001 of T-Mobile USA (formerly VoiceStream and Powertel), the companies had granted stock options to their employees under the 1999 Management Incentive Stock Option Plan (MISOP). These plans were combined as of January 1, 2004 into a single T-Mobile plan. The exchange ratio for VoiceStream shares was 3.7647 per share and for Powertel shares 2.6353 per share. The plan has now expired and no more options can be issued. In accordance with a resolution it passed on June 15, 2010, the Board of Management of Deutsche Telekom AG will make use of the option of a cash settlement for these stock options in the future.

The table below shows the changes in outstanding options from the stock option plans in the 2010 financial year:

	Equity-settled		Cash-settled		
	Deutsche Telekom AG	**OTE group**	**Deutsche Telekom AG**	**T-Online International AG**	**T-Mobile USA**
	Stock options (thousands)	**Stock options (thousands)**	**SARs options (thousands)**	**Stock options (thousands)**	**Stock options (thousands)**
Stock options outstanding/exercisable at January 1, 2010	8,057	8,675	134	2,346	5,403
Granted	-	4,671	-	-	-
Exercised	-	-	-	-	209
Forfeited	1,357	666	2	325	2,152
Stock options outstanding at December 31, 2010	**6,700**	**12,680**	**132**	**2,021**	**3,042**
Stock options exercisable at December 31, 2010	**6,700**	**6,713**	**132**	**2,021**	**3,042**
Weighted average exercise price at December 31, 2010 (stock options outstanding)	€ 23.44	€ 13.44	€ 29.93	€ 9.15	USD 20.22
Weighted average exercise price at December 31, 2010 (stock options exercisable)	€ 23.44	€ 15.00	€ 29.93	€ 9.15	USD 20.22

The characteristics of the options at December 31, 2010 are as follows:

	Deutsche Telekom AG		T-Online International AG		OTE group	
Range of exercise prices €	**Number thousands**	**Remaining contractual life years[1]**	**Number thousands**	**Remaining contractual life years[1]**	**Number thousands**	**Remaining contractual life years[1]**
8-20	2,493	1.5	2,021	1.1	12,680	3.5
21-40	4,207	0.6	-	-	-	-
	6,700	**1.0**	**2,021**	**1.1**	**12,680**	**3.5**

[1] Weighted average.

	T-Mobile USA	
Range of exercise prices €	**Number thousands**	**Remaining contractual life years[1]**
0.02 – 15.19	948	1.3
15.20 – 30.39	2,083	0.2
30.40 – 34.19	11	0.1
34.20 – 38.00	-	-
	3,042	**0.5**

[1] Weighted average.

36 Disclosures on financial instruments

Carrying amounts, amounts recognized, and fair values by measurement category.

(millions of €)	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2010	Amounts recognized in the statement of financial position according to IAS 39				Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2010
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and cash equivalents	LaR	2,808	2,808					2,808
Trade receivables	LaR	6,766	6,766					6,766
Other receivables	LaR/n.a.	2,628	2,340				288	2,628
Other non-derivative financial assets								
Held-to-maturity investments	HtM	91	91					91
Available-for-sale financial assets	AfS	513		335	178			178[1]
Derivative financial assets								
Derivatives without a hedging relationship	FAHfT	560				560		560
Derivatives with a hedging relationship	n.a.	275			131	144		275
Liabilities and shareholders´equity								
Trade payables	FLAC	6,737	6,737					6,737
Bonds and other securitized liabilities	FLAC	38,190	38,190					41,806
Liabilities to banks	FLAC	4,190	4,190					4,346
Liabilities to non-banks from promissory notes	FLAC	1,164	1,164					1,326
Other interest-bearing liabilities	FLAC	1,838	1,838					1,838
Other non-interest-bearing liabilities	FLAC	3,193	3,193					3,193
Finance lease liabilities	n.a.	1,400					1,400	1,671
Derivative financial liabilities								
Derivatives without a hedging relationship (held for trading)	FLHfT	249				249		249
Derivatives with a hedging relationship (hedge accounting)	n.a.	322			322			322
Of which: aggregated by category in accordance with IAS 39:								
Loans and receivables (LaR)		11,914	11,914					11,941
Held-to-maturity investments (HtM)		91	91					91
Available-for-sale financial assets (AfS)		513		335	178			178[1]
Financial assets held for trading (FAHfT)		560				560		560
Financial liabilities measured at amortized cost (FLAC)		55,312	55,312					59,246
Financial liabilities held for trading (FLHfT)		249				249		249

[1] For details please refer to Note 8.

(millions of €)	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2009	Amounts recognized in the statement of financial position according to IAS 39				Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2009
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and cash equivalents	LaR	5,022	5,022					5,022
Trade receivables	LaR	6,643	6,643					6,643
Other receivables	LaR/n.a.	2,003	1,739				264	2,003
Other non-derivative financial assets								
Held-to-maturity investments	HtM	80	80					80
Available-for-sale financial assets	AfS	609		411	198			198[1]
Derivative financial assets								
Derivatives without a hedging relationship	FAHfT	653				653		653
Derivatives with a hedging relationship	n.a.	395			170	225		395
Liabilities								
Trade payables	FLAC	6,294	6,294					6 294
Bonds and other securitized liabilities	FLAC	38,508	38,508					41,813
Liabilities to banks	FLAC	4,718	4,718					4,864
Liabilities to non-banks from promissory notes	FLAC	1,057	1,057					1,205
Other interest-bearing liabilities	FLAC	1,511	1,511					1,562
Other non-interest-bearing liabilities	FLAC	2,995	2,995					2,995
Finance lease liabilities	n.a.	1,423					1,423	1,703
Derivative financial liabilities								
Derivatives without a hedging relationship (held for trading)	FLHfT	730				730		730
Derivatives with a hedging relationship (hedge accounting)	n.a.	249			197	52		249
Of which: aggregated by category in accordance with IAS 39:								
Loans and receivables (LaR)		13,404	13,404					13,404
Held-to-maturity investments (HtM)		80	80					80
Available-for-sale financial assets (AfS)		609		411	198			198[1]
Financial assets held for trading (FAHfT)		653				653		653
Financial liabilities measured at amortized cost (FLAC)		55,083	55,083					58,733
Financial liabilities held for trading (FLHfT)		730				730		730

[1] For details please refer to Note 8.

Classes of financial instruments according to IFRS 7.27

	Dec. 31, 2010				Dec. 31, 2009			
(millions of €)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Available-for-sale financial assets (AfS)		178		178		198		198
Financial assets held for trading (FAHfT)		560		560		653		653
Derivative financial assets with a hedging relationship		275		275		395		395
Liabilities and shareholders' equity								
Financial liabilities held for trading (FLHfT)		249		249		730		730
Derivative financial liabilities with a hedging relationship		322		322		249		249

For further details on classes of financial instruments, please refer to "Changes in accounting policies and changes in the reporting structure" in the section "Summary of accounting policies."

Cash and cash equivalents and trade and other receivables mainly have short-term maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair values of other non-current receivables and held-to-maturity financial investments due after more than one year correspond to the present values of the payments related to the assets, taking into account the current interest rate parameters that reflect market- and partner-based changes to terms and conditions, and expectations.

Trade and other payables, as well as other liabilities, generally have short times to maturity; the values reported approximate the fair values.

The fair values of the quoted bonds and other securitized liabilities equal the nominal amounts multiplied by the price quotations at the reporting date.

The fair values of unquoted bonds, liabilities to banks, liabilities to non-banks from promissory notes, and other financial liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Net gain/loss by measurement category

	From interest, dividends	From subsequent measurement			From derecognition	Net gain (loss)	
(millions of €)		**At fair value**	**Currency translation**	**Impairment/ reversal of impairment**		**2010**	**2009**
Loans and receivables (LaR)	77		1,301	(749)		629	(779)
Held-to-maturity investments (HtM)	2					2	7
Available-for-sale financial assets (AfS)	45			(101)	14	(42)	45
Financial instruments held for trading (FAHfT and FLHfT)	n.a.	654				654	(79)
Financial liabilities measured at amortized cost (FLAC)	(2,646)		(1,716)			(4,362)	(2,574)
	(2,522)	**654**	**(415)**	**(850)**	**14**	**(3,119)**	**(3,380)**

Interest from financial instruments is recognized in finance costs, dividends in other financial income/expense (please refer to Notes 22 and 24). Deutsche Telekom recognizes the other components of net gain/loss in other financial income/expense, except for impairments/reversal of impairments of trade receivables (please refer to Note 2) that are classified as loans and receivables which are reported under selling expenses. The net gain from the subsequent measurement for financial instruments held for trading (EUR 654 million) also includes interest and currency translation effects. The net currency translation gains on financial assets classified as loans and receivables (EUR 1,301 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom's financing company, Deutsche Telekom International Finance B.V., on the capital market. These were offset by corresponding currency translation losses on capital market liabilities of EUR 1,716 million. Finance costs from financial liabilities measured at amortized cost (EUR 2,646 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from interest added back and interest income from interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting period to hedge the fair value risk of financial liabilities (please refer to Note 22).

37 Risk management, financial derivatives, and other disclosures on capital management

Principles of risk management

Deutsche Telekom is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments are used for this purpose, depending on the risk assessment. However, Deutsche Telekom only hedges the risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the credit risk, hedging transactions are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk of financial instruments with a positive fair value is minimized by way of limit management, which sets individualized relative and absolute figures for risk exposure depending on the counterparty's rating, share price development and credit default swap level.

The fundamentals of Deutsche Telekom's financial policy are established by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the financial policy and for ongoing risk management. Certain transactions require the prior approval of the Board of Management, which is also regularly briefed on the severity and amount of the current risk exposure.

Treasury regards effective management of the market risk as one of its main tasks. The department performs simulation calculations using different worst-case and market scenarios so that it can estimate the effects of different conditions on the market.

Currency risks

Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group's cash flows. Foreign-currency risks that do not influence the Group's cash flows (i.e., the risks resulting from the translation of statements of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies. Deutsche Telekom hedges these risks. If the risk position exceeds EUR 100 million, the Board of Management must make a special decision on how the risk shall be hedged. If the risk position is below EUR 100 million, Group Treasury performs the currency hedging itself. At the reporting date, Deutsche Telekom was not exposed to any significant risks from foreign-currency transactions in the field of investments.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities' functional currencies.

At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds and medium-term notes in Swiss francs, Czech koruna, Japanese yen, pound sterling, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

The Group entities predominantly execute their operating activities in their respective functional currencies. Payments made in a currency other than the respective functional currency result in foreign-currency risks in the Group. These relate in particular to payments for the procurement of network equipment and mobile handsets as well as payments to international telecommunications companies for the provision of access services. Deutsche Telekom uses currency derivatives and, in individual cases, currency options for hedging purposes. On account of these hedging activities, Deutsche Telekom was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. In addition to currency risks, Deutsche Telekom is exposed to interest rate risks and price risks in its investments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Deutsche Telekom has contracted financial instruments.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing securities and/or debt instruments held, interest-bearing liabilities, finance lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.

Non-interest-bearing securities or equity instruments held are of a non-monetary nature and therefore are not exposed to currency risk as defined by IFRS 7.

Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency by using derivatives. For this reason, there can be no effects on the variables considered in this connection.

In the case of fair value hedges designed for hedging currency risks, the changes in the fair values of the hedged item and the hedging instruments attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

Cross-currency swaps are always assigned to non-derivative hedged items, so these instruments do not have any currency effects, either.

Deutsche Telekom is therefore only exposed to currency risks from specific currency derivatives. Some of these are currency derivatives that are part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Others are currency derivatives that are neither part of one of the hedges defined in IAS 39 nor part of a natural hedge.

These derivatives are used to hedge planned transactions. Exchange rate fluctuations of the currencies on which such financial instruments are based affect other financial income or expense (net gain/loss from remeasurement of financial assets and liabilities to fair value).

If the euro had gained (lost) 10 percent against the U.S. dollar, the pound sterling, the Indonesian rupiah and the Malaysian ringgit at December 31, 2010, the hedging reserve in shareholders' equity and the fair values of the hedging transactions before taxes would have been EUR 38 million lower (higher) (December 31, 2009: EUR 70 million lower (higher)). The hypothetical effect of EUR –38 million on profit or loss primarily results from the currency sensitivities EUR/USD: EUR –22 million; EUR/GBP: EUR –15 million.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2010, other financial income and the fair value of the hedging transactions before taxes would have been EUR 17 million higher (lower) (December 31, 2009: EUR 11 million lower (higher)). The hypothetical effect on profit or loss of EUR 17 million primarily results from the currency sensitivities EUR/USD: EUR –48 million; EUR/PLN: EUR 46 million; EUR/HUF: EUR 10 million and EUR/CZK: EUR 9 million.

Interest rate risks

Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone and in the United States of America. To minimize the effects of interest rate fluctuations in these regions, Deutsche Telekom manages the interest rate risk for net financial liabilities denominated in euros and U.S. dollars separately. Once a year, the Board of Management stipulates the desired mix of fixed and variable-interest net financial liabilities for a period of three years. Taking account of the Group's existing and planned debt structure, Treasury uses interest rate derivatives to adjust the interest structure for the net financial liabilities of the composition specified by the Board of Management.

Due to the derivative hedges, an average of 65 percent (2009: 72 percent) of the net financial liabilities in 2010 denominated in euros and 61 percent (2009: 73 percent) of those denominated in U.S. dollars had a fixed rate of interest. The average value is representative for the year as a whole.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. This means that interest-rate-based changes in the measurement of the hedged item and the hedging instrument do not affect income and are therefore not subject to interest rate risk.

In the case of interest rate derivatives in fair value hedges, however, changes in market interest rates affect the amount of interest payments. As a consequence, they have an effect on interest income and are therefore included in the calculation of income-related sensitivities.

Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in shareholders' equity and are therefore taken into consideration in the equity-related sensitivity calculations.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

Changes in the market interest rate of interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations. Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2010, profit or loss before taxes would have been EUR 249 million (December 31, 2009: EUR 194 million) lower (higher). The hypothetical effect of EUR –249 million on income results from the potential effects of EUR –228 million from interest rate derivatives and EUR –21 million from non-derivative variable-interest financial liabilities. Potential effects from interest rate derivatives are partially balanced out by the contrasting performance of non-derivative financial instruments which cannot, however, be shown as a result of applicable accounting standards. If the market interest rates had been 100 basis points higher (lower) at December 31, 2010, total comprehensive income before taxes would have been EUR 164 million (December 31, 2009: EUR 104 million) higher (lower).

Other price risks

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes.As of December 31, 2010, Deutsche Telekom did not hold any material investments to be classified as available for sale.

Credit risks

Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. With regard to financing activities, transactions are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally. Credit risks must be taken into account through individual and collective allowances.

The solvency of the business with corporate customers, especially international carriers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are carried in the statement of financial position, including derivatives with positive market values. Except for the collateral agreements mentioned in Notes 1 and 8, no significant agreements reducing the maximum exposure to credit risk (such as contractual netting) had been concluded as of the reporting date. In addition, Deutsche Telekom is exposed to a credit risk through the granting of financial guarantees. Guarantees amounting to a nominal total of EUR 115 million had been pledged as of the reporting date (December 31, 2009: EUR 41 million).

Risks relating to financing commitments

Deutsche Telekom acquired a bond issued by Everything Everywhere for a nominal amount of GBP 625 million. Deutsche Telekom is obliged to continue putting the full amount, which is due on November 30, 2011, at the joint venture's disposal until the end of March 2012 and grant follow-up financing at normal market conditions, possibly in the form of a guarantee. The nominal amount of GBP 625 million is the maximum default risk associated with this commitment.

Liquidity risks

Please refer to Note 10.

Hedge accounting

Fair value hedges

To hedge the fair value risk of fixed-interest liabilities, Deutsche Telekom primarily used interest rate swaps and forward interest rate swaps (receive fixed, pay variable) denominated in CHF, EUR, GBP, JPY and USD. Fixed-income bonds/MTNs denominated in CHF, EUR, GBP, JPY and USD were designated as hedged items. The changes in the fair values of the hedged items resulting from changes in the CHF Libor, Euribor, GBP Libor, JPY Libor or USD Libor swap rate are offset against the changes in the value of the interest rate swaps. The aim of this hedging is to transform the fixed-income bonds into variable-interest debt, thus hedging the fair value of the financial liabilities. Credit risks are not part of the hedging.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date using statistical methods in the form of a regression analysis. All hedging relationships, with their effectiveness having been tested using statistical methods, were effective at the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had interest rate derivatives in a net amount of EUR + 0.1 billion (2009: EUR + 0.2 billion) designated as fair value hedges at December 31, 2010. The remeasurement of the hedged items results in losses of EUR 0.3 billion being recorded in other financial income/expense in the 2010 financial year (2009: gains of

EUR 0.3 billion); the changes in the fair values of the hedging transactions result in gains of EUR 0.3 billion (2009: losses of EUR 0.3 billion) being recorded in other financial income/expense.

Cash flow hedges – interest rate risks

Deutsche Telekom entered into payer interest rate swaps and forward payer interest rate swaps (receive variable, pay fixed) to hedge the cash flow risk of variable-interest debt. The changes in the cash flows of the hedged items resulting from changes in the Euribor and Libor rates are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. Credit risks are not part of the hedging.

In 2010, Deutsche Telekom entered into forward payer interest rate swaps totaling EUR 3.0 billion for transactions expected in 2012. The following table shows the contractual maturities newly incorporated into a hedging relationship in 2010 relating to the payments for the aforementioned forward payer interest rate swaps.

Start	End	Nominal volume	Reference rate
January 16, 2012	January 16, 2015	€ 3,000 million	6-month Euribor

The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. Ineffective cash flow hedges of EUR –16 million were recognized in profit or loss in the reporting year (2009: EUR 0 million). All hedging relationships of this nature were sufficiently effective as of the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had interest rate derivatives with a fair value of EUR –0.3 billion (2009: EUR –0.1 billion) amounting to a nominal total of EUR 6.7 billion (2009: EUR 3.7 billion) designated as hedging instruments for cash flow hedges at December 31, 2010. The terms of the hedging relationships will end in the years 2012 through 2015. The recognition directly in equity of the change in the fair value of the hedging transactions resulted in losses of EUR 0.1 billion being recorded in the revaluation surplus in the 2010 financial year (2009: losses of EUR 0.1 billion). Losses amounting to EUR 56 million recognized in shareholders' equity were transferred to other financial income/expense in the 2010 financial year (2009: losses of EUR 41 million).

Cash flow hedges – currency risks

Deutsche Telekom entered into currency derivative and cross-currency swap agreements to hedge cash flows not denominated in a functional currency. In 2010 agreements were signed for cross-currency swaps in CHF/EUR totaling CHF 0.4 billion and a euro equivalent of EUR 0.3 billion as well as for cross-currency swaps in GBP/EUR totaling GBP 0.9 billion and a euro equivalent of EUR 1.0 billion. The CHF/EUR foreign currency derivative arrangements signed in 2010 will expire in 2016, whereas the EUR/GBP foreign currency derivatives entered into in 2010 have various maturities between 2012 and 2030. The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. The hedging relationship was effective as of the reporting date.

In the 2010 financial year, gains totaling EUR 238 million (2009: gains of EUR 26 million) resulting from the change in the fair values of currency derivatives were taken directly to equity (hedging reserve). These changes constitute the effective portion of the hedging relationship. Gains amounting to EUR 98 million recognized in shareholders' equity were transferred to other financial income/expense in the 2010 financial year (2009: gains of EUR 32 million). There was no material ineffectiveness of these hedges recorded as of the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had currency forwards of a net fair value of EUR –43 million (2009: EUR –2 million) and a total volume of EUR 0.3 billion (2009: EUR 0.7 billion), as well as cross-currency swaps of a net fair value of EUR +0.1 billion (2009: EUR +0.1 billion) and a total volume of EUR 2.1 billion (2009: EUR 1.9 billion) designated as hedging instruments for cash flow hedges as of December 31, 2010. The terms of the hedging relationships will end in the years 2011 through 2030.

Derivatives

The following table shows the fair values of the various derivatives carried. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IAS 39 (fair value hedge, cash flow hedge) or not. Other derivatives can also be embedded (i.e., a component of a composite instrument that contains a non-derivative host contract).

(millions of €)	Net carrying amounts Dec. 31, 2010	Net carrying amounts Dec. 31, 2009
Assets		
Interest rate swaps		
Held for trading	43	94
In connection with fair value hedges	144	225
In connection with cash flow hedges	0	0
Currency forwards/currency swaps		
Held for trading	53	91
In connection with cash flow hedges	13	15
Cross-currency swaps		
Held for trading	464	468
In connection with cash flow hedges	118	155
Other derivatives in connection with cash flow hedges	0	0
Liabilities and shareholders' equity		
Interest rate swaps		
Held for trading	12	80
In connection with fair value hedges	-	52
In connection with cash flow hedges	266	142
Currency forwards/currency swaps		
Held for trading	43	46
In connection with cash flow hedges	56	17
Cross-currency swaps		
Held for trading	184	555
In connection with cash flow hedges	-	32
Other derivatives in connection with cash flow hedges	-	6
Embedded derivatives	10	49

Disclosures on capital management

The overriding aim of the Group's capital management is to ensure that it will continue to be able to repay its debt and remain financially sound.

An important indicator of capital management is the gearing ratio of net debt to shareholders' equity as shown in the consolidated statement of financial position. Deutsche Telekom considers net debt to be an important measure for investors, analysts, and rating agencies. It is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. The gearing remained constant year-on-year at 1.0 as of December 31, 2010. The target corridor for this indicator is between 0.8 and 1.2.

Calculation of net debt; shareholders' equity.

(millions of €)	Dec. 31, 2010	Dec. 31, 2009
Bonds	38,190	38,508
Liabilities to banks	4,190	4,718
Liabilities to non-banks from promissory notes	1,164	1,057
Derivative financial liabilities	561	924
Lease liabilities	1,934	1,909
Other financial liabilities	1,279	1,001
Gross debt	**47,318**	**48,117**
Cash and cash equivalents	2,808	5,022
Available-for-sale/held-for-trading financial assets	75	162
Derivative financial assets	835	1,048
Other financial assets	1,331	974
Net debt	**42,269**	**40,911**
Shareholders' equity in accordance with the consolidated statement of financial position	**43,028**	**41,937**

38 Related party disclosures

Federal Republic of Germany and other related parties

The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds approximately 32.0 percent (December 31, 2009: 31.7 percent) of the share capital of Deutsche Telekom AG. Due to the average attendance at the shareholders' meeting, the Federal Republic represents a solid majority at the shareholders' meeting, although it only has a minority shareholding, making Deutsche Telekom a dependent company of the Federal Republic. Therefore, the Federal Republic and the companies controlled by the Federal Republic or companies over which the Federal Republic can exercise a significant influence are classified as related parties of Deutsche Telekom; this also includes the Deutsche Post DHL group and the Commerzbank group.

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the recreation service (Erholungswerk), the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost – VAP), and the welfare service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements. For the 2010 financial year, Deutsche Telekom made payments in the amount of EUR 59 million (2009: EUR 56 million; 2008: EUR 55 million). Payments are made to the special pension fund according to the provisions of the Posts and Telecommunications Reorganization Act (Note 12).

The Federal Republic and the companies controlled by the Federal Republic and companies over which the Federal Republic can exercise a significant influence are customers of Deutsche Telekom and as such source services from the Company. Charges for services provided to the Federal Republic and its departments and agencies, and the individual companies are based on Deutsche Telekom's commercial pricing policies. As part of its normal business activities, Deutsche Telekom provided telecommunications and similar services, while the companies controlled by the Federal Republic and companies over which the Federal Republic can exercise a significant influence also provided services, in particular transport and financial services, for companies of the Deutsche Telekom Group as part of their normal business activities.

Deutsche Telekom did not execute as part of its normal business activities any transactions that were individually material in the 2010 financial year with companies controlled by the Federal Republic or companies over which the Federal Republic can exercise a significant influence.

Joint ventures and associates

Deutsche Telekom has business relationships with numerous associates and joint ventures.

Revenues of EUR 0.1 billion were generated in the 2010 financial year with the Everything Everywhere joint venture established on April 1, 2010. In addition, Deutsche Telekom acquired a bond issued by Everything Everywhere for a nominal amount of GBP 625 million that will mature on November 30, 2011. Deutsche Telekom has an obligation to Everything Everywhere to make this funding available in the same amount until the end of March 2012.

In 2010, Deutsche Telekom generated revenues from its Toll Collect joint venture amounting to EUR 0.1 billion (2009: EUR 0.1 billion; 2008: EUR 0.1 billion). For further details, please refer to Note 33.

Related individuals

For information on the compensation of the Board of Management and Supervisory Board, please refer to Note 39. Besides this, no major transactions took place with related individuals.

39 Compensation of the Board of Management and the Supervisory Board

Compensation of the Board of Management

The following information concerning the compensation of the Board of Management comprises the notes pursuant to § 314 of the German Commercial Code and the German Accounting Standard No. 17 (GAS 17), IAS 24 as well as the information specified in the guidelines set out in the German Corporate Governance Code.

Changes in the composition of the Board of Management and contract extensions

On December 17, 2009, the Supervisory Board agreed to Hamid Akhavan's request to resign his seat on the Board of Management effective February 15, 2010. 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 (the United Kingdom, the Netherlands, Austria, Poland, and the Czech Republic) and International Sales and 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 former 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).

On December 17, 2009, the Supervisory Board resolved to extend Dr. Manfred Balz's tenure on the Board, which ended on October 21, 2010, by two more years.

The Supervisory Board resolved on December 16, 2010 to extend the service contract of the Chairman of the Board of Management, René Obermann, that was due to expire on October 31, 2011, for a further five years.

Change in Board of Management compensation

On February 24, 2010, the Supervisory Board resolved on a new system for the compensation of the Board of Management members, taking into account the provisions specified in the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) that has been in effect since August 5, 2009. The shareholders' meeting of Deutsche Telekom AG on May 3, 2010 approved this new system. Pursuant to the VorstAG explanatory memorandum (document 16/13433), the contracts of the Board of Management members that were in existence before the Act entered into force enjoy vested rights protection. These Board of Management members nevertheless have the option of voluntarily changing over to the new compensation system. At December 31, 2010, Board of Management members René Obermann, Reinhard Clemens, Niek Jan van Damme, Timotheus Höttges, Guido Kerkhoff, and Edward R. Kozel had changed over to the new system while the other members remained with the old system, the vast majority of whose provisions have already been brought in line with the requirements of VorstAG. The new and old systems are explained below.

Basis of Board of Management compensation

The compensation of Board of Management members is comprised of various components. Under the terms of their service contracts, members of the Board of Management are entitled to annual fixed remuneration and annual variable performance-based remuneration, a long-term variable remuneration component, as well as fringe benefits and deferred benefits based on a company pension entitlement. The Supervisory Board defines the structure of the compensation system for the Board of Management and reviews this structure and the appropriateness of compensation at regular intervals.

Fixed remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law. It is ensured that Board of Management compensation is oriented toward the sustained development of the Company and that there is a multi-year measurement base in the new system for the variable components.

At its discretion and after due consideration, the Supervisory Board may also reward extraordinary performance by individual or all Board of Management members in the form of a special bonus.

In accordance with market-oriented and corporate standards, the Company grants all members of the Board of Management additional benefits under the terms of their service contracts, some of which are viewed as non-cash benefits and taxed accordingly. This mainly includes being furnished with a company car and accident and liability insurance and reimbursements in connection with maintaining a second household.

Sideline employment generally requires prior approval. Generally, no additional compensation is paid for being a member of the management or supervisory board of other Group entities.

In the event of temporary incapacity for work caused by illness, accident or any other reason for which the respective Board of Management member is not responsible, the fixed basic remuneration continues to be paid for a maximum of three months following the end of the month in which the Board of Management member's permanent inability to work is established.

Variable performance-based remuneration (old system)

The annual short-term variable performance-based remuneration of Board of Management members is based on the achievement of targets set by the Supervisory Board of Deutsche Telekom AG for each member of the Board of Management prior to commencement of the financial year. The set of targets is composed of corporate targets and personal targets for the individual members of the Board of Management, based on the parameters of revenue, EBITDA adjusted for special factors, and free cash flow. The level of target achievement is determined by the Supervisory Board for the respective financial year.

Members of the Board of Management also participate in the Deutsche Telekom AG mid-term incentive plan (MTIP) introduced in the 2004 financial year (please refer to the information on the MTIP under Note 35).

	2010 MTIP	2010 MTIP		2009 MTIP	
€[1]	**Award amount**	**Fair value at grant date**	**Total expense for share-based payments 2010**	**Award amount**	**Total expense for share-based payments 2009**
René Obermann	0	0	181,341	750,000	257,518
Hamid Akhavan (until February 15,2010)	0	0	(123,942)	480,000	164,812
Dr. Manfred Balz	330,000	22,489	61,375	330,000	62,004
Reinhard Clemens	0	0	101,551	420,000	63,869
Dr. Karl-Gerhard Eick (until February 28, 2009)	0	0	0	0	(250,939)
Niek Jan van Damme	0	0	22,737	295,000	41,502
Timotheus Höttges	0	0	108,805	450,000	154,511
Guido Kerkhoff	0	0	46,776	360,000	70,366
Thomas Sattelberger	515,000	35,097	163,652	515,000	173,887
	845,000	**57,586**	**562,295**	**3,600,000**	**737,530**

[1] Fair value calculated using the so-called Monte Carlo model.

Variable performance-based remuneration (new system)

The variable remuneration of the members of the Board of Management is divided into Variables I and II. Variable I contains both short-term and long-term components consisting of the realization of budget figures for specific performance indicators, the implementation of strategy and adherence to the Group's Guiding Principles. Variable II is oriented solely toward the long term. This ensures that the variable remuneration is oriented toward the sustained development of the Company and that there is a predominantly long-term incentive effect.

Variable I

The annual variable remuneration of Board of Management members is based on the achievement of targets set by the Supervisory Board of Deutsche Telekom AG for each member of the Board of Management at the beginning of the financial year. The set of targets is composed of corporate targets (50 percent) related to revenue, EBITDA adjusted for special factors and free cash flow, as well as personal targets for the individual members of the Board of Management. The personal targets consist of targets oriented toward the sustained success of the Company concerning the implementation of strategy (30 percent) and adherence to the Guiding Principles, which accounts for 20 percent. The agreement on targets and the level of target achievement for the respective financial year are determined by the plenary session of the Supervisory Board. Levels of target achievement exceeding 100 percent are rewarded on a straight-line basis, capped at 150 percent of the award amount. Any higher levels of target achievement will not be taken into consideration. To further ensure the long-term incentive effect and orientation toward the sustained development of the Company, a third of the annual variable remuneration set by the plenary session of the Supervisory Board must be invested in shares of Deutsche Telekom AG within a defined period of time; these shares must be held by the respective Board member for a period of at least four years. Deutsche Telekom AG will grant one additional share for every share acquired as part of the Board of Management's aforementioned personal investment (share matching plan).

Variable II

The exclusively long-term-oriented Variable II is measured based on the fulfillment of four equally weighted performance parameters (adjusted operational return on capital employed (ROCE), adjusted earnings per share (EPS), customer satisfaction, and employee satisfaction). Each parameter determines a quarter of the award amount. Levels of target achievement exceeding 100 percent are rewarded on a straight-line basis, capped at 150 percent of the award amount. The assessment period is four years, with the assessment being based on average target achievement across the four years planned at the time the tranche was determined. The award amount is decoupled from other remuneration components and is set for each member of the Board of Management individually.

Changeover from the old compensation system for Board of Management members to the new system

For the transition from the old compensation system to the new one, the Supervisory Board resolved to make an offer to the Board of Management members already appointed at the time of the switch to the new system under which they would waive their entitlement from the existing tranche of the 2009 MTIP and be awarded Variable II in the form described above for the remaining duration of this tranche (up to December 31, 2011). The original volume awarded was not changed (please refer to the table on MTIP award amounts). The Supervisory Board also resolved that all Board members who changed over to the new system would no longer be awarded shares from the 2010 MTIP tranche but would instead be awarded an amount equivalent to the contractually agreed Variable II, which has a three-year term. The tranche of the 2008 MTIP, which will run until December 31, 2010, remains unchanged due to the short remaining term. By structuring the MTIP in this way, the Supervisory Board will enable the Board of Management to continue to receive a payout of the multi-year variable remuneration entitlement each year assuming the defined targets have been met. Without this transitional solution, the changeover from a three-year to a four-year term in the long-term remuneration instruments would make a payout in 2013 impossible for system-related reasons. Members of the Board of Management who switch to the new Board of Management compensation system have the option of participating in the share matching plan with the shares acquired in 2010. The level of participation in the share matching plan for 2010 is limited to a third of the contractually agreed new Variable I.

Information on matching shares

In the 2010 financial year, the Board of Management members who joined the new Board of Management compensation system, as described above, pledged to invest a third of Variable I in shares of Deutsche Telekom AG. Deutsche Telekom AG will grant one additional share for every share acquired as part of the Board of Management's aforementioned personal investment (share matching plan) that will be allotted to the beneficiaries of this plan on expiration of the four-year holding period. This ensures that the shares granted by the Company can only be sold after the four-year period, and that this element of the compensation system rewards only the members' continued service to the Company.

In accordance with GAS 17 and IFRS 2, the total share-based payment expense arising for 2010 matching shares and the grant date fair value of the matching shares must be specified. The following table is based on expected target achievement for the 2010 financial year and thus on the expected amount of the personal investment by the respective Board of Management member.

Member of the Board of Management	Total share-based payment expense for matching shares 2010	Fair value of the matching shares at grant date
	€	€
René Obermann	78,372	628,943
Reinhard Clemens	40,937	328,255
Niek Jan van Damme	34,461	276,523
Timotheus Höttges	47,023	377,363
Guido Kerkhoff	23,958	138,949
Edward R. Kozel	32,143	225,115

Up to December 31, 2010, Deutsche Telekom had not acquired any matching shares for the purpose of issuance.

The number of matching shares to be granted to the individual Board members must also be stated. This shall be determined based on the probable target achievement of Variable I and the share price on grant date. The following Board members were granted the following numbers of matching shares for the 2010 financial year: René Obermann 85,804, Reinhard Clemens 44,002, Niek Jan von Damme 37,828, Timotheus Höttges 51,482, Guido Kerkhoff 18,601 and Edward R. Kozel 22,693.

Because matching shares were granted for the first time in the 2010 financial year, there are no comparative figures for the prior-year period.

Arrangements in the event of termination of a position on the Board of Management

Service contracts for members of the Board of Management concluded since the 2009 financial year or changed on account of a changeover to the new compensation system include a severance cap in case of premature termination without good cause allowing a compensation payment which, in line with the recommendations of the German Corporate Governance Code, is limited to a maximum of two years' remuneration (severance cap) and may not exceed the remuneration due for the remaining term of the service contract.

The service contracts for members of the Board of Management at Deutsche Telekom AG do not include any benefits in the event of the termination of a position on the Board of Management as a result of a change of control.

Board of Management member service contracts generally stipulate a post-contractual prohibition of competition. Pursuant to these provisions, members of the Board of Management are prohibited from rendering services to or on behalf of a competitor for the duration of one year following their departure. As compensation for this restricted period, they receive a payment in the amount of the annual basic remuneration last received.

Company pension plan

Company pension plan (existing entitlement)

The members of the Board of Management are entitled to a company pension. Benefits from the company pension plan are in direct relation to the beneficiary's annual salary. The Board of Management members receive company pension benefits based on a fixed percentage of their last fixed annual salary for each year of service rendered prior to their date of retirement. The pension payments may be in the form of a life-long retirement pension upon reaching the age of 62 or in the form of an early retirement pension upon reaching the age of 60. Opting for the early retirement pension scheme is connected with actuarial deductions, however. The company pension is calculated by multiplying a basic percentage rate of 5 percent (6 percent for René Obermann) by the number of years of service as a member of the Board of Management. After ten years of service, the maximum pension level of 50 percent (60 percent for René Obermann) of the last fixed annual remuneration will be attained.

The pension payments to be made increase dynamically, at a rate of 1 percent, 3 percent for René Obermann. In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is excluded. The standard criteria for eligibility in the pension arrangements are in line with market conditions. In the event of a permanent inability to work (invalidity), the respective period of service through the scheduled end of the current period of appointment serves as the basis for the period of service eligible for calculating the pension.

In addition, the Company makes contributions, including the related taxes, for term life insurance with standard coverage (EUR 1.3 million) for one Board of Management member. The related expenses are included in the figures for non-cash benefits.

Company pension plan (new entitlement)

A defined contribution plan in the form of a one-time capital payment upon retirement is set up for all Board of Management members with a new entitlement to a company pension. A contribution is paid into the Board member's pension account for each year of service at an interest rate corresponding to market levels. Annual additions to the pension account have no effect on cash or cash equivalents. The cash outflow is only effective upon the Board member's retirement. As a rule, the date of retirement is the beneficiary's 62nd birthday. Board members can also opt to draw early retirement benefits from their 60th birthday, subject to corresponding actuarial deductions. The amount to be provided annually is individualized and decoupled from other remuneration components. The exact definition of the contribution is based on a comparison with peer companies which are suitable for benchmarking and also offer defined contribution plans.

In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is excluded. In general, the standard criteria for eligibility in the pension arrangements are in line with market levels. In the event of a permanent inability to work (invalidity), the respective period of service through the scheduled end of the current period of appointment serves as the basis for the period of service eligible for calculating the pension.

Service costs and defined benefit obligation for each member of the Board of Management are shown in the following table:

Member of the Board of Management	Service costs 2010 €	Defined benefit obligation (DBO) Dec. 31, 2010 €
René Obermann	575,170	5,358,169
Dr. Manfred Balz	282,982	613,412
Reinhard Clemens	367,252	1,232,442
Niek Jan van Damme	275,534	465,141
Timotheus Höttges	260,901	1,307,754
Guido Kerkhoff	273,876	431,504
Edward R. Kozel	146,567	146,567
Thomas Sattelberger	875,447	4,751,293

EUR 290,000 was credited to the pension accounts of Guido Kerkhoff and Niek Jan van Damme in accordance with the provisions of the new company pension plan; EUR 270,000 was credited to the account of Dr. Manfred Balz and EUR 250,000 to the account of Edward R. Kozel.

The pension expense resulting from the company pension plan is shown as service costs. The additions to provisions for pensions recognized in 2010 amounted to EUR 3.6 million (2009: EUR 4.1 million). This amount includes service costs of EUR 3.1 million (2009: EUR 3.6 million) and interest costs of EUR 0.5 million (2009: EUR 0.5 million).

Stock option plan

Deutsche Telekom no longer issues any stock option plans. Several Board of Management members, however, still hold stock options from the 2001 Stock Option Plan with its two tranches of 2001 and 2002.

Timotheus Höttges and René Obermann continue to participate in the 2002 tranche of the 2001 Stock Option Plan as a result of their prior activities at T-Mobile. Dr. Manfred Balz and Guido Kerkhoff still participate in the Stock Option Plan as a result of their employment relationship prior to being appointed to the Board of Management.

The stock options that have been granted can be exercised under the terms of the stock option plans. However, no options have yet been exercised. The number of stock options held by the Board of Management members active as of December 31, 2010 is unchanged year-on-year.

The number of stock options is shown in the table below.

The range of exercise prices of René Obermann's and Dr. Manfred Balz's options varies between EUR 12.36 and EUR 30.00.

Due to the fact that the remaining members of the Board of Management only participate in one tranche of the stock option plan, no range need be stated.

The average remaining term of the outstanding options for Board of Management members as of December 31, 2010 is 1.0 years.

Please also refer to the explanations regarding stock option plans under Note 35.

	Year	Number of options 2001 SOP 2001 tranche	Value of options on issue (2001) (€)	Number of options 2001 SOP 2002 tranche	Value of options on issue (2002) (€)	Weighted average exercise price of stock options (€)
René Obermann	**2010**	48,195	4.87	28,830	3.79	23.40
	2009	48,195		28,830		
Hamid Akhavan	**2010**	0	0	0	0	0
(until February 15, 2010)	2009	0		19,840	3.79	12.36
Dr. Manfred Balz	**2010**	32,130	4.87	17,360	3.79	23.81
	2009	32,130		17,360		
Timotheus Höttges	**2010**	0		17,050	3.79	12.36
	2009	0		17,050		
Guido Kerkhoff	**2010**	0		4,650	3.79	12.36
	2009	0		4,650		
	2010	**80,325**		**67,890**		
	2009	80,325		87,730		

Board of Management compensation for the 2010 financial year

In reliance on legal requirements and other guidelines, a total of EUR 14.4 million (2009: EUR 13.7 million) is reported in the table on the next page as total compensation for the 2010 financial year for the members of the Board of Management.

This compensation comprises fixed annual remuneration for Board of Management members who have changed over to the new Board of Management compensation system, as well as other benefits, non-cash benefits and remuneration in kind, variable remuneration (Variable I), and the fair value of the matching shares. This was calculated on the basis of the estimated amount of Variable I at year-end and the resulting number of matching shares.

For Board of Management members in the old compensation system, this compensation comprises fixed annual remuneration, other benefits, non-cash benefits, remuneration in kind, variable remuneration for the 2010 financial year, and the fair value of the 2010 MTIP at the grant date.

All other remuneration is totally unrelated to performance.

Total compensation

The compensation of the Board of Management is shown in detail in the following table:

€	Year	Fixed annual remuneration	Other remu-neration	Short-term variable remuneration	Long-term variable remuneration (fair value)[a]	Total
René Obermann	**2010**	1,350,000	35,790	1,346,250	628,943	**3,360,983**
	2009	1,250,000	37,233	1,365,000	76,613	**2,728,846**
Hamid Akhavan	**2010**	100,000	50,001[b]	119,244	-	**269,245**
	2009	800,000	611,878[b]	789,600	49,032	**2,250,510**
Dr. Manfred Balz	**2010**	687,097	18,292	391,716	22,489	**1,119,594**
	2009	660,000	19,204	468,600	33,710	**1,181,514**
Reinhard Clemens	**2010**	795,000	25,064	665,000	328,255	**1,813,319**
	2009	658,333	31,531	825,750	42,903	**1,558,517**
Dr. Karl-Gerhard Eick	**2010**	-	-	-	-	**-**
(until February 28, 2009)	2009	183,750	17,371	183,750	-	**384,871**
Niek Jan van Damme	**2010**	570,000	24,502	542,080	276,523	**1,413,105**
	2009	366,667	31,538	549,450	30,134	**977,789**
Timotheus Höttges	**2010**	825,000	22,265	775,500	377,363	**2,000,128**
	2009	750,000	21,583	803,250	45,968	**1,620,801**
Guido Kerkhoff	**2010**	610,000	20,322	606,480	138,949	**1,375,751**
	2009	433,333	11,874	692,250	36,774	**1,174,231**
Edward R. Kozel	**2010**	595,161	43,960	420,623	225,115	**1,284,859**
(since May 3, 2010)	2009	-	-	-	-	**-**
Thomas Sattelberger	**2010**	800,000	4,582	908,417	35,097	**1,748,096**
	2009	800,000	5,687	976,250	52,607	**1,834,544**
	2010	**6,332,258**	**244,778**	**5,775,310**	**2,032,734**	**14,385,080**
	2009	5,902,083	787,899	6,653,900	367,741	**13,711,623**

[a] This column shows the fair value both of the matching shares and for participation in the 2010 MTIP.

[b] In addition to the pension substitute paid to Hamid Akhavan due to his U.S. citizenship, he also received a monthly lump-sum payment to compensate for different tax regulations in Germany and the United States.

Expenditure on the award amounts for Variable II in the 2010 financial year totaled EUR 3.3 million (2009: EUR 0.0 million).

Under the termination agreement concluded with Hamid Akhavan effective February 15, 2010, all existing entitlements to stock options and the outstanding tranches of the 2008 MTIP and 2009 MTIP were terminated without compensation. The proportionate fixed basic remuneration and the proportionate other remuneration were paid for the period up to February 15, 2010. The proportionate entitlement to short-term variable remuneration based on average target achievement over the previous three financial years was determined for the same period. The annual payment of a pension substitute agreed with Hamid Akhavan was made for the last time in 2009. Since February 15, 2010, Hamid Akhavan has received monthly payments of one fixed annual salary as agreed compensation for the prohibition of competition.

No member of the Board of Management received benefits or corresponding commitments from a third party for his activity as a Board of Management member during the past financial year.

Former members of the Board of Management

A total of EUR 5.4 million (2009: EUR 4.2 million) was recorded for payments to and entitlements for former members of the Board of Management and their surviving dependents.

Provisions (measured in accordance with IAS 19) totaling EUR 99.3 million (2009: EUR 96.3 million) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents.

Other

The Company has not granted any advances or loans to current or former Board of Management members, nor were any other financial obligations to the benefit of this group of people entered into.

Compensation of the Supervisory Board

The compensation received by the members of the Supervisory Board is specified under § 13 of the Articles of Incorporation of Deutsche Telekom AG. Supervisory Board members receive a fixed annual remuneration of EUR 30,000.00 for the 2010 financial year and of EUR 40,000.00 for subsequent years, plus variable, performance-related remuneration depending on the development of net profit per share.

The performance-related annual remuneration with long-term incentive effect amounts to EUR 1,000.00 for every EUR 0.02 by which the net profit per no par value share in the second financial year following the financial year in question (reference year) exceeds the net profit per no par value share in the financial year preceding the financial year in question. The performance-related annual remuneration as a long-term incentive is limited to a maximum of EUR 40,000.00.

The chairperson of the Supervisory Board receives double, and the deputy chairperson one and a half times the remuneration of an ordinary member of the Supervisory Board. Total compensation also increases by 50 percent for each membership of a Supervisory Board committee (with the exception of the Mediation Committee and the Nomination Committee), by 100 percent for membership of the Audit Committee, and by a further 50 percent for each Supervisory Board committee chaired. Members of the Supervisory Board who were not in office for the entire financial year receive one twelfth of the remuneration for each month or part thereof that they held a seat. This applies both to fixed annual remuneration and to annual remuneration with a long-term incentive.

Members of the Supervisory Board receive an attendance fee amounting to EUR 1,000.00 for each meeting of the Supervisory Board or its committees that they have attended. The Company reimburses value-added tax payable on remuneration and expenses.

The total compensation of the members of the Supervisory Board in 2010 amounted to EUR 1,942,791.66 (plus VAT).

No loans were granted to the members of the Supervisory Board.

The **compensation of the individual members of the Supervisory Board** for 2010 is as follows:

Member of the Supervisory Board	Fixed remuneration incl. attendance fee	Imputed long-term remuneration entitlement[a]
	€	€
Asmussen, Jörg	54,000.00	23,250.00
Becker, Hermann Josef	90,000.00	38,750.00
Dr. Bernotat, Wulf	47,000.00	20,150.00
Brandl, Monika	47,000.00	20,150.00
Bury, Hans Martin	81,000.00	35,650.00
Falbisoner, Josef (until May 3, 2010)	14,500.00	6,458.33
Dr. von Grünberg, Hubertus	51,000.00	23,250.00
Guffey, Lawrence H.	78,000.00	35,650.00
Hocker, Ulrich	36,000.00	15,500.00
Holzwarth, Lothar[b]	76,000.00	32,550.00
Kallmeier, Hans-Jürgen[c]	52,000.00	23,250.00
Kühnast, Sylvia	36,000.00	15,500.00
Prof. Dr. Lehner, Ulrich (Chairman)	136,000.00	60,450.00
Litzenberger, Waltraud	131,000.00	54,250.00
Löffler, Michael	36,000.00	15,500.00
Prof. Dr. Middelmann, Ulrich	53,000.00	23,250.00
Schröder, Lothar (Deputy Chairman)[d]	115,000.00	49,600.00
Dr. Schröder, Ulrich	47,000.00	20,150.00
Sommer, Michael	35,000.00	15,500.00
Spoo, Sibylle (since May 4, 2010)	22,000.00	10,333.33
Dr. h.c. Walter, Bernhard	115,000.00	51,150.00
	1,352,500.00	**590,291.66**

[a] In determining the amount to be recognized as a provision it was assumed that net profit per no par value share in 2012 would equal that in 2010. If so, entitlement per full year in the comparison period of 2009 to 2012 will be EUR 15,500.00. Upon application of the multiplying factor, the provision amount totals EUR 590,291.66.
[b] Lothar Holzwarth received compensation of EUR 11,333.33 from Telekom Deutschland GmbH (formerly T-Mobile Deutschland GmbH), Bonn, a wholly owned subsidiary of Deutsche Telekom AG, for the 2010 financial year for a mandate as member of the supervisory board of this company.
[c] Hans-Jürgen Kallmeier received compensation of EUR 833.33 from T-Systems International GmbH, Frankfurt/Main, a wholly owned subsidiary of Deutsche Telekom AG, for the 2010 financial year for a mandate as member of the supervisory board of this company.
[d] Lothar Schröder received compensation of EUR 18,800.00 from Telekom Deutschland GmbH (formerly T-Mobile Deutschland GmbH), Bonn, a wholly owned subsidiary of Deutsche Telekom AG, for the 2010 financial year for a mandate as member of the supervisory board of this company.

40 Declaration of conformity with the German Corporate Governance Code in accordance with § 161 AktG

In accordance with § 161 AktG, the Board of Management and the Supervisory Board of Deutsche Telekom AG have submitted the mandatory declaration of conformity and made it available to shareholders on Deutsche Telekom AG's website. The full text of the Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) under Investor Relations in the Corporate Governance section.

41 Events after the reporting period

Ministerial Decision on IKA-ETAM social security fund

The Greek Ministry of Labor and Social Affairs issued a Ministerial Decision and informed OTE that it may, subject to an audit, be required to make additional payments to cover a deficit in the fund. OTE has appealed the Ministerial Decision. In January 2011, the Greek Ministry of Labor and Social Affairs submitted a demand for payment of EUR 130 million to OTE. Before taking additional legal steps, OTE will again submit an objection against the demand for payment. The issue has been taken account of in the consolidated financial statements. OTE believes its chances of winning its case by filing an action are good.

Agreement concluded with French company Vivendi, Polish company Elektrim and the creditors of Elektrim

The agreement on ownership of the Polish mobile communications company PTC was signed on January 14, 2011. Deutsche Telekom paid EUR 1.4 billion in January 2011, and has now secured undisputed ownership of PTC. Deutsche Telekom holds all shares in PTC.

42 Auditors' fees and services in accordance with § 314 HGB

The following tables provide a breakdown of professional fees recognized as expenses in the 2010 financial year:

PricewaterhouseCoopers Aktiengesellschaft

millions of €	**2010**
Auditing services	5
Other assurance services	6
Tax advisory services	1
Other non-audit services	8
	20

Ernst & Young GmbH

millions of €	**2010**
Auditing services	7
Other assurance services	6
Tax advisory services	1
Other non-audit services	1
	15

Professional fees for auditing services include in particular fees for the statutory auditing of annual and consolidated financial statements as well as fees for other auditing services.

Professional fees for other assurance services primarily relate to fees for the review of the interim financial statements as well as auditing activities in connection with the documentation of the internal control system for financial reporting.

Professional fees for tax advisory services primarily include professional fees for tax advisory services performed as part of current or planned transactions.

Other non-audit services mainly relate to consulting services and assistance in connection with the Company's compliance with requirements stipulated by the Federal Network Agency and other authorities.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of Deutsche Telekom AG, 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.

Bonn, February 18, 2011

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

The following auditors' report (*Bestätigungsvermerk*) has been issued in accordance with §322 German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements and the group management report (*Konzernlagebericht*) of Deutsche Telekom Aktiengesellschaft as of and for the financial year ended December 31, 2010. The list of shareholdings in accordance with § 313 German Commercial Code (Handelsgesetzbuch) of Deutsche Telekom AG as of December 31, 2010, which is an integral part of the consolidated financial statements of Deutsche Telekom AG, and the group management report are neither included nor incorporated by reference in this offering memorandum.

Auditors' report

We have audited the consolidated financial statements prepared by Deutsche Telekom AG, Bonn, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes to the financial statements, together with the Group management report, which is combined with the management report of Deutsche Telekom AG, for the financial year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements comply with IFRS as issued by the IASB.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on our findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and IFRS as issued by the IASB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Frankfurt (Main), February 8, 2011 / February 18, 2011

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft	PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(millions of €)	Note	Dec. 31, 2009	Dec. 31, 2008[a]	Dec. 31, 2007[a]
Assets				
Current assets		23,012	15,431	15,845
Cash and cash equivalents	1	5,022	3,026	2,200
Trade and other receivables	2	6,757	7,393	7,696
Current recoverable income taxes	24	144	273	222
Other financial assets	8	2,001	1,692	1,919
Inventories	3	1,174	1,294	1,463
Non-current assets and disposal groups held for sale	4	6,527	434	1,103
Other assets		1,387	1,319	1,242
Non-current assets		104,762	107,709	104,828
Intangible assets	5	51,705	53,927	54,404
Property, plant and equipment	6	45,468	41,559	42,531
Investments accounted for using the equity method	7	147	3,557	118
Other financial assets	8	1,739	1,863	699
Deferred tax assets	24	5,162	6,234	6,610
Other assets		541	569	466
Total assets		**127,774**	**123,140**	**120,673**
Liabilities and shareholders' equity				
Current liabilities		24,794	24,242	22,504
Financial liabilities	9	9,391	9,584	8,364
Trade and other payables	10	6,304	7,073	6,823
Income tax liabilities	24	511	585	437
Other provisions	12	3,369	3,437	3,365
Liabilities directly associated with non-current assets and disposal groups held for sale	4	1,423	95	182
Other liabilities	13	3,796	3,468	3,333
Non-current liabilities		61,043	55,786	52,924
Financial liabilities	9	41,800	37,010	34,542
Provisions for pensions and other employee benefits	11	6,179	5,157	5,354
Other provisions	12	2,161	3,304	3,665
Deferred tax liabilities	24	7,153	7,108	6,675
Other liabilities	13	3,750	3,207	2,688
Liabilities		**85,837**	**80,028**	**75,428**
Shareholders' equity	14	41,937	43,112	45,245
Issued capital		11,165	11,165	11,165
Capital reserves		51,530	51,526	51,524
Retained earnings including carryforwards		(20,951)	(18,761)	(16,218)
Total other comprehensive income		(3,576)	(5,411)	(4,907)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale		(2,162)	-	-
Net profit		353	1,483	571
Treasury shares		(5)	(5)	(5)
Issued capital and reserves attributable to owners of the parent		36,354	39,997	42,130
Non-controlling interests		5,583	3,115	3,115
Total liabilities and shareholders' equity		**127,774**	**123,140**	**120,673**

[a] Figures for the prior-year reporting dates adjusted. Changes in the presentation of derivatives. For explanations, please refer to "Summary of accounting policies/Change in accounting policies."

CONSOLIDATED INCOME STATEMENT

(millions of €)	Note	2009	2008	2007
Net revenue	15	**64,602**	**61,666**	**62,516**
Cost of sales	16	(36,259)	(34,592)	(35,337)
Gross profit		**28,343**	**27,074**	**27,179**
Selling expenses	17	(15,863)	(15,952)	(16,644)
General and administrative expenses	18	(4,653)	(4,821)	(5,133)
Other operating income	19	1,504	1,971	1,645
Other operating expenses	20	(3,319)	(1,232)	(1,761)
Profit from operations		6,012	7,040	5,286
Finance costs	21	(2,555)	(2,487)	(2,514)
Interest income		341	408	261
Interest expense		(2,896)	(2,895)	(2,775)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	22	24	(388)	55
Other financial income (expense)	23	(826)	(713)	(374)
Profit (loss) from financial activities		**(3,357)**	**(3,588)**	**(2,833)**
Profit before income taxes		**2,655**	**3,452**	**2,453**
Income taxes	24	(1,782)	(1,428)	(1,373)
Profit		**873**	**2,024**	**1,080**
Profit (loss) attributable to		**873**	**2,024**	**1,080**
Owners of the parent (net profit (loss))		353	1,483	571
Non-controlling interests	25	520	541	509
Earnings per share/ADS	26			
Basic €		0.08	0.34	0.13
Diluted €		0.08	0.34	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(millions of €)	2009	2008	2007
Profit	**873**	**2,024**	**1,080**
Actuarial gains and losses on defined benefit pension plans	(461)	227	923
Revaluation due to business combinations	(38)	0	18
Exchange differences on translating foreign operations	(211)	(352)	(2,510)
Available-for-sale financial assets			
Recognition of other comprehensive income in income statement	0	0	(1)
Change in other comprehensive income (not recognized in income statement)	(4)	1	(1)
Fair value measurement of hedging instruments			
Recognition of other comprehensive income in income statement	8	(101)	3
Change in other comprehensive income (not recognized in income statement)	(56)	60	(118)
Other income and expense recognized directly in equity	11	(8)	0
Income taxes relating to components of other comprehensive income	138	(53)	(228)
Other comprehensive income	**(613)**	**(226)**	**(1,914)**
Total comprehensive income	**260**	**1,798**	**(834)**
Total comprehensive income attributable to	**260**	**1,798**	**(834)**
Owners of the parent	(261)	1,251	(1,346)
Non-controlling interests	521	547	512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Issued capital and reserves attributable to owners of the parent						
		Equity contributed		Consolidated shareholders' equity generated		Total other comprehensive income		
	Number of shares	Issued capital	Capital reserves	Retained earnings incl. carry-forwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets
	(thousands)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)
Balance at January 1, 2007	**4,361,119**	**11,164**	**51,498**	**(16,977)**	**3,173**	**(3,476)**	**436**	**4**
Changes in the composition of the Group				(5)				
Unappropriated profit (loss) carried forward				3,173	(3,173)			
Dividends				(3,124)				
Proceeds from the exercise of stock options	179	1	26					
Total comprehensive income				559	571	(2,523)	28	(2)
Transfer to retained earnings				156			(156)	
Balance at December 31, 2007	4,361,298	11,165	51,524	(16,218)	571	(5,999)	308	2
Balance at January 1, 2008	4,361,298	11,165	51,524	(16,218)	571	(5,999)	308	2
Changes in the composition of the Group								
Unappropriated profit (loss) carried forward				571	(571)			
Dividends				(3,386)				
Proceeds from the exercise of stock options	22		2					
Total comprehensive income				166	1,483	(357)		1
Transfer to retained earnings				106			(106)	
Balance at December 31, 2008	**4,361,320**	**11,165**	**51,526**	**(18,761)**	**1,483**	**(6,356)**	**202**	**3**
Balance at January 1, 2009	**4,361,320**	**11,165**	**51,526**	**(18,761)**	**1,483**	**(6,356)**	**202**	**3**
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			4					
Total comprehensive income				(333)	353	(221)	(38)	(6)
Transfer to retained earnings				46			(46)	
Balance at December 31, 2009	**4,361,320**	**11,165**	**51,530**	**(20,951)**	**353**	**(6,577)**	**118**	**(3)**

	Issued capital and reserves attributable to owners of the parent – Total other comprehensive income				Total	Non-controlling interests	Total shareholders' equity
	Cash flow hedges	Other com-prehensive income	Taxes	Treasury shares			
	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)	(millions of €)
Balance at January 1, 2007	1,241	0	(480)	(5)	46,578	3,100	49,678
Changes in the composition of the Group					(5)		(5)
Unappropriated profit (loss) carried forward					0		0
Dividends					(3,124)	(497)	(3,621)
Proceeds from the exercise of stock options					27		27
Total comprehensive income	(115)		136		(1,346)	512	(834)
Transfer to retained earnings					0		0
Balance at December 31, 2007	1,126	0	(344)	(5)	42,130	3,115	45,245
Balance at January 1, 2008	1,126	0	(344)	(5)	42,130	3,115	45,245
Changes in the composition of the Group					0	(2)	(2)
Unappropriated profit (loss) carried forward					0		0
Dividends					(3,386)	(545)	(3,931)
Proceeds from the exercise of stock options					2		2
Total comprehensive income	(41)	(11)	10		1,251	547	1,798
Transfer to retained earnings					0		0
Balance at December 31, 2008	1,085	(11)	(334)	(5)	39,997	3,115	43,112
Balance at January 1, 2009	1,085	(11)	(334)	(5)	39,997	3,115	43,112
Changes in the composition of the Group					0	2,783	2,783
Unappropriated profit (loss) carried forward					0		0
Dividends					(3,386)	(840)	(4,226)
Proceeds from the exercise of stock options					4	4	8
Total comprehensive income	(48)	11	21		(261)	521	260
Transfer to retained earnings					0		0
Balance at December 31, 2009	1,037	0	(313)	(5)	36,354	5,583	41,937

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of €)	Note	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
	30			
Profit		**873**	**2,024**	**1,080**
Depreciation, amortization and impairment losses		13,894	10,975	11,611
Income tax expense (benefit)		1,782	1,428	1,373
Interest income and interest expense		2,555	2,487	2,514
Other financial (income) expense		826	713	374
Share of (profit) loss of associates and joint ventures accounted for using the equity method		(24)	388	(55)
(Profit) loss on the disposal of fully consolidated subsidiaries		(26)	(455)	(379)
Other non-cash transactions		(230)	(147)	124
(Gain) loss from the disposal of intangible assets and property, plant and equipment		51	70	(42)
Change in assets carried as working capital		1,936	286	(1,072)
Change in provisions		(891)	493	1,825
Change in other liabilities carried as working capital		(1,818)	(130)	(1,391)
Income taxes received (paid)		(928)	(520)	171
Dividends received		29	13	36
Net payments from entering into or canceling interest rate swaps[a]		242	-	-
Cash generated from operations		**18,271**	**17,625**	**16,169**
Interest paid		(3,456)	(3,431)	(4,005)
Interest received		980	1,174	1,550
Net cash from operating activities		**15,795**	**15,368**	**13,714**
Cash outflows for investments in				
Intangible assets		(1,598)	(1,799)	(1,346)
Property, plant and equipment		(7,604)	(6,908)	(6,669)
Non-current financial assets		(176)	(3,261)	(264)
Investments in fully consolidated subsidiaries and business units		(1,007)	(1,030)	(1,547)
Proceeds from disposal of				
Intangible assets		7	34	39
Property, plant and equipment		369	338	722
Non-current financial assets		99	102	133
Investments in fully consolidated subsidiaries and business units		116	778	888
Net change in short-term investments and marketable securities and receivables		(320)	611	(60)
Net change in cash and cash equivalents due to the first-time full consolidation of OTE		1,558	-	-
Other		(93)	(249)	50
Net cash used in investing activities		**(8,649)**	**(11,384)**	**(8,054)**
Proceeds from issue of current financial liabilities		3,318	39,281	32,514
Repayment of current financial liabilities		(9,314)	(44,657)	(35,259)
Proceeds from issue of non-current financial liabilities		5,379	6,477	1,586
Repayment of non-current financial liabilities		(93)	(96)	(1,020)
Dividend payments		(4,287)	(3,963)	(3,762)
Proceeds from the exercise of stock options		2	3	24
Repayment of lease liabilities		(128)	(142)	(208)
Net cash used in financing activities		**(5,123)**	**(3,097)**	**(6,125)**
Effect of exchange rate changes on cash and cash equivalents		58	(61)	(100)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale		(85)	-	-
Net increase (decrease) in cash and cash equivalents		**1,996**	**826**	**(565)**
Cash and cash equivalents, at the beginning of the year		3,026	2,200	2,765
Cash and cash equivalents, at the end of the year		5,022	3,026	2,200

[a] Adjusted. For explanations, please refer to “Summary of accounting policies/Change in accounting policies.”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of accounting policies

General information

The Deutsche Telekom Group (hereinafter referred to as "Deutsche Telekom" or the "Group") is one of the world's leading service providers in the telecommunications and information technology sector. With its five operating segments, Germany, United States, Europe, Southern and Eastern Europe and Systems Solutions, as well as Group Headquarters & Shared Services, Deutsche Telekom covers the full range of state-of-the-art telecommunications and information technology services.

The Company was entered as Deutsche Telekom AG in the commercial register of the Bonn District Court (Amtsgericht - HRB 6794) on January 2, 1995.

The Company has its registered office in Bonn, Germany. Its address is Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

The declaration of conformity with the German Corporate Governance Code required pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) was released and made available to shareholders. This Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) via the following path: Investor Relations/Corporate Governance/Declaration of Conformity.

In addition to Frankfurt/Main, other German stock exchanges, and Tokyo, Deutsche Telekom shares are also traded on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The annual financial statements of Deutsche Telekom AG as well as the consolidated financial statements of Deutsche Telekom AG, which have an unqualified audit opinion from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, are published in the electronic Federal Gazette (elektronischer Bundesanzeiger). This annual report and the Annual Report on Form 20-F, filed with the SEC due to Deutsche Telekom's listing on the NYSE, are available upon request from Deutsche Telekom AG, Bonn, Investor Relations, and on the Internet at www.telekom.com.

The consolidated financial statements of Deutsche Telekom for the 2009 financial year were released for publication by the Board of Management on February 8, 2010.

Basis of preparation

The consolidated financial statements of Deutsche Telekom have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in § 315a (1) of the German Commercial Code (Handelsgesetzbuch - HGB). All IFRSs issued by the International Accounting Standards Board (IASB), effective at the time of preparing the consolidated financial statements and applied by Deutsche Telekom, have been adopted for use in the EU by the European Commission. The consolidated financial statements of Deutsche Telekom thus also comply with IFRS as issued by the IASB. Therefore the term IFRS is used in the following.

The financial year corresponds to the calendar year. Due to a change in accounting policies, the consolidated statement of financial position includes comparative amounts for two reporting dates. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows include two comparative years.

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities, some of which are broken down further by their respective maturities in the notes to the financial statements. The consolidated income statement is presented using the cost-of-sales method. Under this format, net revenue is compared against the expenses incurred to generate these revenues, classified into cost of sales, selling, and general and administrative functions. The consolidated financial statements are prepared in euros.

The financial statements of Deutsche Telekom AG and its subsidiaries included in the consolidated financial statements were prepared using uniform group accounting policies.

Initial application of standards, interpretations and amendments to standards and interpretations in the financial year

In the financial year, Deutsche Telekom for the first time applied the following IASB pronouncements and/or amendments to such pronouncements that have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows:

- IAS 1 "Presentation of Financial Statements",
- Amendments resulting from the Annual Improvements Project, May 2008,
- IAS 23 "Borrowing Costs", and
- IFRS 7 "Financial Instruments: Disclosures."

For further details of the effects of the initial application, please refer to the section "Change in accounting policies."

None of the following IASB pronouncements or amendments to such pronouncements that are applicable in the 2009 financial year for the first time had any impact or a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

Pronouncement	Date of issue by the IASB	Title
IFRIC 13	June 28, 2007	Customer Loyalty Programmes
IFRS 2	January 17, 2008	Share-based Payment
IAS 32	February 14, 2008	Financial Instruments: Presentation
IFRS 1/IAS 27	May 22, 2008	First-time Adoption of International Financial Reporting Standards/Consolidated and Separate Financial Statements
IFRIC 15	July 3, 2008	Agreements for the Construction of Real Estate
IFRIC 16	July 3, 2008	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	January 29, 2009	Transfer of Assets from Customers
IFRIC 9/IAS 39	March 12, 2009	Reassessment of Embedded Derivatives / Financial Instruments: Recognition and Measurement

Standards, interpretations and amendments issued, but not yet adopted

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 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 consideration classified as a liability 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.

The revised IFRS 3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first financial year beginning on or after July 1, 2009. Earlier application is permitted, however, at the earliest at the beginning of a financial year beginning on or after June 30, 2007. The provisions of IAS 27 shall be effective for financial years beginning on or after July 1, 2009. Earlier application is permitted. However, the earlier application of one of these two standards requires that the other standard is also applied at the same earlier time. Deutsche Telekom will apply the amendments to IFRS 3 and IAS 27 for business combinations and transactions with subsidiaries after January 1, 2010 for the first time.

In July 2008, the IASB issued an amendment to **IAS 39 “Financial Instruments: Recognition and Measurement.”** 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. The amendment to IAS 39 is effective for financial years beginning on or after July 1, 2009. The provisions are to be applied retrospectively. The amendment to the standard is not expected to have a material impact on the presentation of Deutsche Telekom’s results of operations, financial position or cash flows.

In November 2008, the IASB issued the revised **IFRS 1 “First-time Adoption of International Financial Reporting Standards.”** The revised standard is effective for financial years beginning on or after July 1, 2009. In addition, IFRS 1 was amended in July 2009 to add two additional exemptions for first-time adopters. These exemptions are effective for financial years beginning on or after January 1, 2010. In January 2010, IFRS 1 was extended once again by some minor supplements, which are mandatory from July 1, 2010. None of the amendments to IFRS 1 are relevant for Deutsche Telekom’s financial reporting.

In November 2008, the IFRIC issued **IFRIC 17 “Distribution of Non-Cash Assets to Owners.”** 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. IFRIC 17 is effective for financial years beginning on or after July 1, 2009. The adoption of IFRIC 17 is not expected to 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. Unless otherwise specified in the respective standard, the amendments are effective for financial years beginning on or after January 1, 2010. The amendments are not expected to 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."** 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. The amendments to IFRS 2 are effective retrospectively for financial years beginning on or after January 1, 2010. The amendments are not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In October 2009, the IASB issued an amendment to **IAS 32 "Financial Instruments: Presentation."** This amendment clarifies the classification of rights issues as equity or liabilities when the rights are denominated in a currency other than the issuer's functional currency. Previously, such rights issues had been accounted for as derivative liabilities. The amendment requires that if such rights are issued pro rata to an entity's shareholders for a fixed amount of currency, they are to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for financial years beginning on or after February 1, 2010. The amendment is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In November 2009, the IASB issued amendments to **IAS 24 "Related Party Disclosures."** Previously, entities that are controlled or significantly influenced by a government had been required to disclose information about all transactions with entities that are controlled or significantly influenced by the same state. The revised standard still requires disclosures that are important to users of financial statements. However, in the future, information that is costly to produce or that is of little value for users of financial statements will be exempt from this requirement. Only information on transactions that are individually or collectively significant is still to be disclosed. In addition, the definition of a related party was simplified and a number of inconsistencies were eliminated. The revised standard is effective retrospectively for financial years beginning on or after January 1, 2011. The amendments are not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In November 2009, the IASB issued IFRS 9 "Financial Instruments."The standard is the result of the first of three phases of the project to replace IAS 39 **"Financial Instruments: Recognition and Measurement" with IFRS 9**. IFRS 9 governs the classification and measurement of financial assets. The other phases of the project, in which the classification and measurement of financial liabilities, the impairment of financial instruments, and hedge accounting will be revised, as well as a further project on the derecognition of financial instruments, have not yet been finalized. The IASB is aiming to replace IAS 39 in its entirety by the end of 2010. IFRS 9 requires financial assets to be assigned to one of the following two measurement categories: "at amortized cost" or "at fair value." IFRS 9 also grants a fair value option which allows financial assets that would normally be assigned to the "at amortized cost" category to be designated as "at fair value" if the fair value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the "at fair value" category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition to designate it as "at fair value" through other comprehensive income. Dividend income resulting from the equity instrument is recognized in profit or loss. IFRS 9 is effective for financial years beginning on or after January 1, 2013. The provisions are to be applied retrospectively. Deutsche Telekom is currently analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In November 2009, the IASB issued an amendment to its requirements on accounting for pension plans. The amendment is to **IFRIC 14 "Prepayments of a Minimum Funding Requirement",** which is an interpretation of IAS 19 "Employee Benefits." The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of January 1, 2011. Retrospective adoption is required. Deutsche Telekom is currently analyzing the resulting effects on the presentation of results of operations, financial position or cash flows.

In November 2009, the IASB issued the interpretation **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments."** The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to settle the financial liabilities fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability fully or partially. In addition, these equity instruments are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The interpretation is effective for financial years beginning on or after July 1, 2010. The adoption of IFRIC 19 is not expected to have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

Change in accounting policies

Deutsche Telekom changed the structure of its operating segments in the 2009 financial year. In addition, the following changes in accounting policies primarily resulted from the adoption of pronouncements or amendments to pronouncements that were applicable for the first time.

Changes to the structure of the operating segments

- Since July 1, 2009, Deutsche Telekom's organizational structure has reflected the realigned management structure approved by the Supervisory Board on April 29, 2009. The new structure increases regional market responsibility in the combined fixed-network and mobile communications business. The realignment also resulted in a change to the structure of the operating segments from July 1, 2009. Since July 1, 2009, Deutsche Telekom has reported on the five operating segments Germany, United States, Europe, Southern and Eastern Europe, and Systems Solutions, as well as on Group Headquarters & Shared Services.
- To implement its "Focus, fix and grow" strategy, Deutsche Telekom transferred around 160,000 business customers from T-Systems to the former Broadband/Fixed Network operating segment (since July 1, 2009: Germany operating segment) under the umbrella of T-Home and Sales & Service with effect from January 1, 2009. At the same time, the Business Customers operating segment was renamed Systems Solutions.

Changes in accounting policies

In September 2007, the IASB issued an amendment to **IAS 1 "Presentation of Financial Statements."** The amendments to IAS 1 are effective for financial years beginning on or after January 1, 2009. In accordance with the requirements of IAS 1, Deutsche Telekom has retrospectively adjusted the presentation of its results of operations, financial position and cash flows as follows:

- All changes in shareholders' equity resulting from transactions with owners are presented separately from those changes in shareholders' equity not resulting from transactions with owners (non-owner changes).
- Income and expenses are presented separately from transactions with owners in two components of the financial statements (consolidated income statement and consolidated statement of comprehensive income).
- The components of "Other comprehensive income" are presented in the consolidated statement of comprehensive income.
- "Total other comprehensive income" is presented in the consolidated statement of changes in equity.

IAS 1 also requires the relevant amount of income tax per component of "Other comprehensive income" to be stated and the amounts reclassified as "Other comprehensive income" to be presented.

Deutsche Telekom adopted the amendments to IAS 1 in the 2009 financial year and changed the presentation of its financial statements accordingly.

As a result of the first **Annual Improvements Project**, the IASB issued a collective standard with amendments to various IFRSs in May 2008. It relates to a large number of smaller amendments to existing standards whose implementation was regarded as necessary, but non-urgent. In the collective standard, the IASB clarified that derivative financial instruments classified as held for trading are not always required to be presented in the statement of financial position as current assets or liabilities. Since January 1, 2009, Deutsche Telekom has therefore reported its held-for-trading derivative financial instruments as either current or non-current depending on the maturity of the particular contract. The figures for the comparative reporting dates have been adjusted accordingly.

The retrospective amendment of the disclosure of derivative financial instruments classified as held for trading had the following effects on the presentation of the consolidated statements of financial position as of December 31, 2008 and 2007:

(millions of €)		Dec. 31, 2008			Dec. 31, 2007	
	Before amendment	Amendment	After amendment	Before amendment	Amendment	After amendment
Assets						
Current assets						
Other financial assets	2,169	(477)	1,692	2,019	(100)	1,919
Non-current assets						
Other financial assets	1,386	477	1,863	599	100	699
Liabilities						
Current liabilities						
Financial liabilities	10,208	(624)	9,584	9,075	(711)	8,364
Non-current liabilities						
Financial liabilities	36,386	624	37,010	33,831	711	34,542

The amendment does not affect any other items in the statement of financial position. Prior-year figures included in all disclosures relating to items presented here were adjusted accordingly.

The other amendments to IFRSs resulting from the collective standard did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

Deutsche Telekom adjusted the **presentation of its statement of cash flows** in 2009. Net payments from entering into or canceling interest rate swaps are disclosed as cash generated from operations under "Net cash from operating activities" and no longer under "Net cash used in/from investing activities." Deutsche Telekom believes that this change better reflects the economic nature of the transaction.

In March 2007, the IASB issued an amendment to **IAS 23 "Borrowing Costs."** The amendment to the standard mainly relates to the elimination of the option of recognizing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as an expense. In accordance with Deutsche Telekom's accounting principles, qualifying assets are construction projects or other assets for which a period of at least twelve months is necessary in order to get them ready for their intended use or sale. Borrowing costs relating to assets measured at fair value and to inventories that are manufactured or produced in large quantities on a repetitive basis must not be capitalized, even if they take a substantial period of time to get ready for use or sale. For further details, please refer to Note 21.

On March 5, 2009, the IASB issued amendments to **IFRS 7 "Financial Instruments: Disclosures."** The amendments are entitled "Improving Disclosures about Financial Instruments – Amendments to IFRS 7" and also contain minor changes to IFRS 4 "Insurance Contracts." The amendments to IFRS 7 relate to disclosures about fair value measurements and disclosures about liquidity risk. The disclosures about fair value measurements specify that a table must be provided for each class of financial instruments on the basis of a three-level fair value hierarchy. The scope of the disclosure requirements is also expanded. A distinction is made between three measurement categories:

- **Level 1:** At the top level of the fair value hierarchy, fair values are determined based on quoted prices because the best objective evidence of the fair value of a financial asset or financial liability is quoted prices in an active market.
- **Level 2:** If the market for a financial instrument is not active, an entity can establish fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.
- **Level 3:** The valuation techniques used at this level are not based on observable market data.

Disclosures about liquidity risk are also clarified and expanded. For example, the maturity analysis must be divided into disclosures about derivative and non-derivative financial liabilities. The amendments shall be applied for financial years beginning on or after January 1, 2009. For further details, please refer to Note 21.

Accounting policies

Intangible assets (excluding goodwill) with finite useful lives, including UMTS licenses, are measured at cost and amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount, which is measured at the higher of fair value less costs to sell and value in use, is lower than the carrying amount. Indefinite-lived intangible assets (mobile communications licenses granted by the Federal Communications Commission in the United States (FCC licenses)) are carried at cost. While FCC licenses are issued for a fixed time, renewals of FCC licenses have occurred routinely and at nominal costs. Moreover, Deutsche Telekom has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of the FCC licenses, and therefore treats the FCC licenses as an indefinite-lived intangible asset. They are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The useful lives and the amortization method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8.

Amortization of mobile communications licenses begins as soon as the related network is ready for use. The useful lives of mobile communications licenses are determined based on several factors, including the term of the licenses granted by the respective regulatory body in each country, the availability and expected cost of renewing the licenses, as well as the development of future technologies. The remaining useful lives of the Company's mobile communications licenses are as follows:

	Years
Mobile communications licenses:	
FCC licenses	Indefinite
UMTS licenses	5 to 15
GSM licenses	1 to 15

Development expenditures are capitalized if they meet the criteria for recognition as assets and are amortized over their useful lives. **Research expenditures** are not capitalized and are expensed as incurred.

Goodwill is not amortized, but is tested for impairment based on the recoverable amount of the cash-generating unit to which the goodwill is allocated (impairment-only approach). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment test must be performed annually, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit must be reduced in the amount of the difference. Impairment losses for goodwill may not be reversed. If the impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognized through the pro-rata reduction of the carrying amounts of the assets allocated to the cash-generating unit. Deutsche Telekom determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell, unless a higher value in use can be determined. The fair value less costs to sell is generally determined based on discounted cash flow calculations. These discounted cash flow calculations use projections that are based on financial budgets approved by management covering a ten-year-period and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the ten-year-period are extrapolated using appropriate growth rates. Key assumptions on which management has based its determination of fair value less costs to sell include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, growth rates and discount rates. Cash flow calculations are supported by external sources of information.

Property, plant and equipment is carried at cost less straight-line depreciation, and impairment losses, if applicable. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8. In addition to directly attributable costs, the costs of internally developed assets include proportionate indirect material and labor costs, as well as administrative expenses relating to production or the provision of services. In addition to the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, costs also include the estimated costs for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Investment grants received reduce the cost of the assets for which the grants were made.

On disposal of an item of property, plant and equipment or when no future economic benefits are expected from its use or disposal, the carrying amount of the item is derecognized. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognized as other operating income or other operating expenses when the item is derecognized. The useful lives of material asset categories are presented in the following table:

	Years
Buildings	25 to 50
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment and technical equipment for broadband distribution networks	2 to 12
Broadband distribution networks, outside plant networks and cable conduit lines	8 to 35
Other equipment, operating and office equipment	2 to 23

Leasehold improvements are depreciated over the shorter of their useful lives or lease terms.

Impairment of intangible assets and items of property, plant and equipment is identified by comparing the carrying amount with the recoverable amount. If no future cash flows generated independently of other assets can be allocated to the individual assets, recoverability is tested on the basis of the cash-generating unit to which the assets can be allocated. At each reporting date, Deutsche Telekom assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or cash-generating unit must be determined. In addition, annual impairment tests are carried out for intangible assets with indefinite useful lives (FCC licenses). The recoverable amount of a cash-generating unit is the higher of the cash-generating unit’s fair value less costs to sell and its value in use. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply and the asset is recognized at a value that would have been applied if no impairment losses had been recognized in prior periods.

The recoverable amount of the cash-generating units is generally determined using discounted cash flow calculations. Cash flows are projected over the estimated useful life of the asset or cash-generating unit. The discount rate used reflects the risk specific to the asset or cash-generating unit. The cash flows used reflect management assumptions and are supported by external sources of information.

Beneficial ownership of **leased assets** is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred. If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the statement of financial position by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease), the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

Investment property consists of all property held to earn rentals or for capital appreciation and not used in production or for administrative purposes. Investment property is measured at cost less any accumulated depreciation and impairment losses.

Non-current assets and disposal groups held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of the carrying amount and fair value less costs to sell and are classified as non-current assets and disposal groups held for sale. Such assets are no longer depreciated. As a rule, impairment of such assets is only recognized if fair value less costs to sell is lower than the carrying amount. If fair value less costs to sell subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. The assets are to be measured at the lower of the carrying amount that would have applied if the asset had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

Inventories are carried at the lower of net realizable value or cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Deutsche Telekom sells handsets separately and in connection with service contracts. As part of the strategy to acquire new customers, it sometimes sells handsets, in connection with a service contract, at below its acquisition cost. As the handset subsidy is part of the Company's strategy for acquiring new customers, the loss on the sale of handsets is recognized at the time of the sale and, as a rule, shown under cost of sales.

Pension obligations and other employee benefits

The Group arranges defined benefit pension plans in different countries on the basis of the pensionable compensation of its employees and their length of service. Some of these pension plans are financed through external pension funds.

Provisions for pensions are measured using the projected unit credit method for defined benefit plans, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations was set on the basis of the yield on high-quality corporate bonds in the respective currency area. In countries without a deep market for such bonds, estimates based on the yield on government bonds were used instead. Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are recognized in the period in which they occur outside profit or loss within equity (retained earnings). The return on plan assets is classified in interest income. Service costs are classified as operating expenses. Past service costs are recognized immediately to the extent that the benefits are vested; otherwise, they are recognized on a straight-line basis over the average remaining vesting period.

The majority of the Group's defined benefit plans are pension plans in Germany. Other significant pension plans are offered in Switzerland, Greece, and a number of other European Union countries.

In addition to the Group's pension obligations for non-civil servants in Germany based on direct and indirect pension commitments, there are further obligations under Article 131 of the Basic Law (Grundgesetz – GG). Since 1996, the pension commitments in Germany have been based on direct pension commitments in the form of credits to capital accounts held by employees. Within the scope of the realignment of the company pension plan in 1997, existing commitments were transferred to these capital accounts in accordance with an agreement for the protection of vested benefits. The benefit obligations due to retirees and employees approaching retirement remained unchanged.

Individual Group entities grant **defined contribution plans** to their employees. Under defined contribution plans, the employer does not assume any other obligations above and beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. The amounts payable are expensed when the obligation to pay the amounts is established, and classified as expenses.

Civil-servant retirement arrangements at Deutsche Telekom. In accordance with the provisions of the German Posts and Telecommunications Reorganization Act (Postneuordnungsgesetz), the Federal Pension Service for Post and Telecommunications (Bundes-Pensions-Service für Post und Telekommunikation e.V. - BPS-PT) for current and former employees with civil servant status makes pension and allowance payments to retired employees and their surviving dependents who are entitled to pension payments as a result of civil-servant status. The level of Deutsche Telekom's payment obligations to its special pension fund is defined under § 16 of the German Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz – PostPersRG). Since 2000, Deutsche Telekom AG has been legally obliged to make an annual contribution to the special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence.

Part-time working arrangements for employees approaching retirement are largely based on the block model of the partial retirement arrangement (Altersteilzeit). Two types of obligations, both measured at their present value in accordance with actuarial principles, arise and are accounted for separately. The first type of obligation relates to the cumulative outstanding settlement amount, which is recorded on a pro-rata basis during the active/working phase. The cumulative outstanding settlement amount is based on the difference between the employee's remuneration before entering partial retirement (including the employer's social security contributions) and the remuneration for the part-time service (including the employer's social security contributions, but excluding top-up payments). The second type of obligation relates to the employer's obligation to make top-up payments plus an additional contribution to the statutory pension scheme and is recognized in full when the obligation arises.

Provisions for voluntary redundancy and severance payments and in connection with early retirement arrangements for civil servants are recognized when Deutsche Telekom is demonstrably committed to granting those benefits. This is the case when Deutsche Telekom has a detailed formal plan for the termination of the employment relationship and is without realistic possibility of withdrawal. The termination benefits are measured based on the number of employees expected to be affected by the measures. Where termination benefits fall due more than twelve months after the reporting date, the expected amount to be paid is discounted to the reporting date.

Other provisions are recognized where Deutsche Telekom has legal or constructive obligations to third parties on the basis of past transactions or events that will probably require an outflow of resources to settle, and this outflow can be reliably measured. These provisions are carried at their expected settlement amount, taking into account all identifiable risks, and may not be offset against reimbursements. The settlement amount is calculated on the basis of a best estimate. Provisions are discounted when the effect of the time value of money is material. Changes in estimates of the amount and timing of payments or changes in the discount rate applied in measuring provisions for decommissioning, restoration, and similar obligations are recognized in accordance with the change in the carrying amount of the related asset. Where the decrease in the amount of a provision exceeds the carrying amount of the related asset, the excess is recognized immediately in profit or loss. Provisions are recognized for external legal fees related to litigation risks.

Contingencies (contingent liabilities and assets) are potential liabilities or assets arising from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of Deutsche Telekom. Contingent liabilities can also be present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured reliably. Contingent liabilities are only recognized at their fair value if they were assumed in the course of a business combination. Contingent liabilities not assumed in the course of a business combination are not recognized. Contingent assets are not recognized. However, when the realization of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, liabilities to non-banks from promissory notes, and derivative financial liabilities. Financial instruments are recognized as soon as Deutsche Telekom becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale (purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned), the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Deutsche Telekom. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis. To the extent that contracts to buy or sell non-financial assets fall within the scope of IAS 39, they are accounted for in accordance with this standard.

Financial assets are measured at fair value on initial recognition. For all financial assets not subsequently remeasured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are taken into account. The fair values recognized in the statement of financial position are generally based on the market prices of the financial assets. If these are not available, they must be calculated using standard valuation models on the basis of current market parameters. For this calculation, the cash flows already fixed or determined by way of forward rates using the current yield curve are discounted at the measurement date using the discount factors calculated from the yield curve applicable at the reporting date. Middle rates are used.

Cash and cash equivalents, which include cash accounts and short-term cash deposits at banks, have maturities of up to three months when initially recognized and are measured at amortized cost.

Trade and other current receivables are measured at the amount the item is initially recognized less any impairment losses using the effective interest method, if applicable. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the derecognition of the respective receivables. For allowances, financial assets that may need to be written down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment and written down, if necessary. When the expected future cash flows of the portfolio are being calculated as required for this, previous cases of default are taken into consideration in addition to the cash flows envisaged in the contract. The cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets contained in the relevant portfolio.

Impairment losses on trade accounts receivable are recognized in some cases using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. As there is a variety of operating segments and regional circumstances, this decision is the responsibility of the respective portfolio managers.

Other non-current receivables are measured at amortized cost using the effective interest method.

Financial assets held for trading are measured at fair value. These mainly include derivatives that are not part of an effective hedging relationship as set out in IAS 39 and therefore shall be classified as held for trading. Any gains or losses arising from subsequent measurement are recognized in the income statement.

Certain types of investment are intended and expected to be **held to maturity** with reasonable economic certainty. These financial assets are measured at amortized cost using the effective interest method.

Other non-derivative financial assets are classified as **available for sale** and generally measured at fair value. The gains and losses arising from fair value measurement are recognized directly in equity, unless the impairment is permanent or significant, or the changes in the fair value of debt instruments resulting from currency fluctuations are recognized in profit or loss. The cumulative gains and losses arising from fair value measurement are only recognized in profit or loss on disposal of the related financial assets. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Deutsche Telekom has not yet made use of the option of designating financial assets upon initial recognition as **financial assets at fair value through profit or loss**.

The carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested at each reporting date to determine whether there is objective, material evidence of impairment (e.g., a debtor is facing serious financial difficulties, it is highly probable that insolvency proceedings will be initiated against the debtor, an active market for the financial asset disappears, there is a substantial change in the technological, economic or legal environment and the market environment of the issuer, or there is a continuous decline in the fair value of the financial asset to a level below amortized cost). Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss. Where impairments of the fair values of available-for-sale financial assets were recognized directly in equity in the past, these must now be reclassified from equity in the amount of the impairment determined and reclassified to the income statement. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed in the appropriate amount. In the case of debt instruments, these reversed impairment losses are recognized in profit or loss. Impairment losses on unquoted equity instruments that are classified as available for sale and carried at cost may not be reversed. Both the fair value of held-to-maturity securities to be determined by testing for impairment and the fair value of the loans and receivables measured at amortized cost, which are required for impairment testing, correspond to the present value of the estimated future cash flows, discounted using the original effective interest rate. The fair value of unquoted equity instruments measured at cost is calculated as the present value of the expected future cash flows, discounted using the current interest rate that corresponds to the investment's special risk position.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognized.

Trade payables and other non-derivative financial liabilities are generally measured at amortized cost using the effective interest method.

The Group has not yet made use of the option to designate financial liabilities upon initial recognition **as financial liabilities at fair value through profit or loss.**

Derivatives that are not part of an effective hedging relationship as set out in IAS 39 must be classified as held for trading and measured at fair value through profit or loss. If the fair values are negative, the derivatives are recognized as financial liabilities.

Deutsche Telekom uses **derivatives** to hedge the interest rate and currency risks resulting from its operating, financing, and investing activities.

The Company does not hold or issue derivatives for speculative trading purposes.

Derivatives are carried at their fair value upon initial recognition. The fair values are also relevant for subsequent measurement. The fair value of traded derivatives is equal to their market value, which can be positive or negative. If there is no market value available, the fair value is determined using standard financial valuation models.

The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were discontinued at the reporting date. This is calculated on the basis of the contracting parties' relevant exchange rates and interest rates at the reporting date. Calculations are made using middle rates.

In the case of interest-bearing derivatives, a distinction is made between the “clean price” and the “dirty price.” In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Recording the changes in the fair values - in either the income statement or directly in equity - depends on whether or not the derivative is part of an effective hedging relationship as set out in IAS 39. If **hedge accounting** pursuant to IAS 39 is not employed, the changes in the fair values of the derivatives must be recognized in profit or loss. If, on the other hand, an effective hedging relationship as set out in IAS 39 exists, the hedge will be recognized as such.

Deutsche Telekom applies **hedge accounting** to hedge items in the statement of financial position and future cash flows, thus reducing income statement volatility. A distinction is made between fair value hedges, cash flow hedges, and hedges of a net investment in a foreign operation depending on the nature of the hedged item.

Fair value hedges are used to hedge the fair values of assets recognized in the statement of financial position, liabilities recognized in the statement of financial position, or firm commitments not yet recognized in the statement of financial position. Any change in the fair value of the derivative designated as the hedging instrument is recognized in profit or loss; the carrying amount of the hedged item is adjusted by the profit or loss to the extent of the hedged risk (basis adjustment). The adjustments to the carrying amount are not amortized until the hedging relationship has been discontinued.

Cash flow hedges are used to hedge against fluctuations in future cash flows from assets and liabilities recognized in the statement of financial position, from firm commitments (in the case of currency risks), or from highly probable forecast transactions. To hedge the currency risk of an unrecognized firm commitment, Deutsche Telekom makes use of the option to recognize this as a cash flow hedge rather than a fair value hedge. If a cash flow hedge is employed, the effective portion of the change in the fair value of the hedging instrument is recognized in equity (hedging reserve) until the gain or loss on the hedged item is realized; the ineffective portion of the hedging instrument is recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial or non-financial asset or liability, the associated cumulative gains and losses that were recognized directly in equity are reclassified into profit or loss in the same periods during which the financial asset acquired or the financial liability assumed affects profit or loss for the period. In doing so, Deutsche Telekom has decided not to make use of the basis adjustment option for hedging forecast transactions when non-financial items in the statement of financial position arise.

If **hedges of a net investment** in a foreign operation are employed, all gains or losses on the effective portion of the hedging instrument, together with any gains or losses on the foreign-currency translation of the hedged investment, are taken directly to equity. Any gains or losses on the ineffective portion are recognized immediately in profit or loss. The cumulative remeasurement gains and losses on the hedging instrument that had previously been recognized directly in equity and the gains and losses on the currency translation of the hedged item are recognized in profit or loss only on disposal of the investment.

IAS 39 sets out strict requirements on the use of hedge accounting. These are fulfilled at Deutsche Telekom by documenting, at the inception of a hedge, both the relationship between the financial instrument used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This involves concretely assigning the hedging instruments to the corresponding assets or liabilities or (firmly agreed/expected) future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis; ineffective hedges are discontinued immediately.

Deutsche Telekom also employs hedges that do not satisfy the strict hedge accounting criteria of IAS 39 but which make an effective contribution to hedging the financial risk in accordance with the principles of risk management. Furthermore, Deutsche Telekom does not use hedge accounting in accordance with IAS 39 to hedge the foreign-currency exposure of recognized monetary assets and liabilities, because the gains and losses on the hedged item from currency translation that are recognized in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments.

Stock options (equity-settled share-based payment transactions) are measured at fair value on the grant date. The fair value of the obligation is recognized as personnel costs over the vesting period. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Obligations arising from cash-settled share-based payment transactions are recognized as a liability and measured at fair value at the reporting date. The expenses are recognized over the vesting period. For both cash-settled and equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques, such as the Black-Scholes model or the Monte Carlo model.

Revenues include all revenues from the ordinary business activities of Deutsche Telekom. Revenues are recorded net of value-added tax and other taxes collected from customers that are remitted to governmental authorities. They are recognized in the accounting period in which they are earned in accordance with the realization principle. Customer activation fees are deferred and amortized over the estimated average period of customer retention, unless they are part of a multiple-element arrangement, in which case they are a component of the arrangement consideration to be paid by the customer. Activation costs and costs of acquiring customers are deferred, up to the amount of deferred customer activation fees, and recognized over the average customer retention period.

For **multiple-element arrangements**, revenue recognition for each of the units of accounting (elements) identified must be determined separately. Revenue is recognized on the basis of the fair value of the individual elements. Arrangements involving the delivery of bundled products or services shall be separated into individual elements, each with its own separate revenue contribution. Total arrangement consideration relating to the bundled contract is allocated among the different elements based on their relative fair values (i.e., a ratio of the fair value of each element to the aggregated fair value of the bundled deliverables is generated). The relative fair value of an individual element and thus the revenue recognized for this unit of accounting, however, is limited by that proportion of the total arrangement consideration to be provided by the customer, the payment of which does not depend on the delivery of additional elements. If the fair value of the delivered elements cannot be determined reliably but the fair value of the undelivered elements can be determined reliably, the total arrangement consideration provided by the customer is allocated by determining the fair value of the delivered elements as the difference between the total arrangement consideration and the fair value of the undelivered elements.

Payments to customers, including payments to dealers and agents (discounts, provisions) are generally recognized as a decrease in revenue. If the consideration provides a benefit in its own right and can be reliably measured, the payments are recognized as expenses.

Revenue from systems integration contracts requiring the delivery of customized products is recognized by reference to the stage of completion, as determined by the ratio of project costs incurred to date to estimated total contract costs, with estimates regularly revised during the life of the contract. A group of contracts, whether with a single customer or with several customers, is treated as a single contract when the group of contracts is negotiated as a single package, the contracts are closely interrelated and the contracts are performed concurrently or in a continuous sequence. When a contract covers a number of assets, the construction of each asset is treated separately when separate proposals have been submitted for each asset, each asset has been negotiated separately and can be accepted or rejected by the customer separately, and the costs and revenues of each asset can be identified. Receivables from these contracts are classified in the item “trade and other receivables” in the statement of financial position. Receivables from these contracts are calculated as the balance of the costs incurred and the profits recognized, less any discounts and recognized losses on the contract; if the balance for a contract is negative, this amount is reported in liabilities. If the total actual and estimated expenses exceed revenues for a particular contract, the loss is immediately recognized.

Revenue recognition at Deutsche Telekom is as follows:

Mobile communications business in the operating segments Germany, United States, Europe, and Southern and Eastern Europe

Revenue generated by the mobile communications business of the operating segments Germany, United States, Europe, and Southern and Eastern Europe includes revenues from the provision of mobile services, customer activation fees, and sales of mobile handsets and accessories. Mobile services revenues include monthly service charges, charges for special features, call charges, and roaming charges billed to T-Mobile customers, as well as other mobile operators. Mobile services revenue is recognized based upon minutes of use or other agreed calling plans less credits and adjustments for discounts. The revenue and related expenses associated with the sale of mobile phones, wireless data devices, and accessories are recognized when the products are delivered and accepted by the customer.

Fixed-network business in the operating segments Germany and Southern and Eastern Europe

The fixed-network business in the operating segments Germany and Southern and Eastern Europe provides narrow and broadband access to the fixed network as well as the Internet. Revenue generated from these types of access for the use of voice and data communications is recognized upon rendering of the service. The services rendered relate either to use by customers (e.g., call minutes), availability over time (e.g., monthly service charges) or other agreed calling plans. Telecommunications equipment is also sold, leased, and serviced. Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Revenue from rentals and operating leases is recognized monthly as the entitlement to the fees accrues. Revenues from customer activation fees are deferred over the average customer retention period. Revenues also result from charges for advertising and e-commerce. Advertising revenues are recognized in the period that the advertisements are exhibited. Transaction revenues are recognized upon notification from the customer that qualifying transactions have occurred and collection of the resulting receivable is reasonably assured.

Systems Solutions operating segment

In the Systems Solutions operating segment, revenue is recognized when persuasive evidence of a sales arrangement exists, products are delivered or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured.

Revenue from Computing & Desktop Services is recognized as the services are provided using a proportional performance model. Revenue is recognized ratably over the contractual service period for fixed-price contracts and on an output or consumption basis for all other service contracts. Revenue from service contracts billed on the basis of time and material used is recognized at the contractual hourly rates as labor hours are delivered and direct expenses are incurred.

Revenue from hardware sales or sales-type leases is recognized when the product is shipped to the customer, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. Any costs of these obligations are recognized when the corresponding revenue is recognized.

Revenue from rentals and leases is recognized on a straight-line basis over the rental period.

Revenue from systems integration contracts requiring the delivery of customized products is recognized by reference to the stage of completion, as determined by the ratio of project costs incurred to date to estimated total contract costs, with estimates regularly revised during the life of the contract. For contracts including milestones, revenues are recognized only when the services for a given milestone are provided and accepted by the customer, and the billable amounts are not contingent upon providing remaining services.

Telecommunication services include network services and hosting & ASP services. Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of approximately three years. Customer activation fees and related costs are deferred and amortized over the estimated average period of customer retention. Revenues for voice and data services are recognized under such contracts when used by the customer. When an arrangement contains a lease, the lease is accounted for separately in accordance with IFRIC 4 and IAS 17. Revenues from hosting & ASP services are recognized as the services are provided.

Income taxes include current income taxes as well as deferred taxes. Tax liabilities/tax receivables mainly comprise liabilities/receivables relating to domestic and foreign income taxes. They include liabilities/receivables for the current period as well as for prior periods. The liabilities/receivables are measured based on the applicable tax law in the countries Deutsche Telekom operates in and include all facts the Company is aware of.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base, as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising on the investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or loss (before income taxes) under IFRS nor taxable profit or loss. Currently enacted tax laws and tax laws that have been substantively enacted as of the reporting date are used as the basis for measuring deferred taxes.

Judgments and estimate

The presentation of the results of operations, financial position or cash flows in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties may have on the consolidated financial statements.

Measurement of **property, plant and equipment, and intangible assets** involves the use of estimates for determining the fair value at the acquisition date, provided they were acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgment.

The **determination of impairments of property, plant and equipment, and intangible assets** involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using the discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. Specifically, the estimation of cash flows underlying the fair values from the mobile business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment to write down these investments to their fair values, which could adversely affect future operating results.

The **determination of the recoverable amount of a cash-generating unit** involves the use of estimates by management. Methods used to determine the fair value less costs to sell include discounted cash flow-based methods and methods that use quoted stock market prices as a basis. Key assumptions on which management has based its determination of fair value less costs to sell include revenue, customer acquisition and retention costs, churn rates, capital expenditure and market share. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any goodwill impairment.

Other financial assets include equity investments in foreign telecommunications service providers on which the Group does not have a significant influence and that are principally engaged in the mobile, fixed-network, Internet and data communications business, some of which are publicly traded and have highly volatile share prices. As a rule, an investment impairment loss is recorded when an investment's carrying amount exceeds the present value of its estimated future cash flows. The calculation of the present value of estimated future cash flows and the determination of whether an impairment is permanent involve judgment and rely heavily on an assessment by management regarding the future development prospects of the investee. In measuring impairments, quoted market prices are used, if available, or other valuation parameters, based on information available from the investee. To determine whether an impairment is permanent, the Company considers the ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the carrying amount, including an assessment of factors such as the length of time and magnitude of the excess of carrying value over market value, the forecasted results of the investee, the regional geographic economic environment and state of the industry. Future adverse changes in market conditions, particularly a downturn in the telecommunications industry, or poor operating results of investees, could result in losses or an inability to recover the carrying amount of the investments that may not be reflected in an investment's current carrying amount. This could result in impairment losses, which could adversely affect future operating results.

Management maintains an **allowance for doubtful accounts** to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment is required for the calculation of actual and deferred taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss-carryforward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, loss-carryforward periods, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, results of operations, the financial position, and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced in profit or loss or directly in equity, or the impaired deferred tax assets must be recognized in profit or loss or directly in equity, depending on how the deferred tax assets were originally recognized.

Pension obligations for benefits to non-civil servants are generally satisfied by defined benefit plans. Pension benefit costs for non-civil servants are determined in accordance with actuarial valuations, which rely on assumptions including discount rates, life expectancies and, if applicable, expected return on plan assets. The assumptions concerning the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. In the event that changes in assumptions are required with respect to discount rates and expected returns on invested assets, the future amounts of the pension benefit costs may be affected materially.

Deutsche Telekom is obligated, under the German Federal Posts and Telecommunications Agency Reorganization Act (Gesetz zur Reorganisation der Bundesanstalt für Post und Telekommunikation Deutsche Bundespost), to pay for its share of any operating cost shortfalls between the income of the **Civil Service Health Insurance Fund** (Postbeamtenkrankenkasse) and benefits paid. The Civil Service Health Insurance Fund provides services mainly in cases of illness, birth, or death for its members, who are civil servants employed by or retired from Deutsche Telekom AG, Deutsche Post AG and Deutsche Postbank AG, and their relatives. When Postreform II came into effect, participation in the Civil Service Health Insurance Fund was closed to new members. The insurance premiums collected by the Civil Service Health Insurance Fund may not exceed the insurance premiums imposed by alternative private health insurance enterprises for comparable insurance benefits, and, therefore, do not reflect the changing age distribution of the participants in the fund. Deutsche Telekom recognizes provisions in the amount of the actuarially determined present value of Deutsche Telekom’s share in the fund’s future deficit, using a discount rate and making assumptions about life expectancies and projections for contributions and future increases in general health care costs in Germany. Since the calculation of these provisions involves long-term projections over periods of more than 50 years, the present value of the liability may be highly sensitive even to small variations in the underlying assumptions.

Deutsche Telekom exercises considerable judgment in measuring and recognizing **provisions** and the exposure to **contingent liabilities** related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recorded for liabilities when losses are expected from executory contracts, a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes, environmental liabilities and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future operating results.

Revenue recognition

Customer activation fee

The operating segments Germany, United States, Europe, and Southern and Eastern Europe receive installation and activation fees from new customers. These fees (and related directly attributable costs) are deferred and amortized over the expected duration of the customer relationship. The estimation of the expected average duration of the relationship is based on historical customer turnover. If management's estimates are revised, material differences may result in the amount and timing of revenue for any period.

Service contracts

The Systems Solutions operating segment conducts a portion of its business under long-term contracts with customers. Under these contracts, revenue is recognized as performance progresses. Contract progress is estimated. Depending on the methodology used to determine contract progress, these estimates may include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. All estimates involved in such long-term contracts are subject to regular reviews and adjusted as necessary.

Multiple-element arrangements

The fair values of individual units of accounting of bundled products or services are complex to determine, because some of the elements are price-sensitive and, thus, volatile in a competitive marketplace. Revisions to the estimates of these relative fair values may significantly affect the allocation of total arrangement consideration among the different units of accounting, affecting future operating results.

Consolidated group

All subsidiaries, joint ventures and associates are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by Deutsche Telekom and are fully consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. Joint ventures are companies jointly controlled by Deutsche Telekom and other companies. Associates are companies on which Deutsche Telekom has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the equity method.

The composition of the Deutsche Telekom Group changed as follows in the 2009 financial year:

	Domestic	International	Total
Consolidated subsidiaries			
January 1, 2009	65	164	229
Additions from the acquisition of the OTE group	0	30	30
Other additions	3	12	15
Disposals (including mergers)	(6)	(24)	(30)
December 31, 2009	**62**	**182**	**244**
Associates accounted for using the equity method			
January 1, 2009	5	9	14
Additions	1	0	1
Disposals	(1)	(2)	(3)
December 31, 2009	**5**	**7**	**12**
Joint ventures accounted for using the equity method			
January 1, 2009	2	3	5
Additions	0	0	0
Disposals	0	0	0
December 31, 2009	**2**	**3**	**5**
Total			
January 1, 2009	72	176	248
Additions	4	42	46
Disposals (including mergers)	(7)	(26)	(33)
December 31, 2009	**69**	**192**	**261**

Business combinations

The significant business combinations in the 2009 financial year are described below.

OTE

On May 16, 2008, Deutsche Telekom acquired just under 20 percent of the shares in Hellenic Telecommunications Organization S.A., Athens, Greece (OTE) from Marfin Investment Group at a price of EUR 2.6 billion. On May 14, 2008, Deutsche Telekom also entered into a shareholders' agreement with the Hellenic Republic providing for an increase in this holding to 25 percent plus one vote - each share is entitled to one vote - and granting Deutsche Telekom the possibility of controlling OTE's financial and operating policies, as defined by IAS 27, following the completion of all necessary steps of the transaction.

To this end, Deutsche Telekom and the Hellenic Republic entered into a share purchase agreement on May 14, 2008 for the acquisition of an additional 3 percent of the shares at a price of EUR 0.4 billion. Under the share purchase agreement, Deutsche Telekom has additionally granted the Hellenic Republic two put options for an additional 5 percent (put option I) and 10 percent (put option II) of the shares. Deutsche Telekom assumed present ownership of the shares of put option I when the share purchase agreement became effective, meaning the agreed purchase price of EUR 0.7 billion was recognized as acquisition costs. The Hellenic Republic exercised put option I on July 31, 2009. Put option II can be exercised at market price plus a premium initially of 20 percent for a period of twelve months from November 10, 2009, after which it can be exercised at market price plus a premium of 15 percent until December 31, 2011. The consummation of the shareholders' agreement and the share purchase agreement was also contingent upon the acquisition of an additional 2 percent of the shares in OTE by Deutsche Telekom from the market, which was executed on July 17, 2008 at a total value of EUR 0.1 billion.

The share purchase agreement became legally valid following full approval given by the responsible national and international supervisory authorities by the beginning of November 2008. Consequently, Deutsche Telekom acquired an additional 3 percent of OTE's shares from the Hellenic Republic on November 5, 2008, thus affecting the legal validity of the shareholders' agreement. As a result of the aforementioned transactions, Deutsche Telekom holds a stake in OTE of 30 percent plus one share. The changes to OTE's Articles of Incorporation necessary for full implementation of the shareholders' agreement were approved at the extraordinary shareholders' meeting of OTE on February 6, 2009. Consequently, Deutsche Telekom has taken control of 50 percent plus two voting shares and therefore the company's financial and operating policies.

Upon implementation of the shareholders' agreement on February 6, 2009, OTE is no longer included using the equity method, but fully consolidated for the first time. As part of the first-time full consolidation of OTE, put option II was recognized as contingent consideration, thus resulting in the recording of a liability and corresponding cost of the acquisition of EUR 0.6 billion. As a result, the interest attributable to Deutsche Telekom amounts to 40 percent plus one vote. The total cost of the acquisition including costs directly attributable to the transaction amounts to EUR 4.4 billion, of which EUR 3.7 billion had an effect on cash flows until December 31, 2009. The following table shows the purchase price as of the date of acquisition:

	Interest %	**billions of €**
Purchase price for acquired shares	25	3.1
Shares acquired from Marfin Investment Group	20	2.6
Shares acquired from the market	2	0.1
Shares acquired from the Hellenic Republic	3	0.4
Put option I (exercised on July 31, 2009)	5	0.7
Put option II	10	0.7
Dividend received from pre-acquisition profits		(0.1)
Purchase price	40	4.4

The total liability for put option II comprises the covered shares measured at market price as well as a market price premium. The carrying amounts of the liabilities for put option II are adjusted in each period in the event of changes in market price, as well as in the event that it is not exercised. As of the reporting date, liabilities for put option II adjusted for changes in market prices amounted to EUR 0.6 billion; accordingly, goodwill decreased by EUR 0.1 billion compared with the date of acquisition to EUR 2.4 billion.

The business combination with OTE resulted in goodwill of EUR 2.5 billion at the acquisition date. This goodwill arises from synergies expected from the two companies, in particular in procurement as well as due to the integrated market position.

The fair values of OTE'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 table below. The measurement of the acquired property, plant and equipment was completed in the fourth quarter of 2009 as part of the final purchase price allocation.

	Fair value at the acquisition date	Carrying amounts immediately prior to the business combination
	millions of €	millions of €
Cash and cash equivalents	1,558	1,558
Non-current assets and disposal groups held for sale	195	158
Other assets	1,716	1,716
Current assets	3,469	3,432
Intangible assets	5,348	4,734
Of which: goodwill	2,500	3,835
Property, plant and equipment	6,965	5,581
Other assets	823	782
Non-current assets	13,136	11,097
Assets	**16,605**	**14,529**
Financial liabilities	637	637
Trade and other payables	901	901
Liabilities directly associated with non-current assets and disposal groups held for sale	21	21
Other liabilities	1,430	1,430
Current liabilities	2,989	2,989
Financial liabilities	5,133	5,411
Other liabilities	1,713	1,018
Non-current liabilities	6,846	6,429
Liabilities	**9,835**	**9,418**

Following the developments in the economy overall during the fourth quarter of 2008 and the associated increase in the volatility of the discount rates, Deutsche Telekom tested the OTE investment for impairment at the end of 2008. This test resulted in Deutsche Telekom recognizing an impairment loss of EUR 0.5 billion on the carrying amount of OTE. The impairment loss was disclosed as a decrease in the goodwill when OTE was fully consolidated for the first time. A further impairment loss of EUR 0.4 billion was recognized on goodwill in the fourth quarter of 2009. For further details, please refer to Note 5.

The supervisory authorities approved the acquisition of the stake in OTE subject to the requirement to sell Cosmofon, OTE's Macedonian subsidiary. Cosmofon was sold as of May 12, 2009 and is therefore no longer included in the consolidated statement of financial position as of the reporting date.

OTE was fully included in Deutsche Telekom's consolidated financial statements for the first time as of February 6, 2009. Net revenue increased by EUR 5,426 million in the reporting period as a result of the acquisition of OTE. Had the business combination already occurred on January 1, 2009, Deutsche Telekom's net revenue would have been EUR 499 million higher. Deutsche Telekom's profit for the current period includes a loss at OTE of EUR 378 million. Had the business combination already occurred on January 1, 2009, the profit would have been EUR 24 million higher.

Other

Deutsche Telekom's other acquisitions in 2009 do not have a material impact on the presentation of the results of operations and financial position. The other additions to the goodwill of the Group totaled EUR 65 million (in particular Telemobil S.A. (Zapp) and Metrolico).

Pro forma information

The pro forma information shown in the following table presents Deutsche Telekom's financial data, including its principal consolidated subsidiaries acquired in the financial years 2007 through 2009, as if they had been included in the consolidated financial statements from the beginning of each financial year in which they were acquired.

	2009	2008	2007
		millions of €	
Net revenue			
Reported	64,602	61,666	62,516
Pro forma	65,101	61,750	63,060
Net profit			
Reported	353	1,483	571
Pro forma	377	1,477	557
Earnings per share/ADS (€)			
Reported	0.08	0.34	0.13
Pro forma	0.09	0.34	0.13

Principal subsidiaries

The Group's principal subsidiaries are presented in the following table:

Name and registered office	Deutsche Telekom share % Dec. 31, 2009	Net revenue millions of € 2009	Average number of employees 2009
T-Mobile USA, Inc., Bellevue, Washington, United States[1,2]	100.00	15,471	38,231
T-Systems International GmbH, Frankfurt/Main	100.00	4,312	15,060
T-Mobile Deutschland GmbH, Bonn	100.00	7,813	5,531
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece[1]	30.00	5,000	30,339
T-Mobile Holdings Ltd., Hatfield, United Kingdom[1,2]	100.00	3,390	5,660
Magyar Telekom Nyrt., Budapest, Hungary[1,2]	59.30	2,124	9,749
T-Mobile Netherlands Holding B.V., The Hague, Netherlands[1,2]	100.00	1,807	2,285
PTC, Polska Telefonia Cyfrowa Sp.z o.o., Warsaw, Poland[2]	97.00	1,756	5,462
T-Mobile Czech Republic a.s., Prague, Czech Republic[2]	60.77	1,191	2,721
HT-Hrvatske telekomunikacije d.d., Zagreb, Croatia[1]	51.00	1,161	6,222
T-Mobile Austria Holding GmbH, Vienna, Austria[1,2]	100.00	1,038	1,488
Slovak Telekom a.s., Bratislava, Slovakia[1]	51.00	974	5,107

1 Consolidated subgroup financial statements.
2 Indirect shareholding of Deutsche Telekom AG.

In accordance with § 313 HGB, the full list of investment holdings, which is included in the notes to the consolidated financial statements, is published in the electronic Federal Gazette (elektronischer Bundesanzeiger) together with the consolidated financial statements. The list is available upon request from Deutsche Telekom AG, Bonn, Investor Relations. Furthermore, the list of investment holdings includes a full list of all subsidiaries that exercise simplification options in accordance with § 264 (3) HGB or disclosure simplification options in accordance with § 264b HGB.

Consolidation methods

Under IFRS, all business combinations must be accounted for using the purchase method. The acquirer allocates the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Non-current assets that are classified as held for sale are recognized at fair value less costs to sell. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities taken over, regardless of the level of the investment held, is recognized as goodwill. Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognized in profit or loss.

When acquiring additional equity interests in companies that are already consolidated subsidiaries, the difference between the purchase price consideration and the proportionate acquired equity is recognized as goodwill.

Income and expenses of a subsidiary remain included in the consolidated financial statements from the acquisition date. Income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount, including the cumulative amount of any exchange differences that are recognized in equity and relate to the subsidiary, is recognized in the consolidated income statement as the gain or loss on the disposal of the subsidiary. Intercompany income and expenses, receivables and liabilities, and profits or losses are eliminated.

Investments in joint ventures and associates accounted for using the equity method are carried at the acquirer's interest in the identifiable assets (including any attributable goodwill), liabilities and contingent liabilities which are remeasured to fair value upon acquisition. Goodwill from application of the equity method is not amortized. Unrealized gains and losses from transactions with these companies are eliminated in proportion to the acquirer's interest. The carrying amount of the investment accounted for using the equity method is tested for impairment whenever there are indications of impairment. If the carrying amount of the investment exceeds its recoverable amount, an impairment loss must be recognized in the amount of the difference. The recoverable amount is measured at the higher of fair value less costs to sell and value in use.

Currency translation

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At the reporting date, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in profit or loss.

The assets and liabilities of Group entities whose functional currency is not the euro are translated into euros from the local currency using the middle rates at the reporting date. The middle rates are the average of the bid and ask rates at closing on the respective dates. The income statements and corresponding profit or loss of foreign-currency denominated Group entities are translated at average exchange rates for the period. Exchange rate differences are recognized as a separate component of equity.

The exchange rates of certain significant currencies changed as follows:

	Annual average rate			Rate at the reporting date	
(€)	**2009**	**2008**	**2007**	**Dec. 31, 2009**	**Dec. 31, 2008**
100 Czech korunas (CZK)	3.78123	4.00894	3.60154	3.77646	3.75561
1 Pound sterling (GBP)	1.12218	1.25601	1.46142	1.12387	1.04555
100 Croatian kuna (HRK)	13.62190	13.84420	13.62830	13.70710	13.57610
1,000 Hungarian forints (HUF)	3.56631	3.97687	3.97762	3.69609	3.77407
100 Macedonian denars (MKD)	1.62428	1.62523	1.62699	1.63024	1.64255
100 Polish zlotys (PLN)	23.09760	28.47930	26.42900	24.35900	23.94770
1 U.S. dollar (USD)	0.71692	0.67976	0.72974	0.69393	0.71617

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 Cash and cash equivalents

The assets reported under this category have an original maturity of less than three months and mainly comprise fixed-term bank deposits. They also include small amounts of cash-in-hand and checks. Deutsche Telekom obtained cash collateral of EUR 578 million on the basis of collateral contracts as surety for potential credit risks arising from derivative transactions.

In the reporting period, cash and cash equivalents increased by EUR 2.0 billion to EUR 5.0 billion. This increase was partly attributable to the addition of cash and cash equivalents totaling EUR 1.6 billion as a result of the first-time full consolidation of OTE. In addition, the free cash flow of EUR 7.0 billion contributed to this increase, which was partially offset by dividend payments of EUR 4.3 billion, cash outflows of EUR 1.0 billion for the acquisition of shares in fully consolidated entities and financing repayments of EUR 0.8 billion net.

For further details, please refer to the consolidated statement of cash flows.

As of December 31, 2009, the Group reported cash and cash equivalents of EUR 0.6 billion held by subsidiaries in Croatia, the F.Y.R.O.Macedonia and Montenegro. These countries are subject to foreign exchange controls or other legal restrictions. As a result, the cash balances are not fully available for use by the parent or other Group companies.

2 Trade and other receivables

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Trade receivables	6,643	7,224
Receivables from construction contracts	114	169
	6,757	**7,393**

Of the total amount of trade receivables and receivables from construction contracts, EUR 6,715 million (December 31, 2008: EUR 7,391 million) is due within one year.

Trade receivables	Carrying amounts	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
(millions of €)			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
as of Dec. 31, 2009	**6,643**	**3,245**	**814**	**115**	**77**	**179**	**205**	**38**
as of Dec. 31, 2008	7,224	4,029	730	135	40	73	37	117

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The following table shows the development of allowances on trade receivables:

(millions of €)	2009	2008
Allowances as of January 1	1,023	1,071
Currency translation adjustments	(11)	(7)
Additions (allowances recognized as expense)	676	547
Use	(447)	(437)
Reversal	(63)	(151)
Allowances as of December 31	**1,178**	**1,023**

The following table presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

(millions of €)	2009	2008	2007
Expenses for full write-off of receivables	327	424	378
Income from recoveries on receivables written off	39	55	52

All income and expenses relating to allowances and write-offs of trade receivables are reported under selling expenses.

3 Inventories

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Raw materials and supplies	193	118
Work in process	48	27
Finished goods and merchandise	929	1,147
Advance payments	4	2
	1,174	**1,294**

Of the inventories reported as of December 31, 2009, write-downs of EUR 33 million (2008: EUR 53 million; 2007: EUR 55 million) on the net realizable value were recognized in profit or loss.

The carrying amount of inventories recognized as expense amounted to EUR 6,311 million (2008: EUR 6,188 million; 2007: EUR 5,713 million).

4 Non-current assets and disposal groups held for sale

As of December 31, 2009, current assets recognized in the consolidated statement of financial position included EUR 6.5 billion in non-current assets and disposal groups held for sale as well as directly associated liabilities of EUR 1.4 billion. The following table sets out the major classes of assets and liabilities classified as held for sale:

	T-Mobile UK	Real estate portfolio	Other	Dec. 31, 2009
(millions of €)	Europe operating segment	Group Headquarters & Shared Services		
Current assets	**547**	**-**	**-**	**547**
Trade and other receivables	314	-	-	314
Other current assets	233	-	-	233
Non-current assets	**5,870**	**55**	**55**	**5,980**
Intangible assets	3,821	-	26	3,847
Property, plant and equipment	1,608	55	29	1,692
Other non-current assets	441	-	-	441
Non-current assets and disposal groups held for sale	**6,417**	**55**	**55**	**6,527**
Current liabilities	761	-	-	761
Trade and other payables	503	-	-	503
Other current liabilities	258	-	-	258
Non-current liabilities	662	-	-	662
Liabilities directly associated with non-current assets and disposal groups held for sale	**1,423**	**-**	**-**	**1,423**

The assets and liabilities shown here that are classified as held for sale, and the assets and liabilities associated with disposal groups, are not included in the further explanations in the notes to the consolidated financial statements or presented as reconciliation.

T-Mobile UK

On November 5, 2009, Deutsche Telekom AG and France Télécom S.A. signed an agreement on the combination of T-Mobile UK and Orange UK in a joint venture in which the two companies will hold 50 percent each. After completion of the transaction, Deutsche Telekom AG will account for its share in the joint venture using the equity method. The entire transaction is subject to approval by the relevant competition authorities. In addition to the assets and liabilities shown in the table above, EUR -2.2 billion (translation of foreign operations) of the total other comprehensive income reported as of December 31, 2009 is attributable to T-Mobile UK. In addition, T-Mobile UK received funds totaling EUR 1.3 billion from Deutsche Telekom as of the reporting date. This amount is not included in the liabilities shown above, since funding was provided from within the Group. Obligations from operating leases totaling EUR 1.1 billion that existed at T-Mobile UK at the reporting date were not included in future obligations from operating leases (Note 33). In addition, T-Mobile UK had commitments for the acquisition of property, plant and equipment in the amount of EUR 0.3 billion.

Real estate portfolio

Real estate was shown as held for sale in the consolidated statement of financial position at the reporting date as a result of measures to make the use of floor space more efficient, especially in technical facilities (December 31, 2008: EUR 0.4 billion). This primarily relates to real estate owned by Deutsche Telekom AG. Impairment losses of EUR 0.2 billion were expensed in 2009 in connection with the reclassification of real estate. Given the current difficult market environment for real estate, Deutsche Telekom does not anticipate disposal of certain land and buildings intended for sale in the near future. According to the relevant accounting regulations (IFRS 5), this real estate at Group Headquarters & Shared Services was no longer permitted to be recognized in the consolidated statement of financial position as held for sale and had to be reclassified as non-current assets and measured at the lower of amortized cost and recoverable amount. The resulting measurement differences of EUR 0.1 billion have been recognized under “Other operating income” in the income statement.

5 Intangible assets

	Internally generated intangible assets	Acquired intangible assets						Goodwill	Advance payments	Total
(millions of €)		**Total**	**Acquired concessions, industrial and similar rights and assets**	**UMTS licenses**	**GSM licenses**	**FCC licenses (T-Mobile USA)**	**Other acquired intangible assets**			
Cost										
At December 31, 2007	2,083	42,379	1,042	15,161	1,287	16,357	8,532	30,274	269	75,005
Currency translation	(23)	(736)	18	(1,301)	(28)	907	(332)	(1,421)	(8)	(2,188)
Changes in the composition of the Group	0	436	2	0	0	276	158	(1)	0	435
Additions	414	692	15	10	0	159	508	884	750	2,740
Disposals	361	538	(12)	0	18	0	532	2	(2)	899
Change from non-current assets and disposal groups held for sale	2	44	0	0	0	(33)	77	54	0	100
Reclassifications	105	663	91	0	39	0	533	0	(141)	627
At December 31, 2008	**2,220**	**42,940**	**1,180**	**13,870**	**1,280**	**17,666**	**8,944**	**29,788**	**872**	**75,820**
Currency translation	(12)	(98)	3	410	2	(547)	34	246	2	138
Changes in the composition of the Group	0	2,953	425	327	198	0	2,003	0	0	2,953
Additions	232	713	26	0	11	31	645	2,470	676	4,091
Disposals	278	1,352	88	0	0	0	1,264	18	11	1,659
Change from non-current assets and disposal groups held for sale	(219)	(5,413)	0	(4,593)	0	(35)	(785)	(5,933)	0	(11,565)
Reclassifications	572	462	(16)	8	0	0	470	0	(430)	604
At December 31, 2009	**2,515**	**40,205**	**1,530**	**10,022**	**1,491**	**17,115**	**10,047**	**26,553**	**1,109**	**70,382**

(millions of €)	Internally generated intangible assets	Acquired intangible assets						Good-will	Advance pay-ments	Total
		Total	Acquired concessions, industrial and similar rights and assets	UMTS licenses	GSM licenses	FCC licenses (T-Mobile USA)	Other acquired intan-gible assets			
Accumulated amorti-zation										
At December 31, 2007	1,223	9,744	437	3,305	573	0	5,429	9,634	0	20,601
Currency translation	(6)	(548)	(11)	(308)	(11)	0	(218)	(761)	0	(1,315)
Changes in the compo-sition of the Group	0	(18)	0	0	0	0	(18)	0	0	(18)
Additions (amortiza-tion)	459	2,598	134	868	124	0	1,472	0	0	3,057
Additions (impairment)	14	37	0	0	0	21	16	289	0	340
Disposals	370	508	(19)	0	18	0	509	0	0	878
Change from non-current assets and disposal groups held for sale	0	(21)	0	0	0	(21)	0	0	0	(21)
Reclassifications	(10)	137	67	0	1	0	69	0	0	127
At December 31, 2008	**1,310**	**11,421**	**646**	**3,865**	**669**	**0**	**6,241**	**9,162**	**0**	**21,893**
Currency translation	(8)	163	2	109	2	0	50	250	1	406
Changes in the compo-sition of the Group	0	(33)	0	0	0	0	(33)	0	0	(33)
Additions (amortiza-tion)	561	2,742	175	767	138	0	1,662	0	0	3,303
Additions (impairment)	0	7	7	0	0	0	0	2,345	0	2,352
Disposals	278	1,344	81	0	0	0	1,263	0	0	1,622
Change from non-current assets and disposal groups held for sale	(132)	(1,969)	0	(1,356)	0	0	(613)	(5,538)	0	(7,639)
Reclassifications	2	15	(14)	0	0	0	29	0	0	17
At December 31, 2009	**1,455**	**11,002**	**735**	**3,385**	**809**	**0**	**6,073**	**6,219**	**1**	**18,677**
Net carrying amounts										
At December 31, 2008	910	31,519	534	10,005	611	17,666	2,703	20,626	872	53,927
At December 31, 2009	**1,060**	**29,203**	**795**	**6,637**	**682**	**17,115**	**3,974**	**20,334**	**1,108**	**51,705**

The net carrying amount of the UMTS licenses of EUR 6,637 million mainly relates to T-Mobile Deutschland.

Deutsche Telekom had commitments for the acquisition of intangible assets in the amount of EUR 0.3 billion as of the reporting date. These are largely related to network expansion at T-Mobile USA and T-Mobile Deutschland.

The **carrying amounts of goodwill** are mainly allocated to the following operating segments and cash-generating units:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Germany – Fixed network	3,587	3,527
United States	4,471	4,604
Europe	4,801	6,887
Of which: T-Mobile UK	n.a.	2,073
Of which: PTC	1,607	1,580
Of which: T-Mobile Netherlands	1,317	1,317
Of which: T-Mobile Austria group	1,202	1,249
Of which: T-Mobile Czech Republic	631	625
Of which: Other	44	43
Southern and Eastern Europe	4,481	2,565
Of which: Greece – Mobile communications	964	-
Of which: Hungary – Mobile communications	958	978
Of which: Greece – Fixed network	476	-
Of which: Hungary – Fixed network	373	430
Of which: Bulgaria – Mobile communications	293	-
Of which: Croatia – Fixed network	297	291
Of which: Romania – Mobile communications	251	-
Of which: Slovakia – Fixed network	225	266
Of which: Croatia – Mobile communications	196	194
Of which: Slovakia – Mobile communications	168	168
Of which: Other	280	238
Systems Solutions	2,994	3,043
	20,334	**20,626**

In the 2009 financial year, the main changes in the carrying amounts of goodwill at cash-generating units were as follows:

Europe. The goodwill of T-Mobile UK in the Europe operating segment decreased as a result of an impairment loss of EUR 1.8 billion that had to be recognized in the first quarter of 2009. Events or circumstances that resulted in this impairment loss to be recognized at the cash-generating unit T-Mobile UK in the first quarter of 2009 primarily include the major economic slowdown and more intense competition in the United Kingdom. Lower roaming revenues and new regulation of roaming and termination charges had a negative impact on revenue at the time of the impairment. Increased termination charges for the use of third-party mobile communications networks and high customer acquisition and retention expenses raised the cost base. Since T-Mobile UK was classified as held for sale as of September 30, 2009, the remaining goodwill is no longer shown under intangible assets, but as non-current assets and disposal groups held for sale (Note 4). The goodwill of the cash-generating unit T-Mobile Austria group also declined as a result of an impairment loss that had to be recognized at the end of the year.

Southern and Eastern Europe. The first-time full consolidation of the OTE group in the consolidated financial statements generated goodwill of EUR 2.5 billion. This was allocated primarily to the following cash-generating units: Greece – Fixed network, Greece – Mobile communications, Bulgaria – Mobile communications, and Romania – Mobile communications. In addition to exchange rate effects, the carrying amounts of the goodwill assets in the Southern and Eastern Europe operating segment have changed as a result of impairment losses that had to be recognized at the end of the year.

All other goodwill assets changed primarily as a result of exchange rate effects.

Disclosures on impairment tests

Deutsche Telekom performed its annual goodwill impairment tests at December 31, 2009. The following table gives an overview of the periods for which the Group has provided cash flow projections, the growth rates used as the basis for the cash flow projections, and the discount rates applied to the cash flow projections, broken down by operating segment:

	Periods used (years)	Growth rates (%)	Discount rates (%)
Germany	10	1.0	6.51
United States	10	2.5	7.97
Europe	10	2.0	7.23 – 8.26
Southern and Eastern Europe	10	1.3 – 2.3	7.75 – 11.24
Systems Solutions	10	1.5	7.71

The measurements of the cash-generating units are founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the planning horizon are extrapolated using appropriate growth rates. The key assumptions on which management has based its determination of fair value less costs to sell include the following assumptions that were primarily derived from internal sources and in particular reflect past experience: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. Discount rates were determined on the basis of external figures derived from the market. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units. With regard to cash-generating units in countries of the Southern and Eastern Europe operating segment, these potential changes of assumptions might have a stronger and possibly negative effect as a result of future trends in the difficult macroeconomic situation, ongoing intense competition and mobile communications taxes recently imposed or increased in some of these countries.

On the basis of information available at the reporting date and expectations with respect to the market and competitive environment, the year-end impairment tests indicated a need for impairment at the following cash-generating units.

(millions of €)	Dec. 31, 2009	Assigned to segment
Greece – Mobile communications	203	Southern and Eastern Europe
Greece – Fixed network	130	Southern and Eastern Europe
Romania – Mobile communications	66	Southern and Eastern Europe
T-Mobile Austria group	47	Europe
Slovakia – Fixed network	37	Southern and Eastern Europe
Other	45	Southern and Eastern Europe
	528	

The impairment losses were largely due to the country-specific risk in connection with the current financial and national crisis in Greece. Other impairment losses were primarily recognized as a result of the negative developments in connection with the financial market crisis.

If the impairment tests of goodwill assets at the cash-generating units where impairment losses totaling EUR 0.5 billion were recognized at year-end, had been conducted using discount rates that were 0.5 percentage points higher, the impairment losses to be recognized would have increased by EUR 0.5 billion. If, by contrast, the discount rates had been 0.5 percentage points lower, the resulting impairment losses would have been EUR 0.4 billion lower. If the growth rates used as a basis in the impairment tests had been 0.5 percentage points lower, the impairment losses would have been EUR 0.3 billion higher. In turn, impairment losses would have been EUR 0.3 billion lower if the growth rates had been 0.5 percentage points higher.

6 Property, plant and equipment

(millions of €)	Land and equivalent rights, and buildings including buildings on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total
Costs					
At December 31, 2007	15,831	91,681	6,794	2,867	117,173
Currency translation	15	(533)	(65)	(24)	(607)
Changes in the composition of the Group	12	122	(51)	18	101
Additions	112	2,171	566	4,528	7,377
Disposals	88	2,052	876	63	3,079
Change from non-current assets and disposal groups held for sale	62	16	0	(1)	77
Reclassifications	234	2,939	333	(4,133)	(627)
At December 31, 2008	**16,178**	**94,344**	**6,701**	**3,192**	**120,415**
Currency translation	(41)	(40)	(6)	(21)	(108)
Changes in the composition of the Group	1,779	4,492	87	695	7,053
Additions	140	2,522	436	4,278	7,376
Disposals	55	3,397	438	47	3,937
Change from non-current assets and disposal groups held for sale	437	(3,588)	(211)	(326)	(3,688)
Reclassifications	454	3,382	537	(4,977)	(604)
At December 31, 2009	**18,892**	**97,715**	**7,106**	**2,794**	**126,507**
Accumulated depreciation					
At December 31, 2007	6,502	63,561	4,571	8	74,642
Currency translation	17	(424)	(30)	0	(437)
Changes in the composition of the Group	23	(5)	(54)	0	(36)
Additions (depreciation)	678	6,031	729	0	7,438
Additions (impairment)	110	5	8	4	127
Disposals	51	1,888	737	3	2,679
Change from non-current assets and disposal groups held for sale	64	(1)	0	(2)	61
Reclassifications	(16)	(118)	10	(2)	(126)
Reversal of impairment losses	(134)	0	0	0	(134)
At December 31, 2008	**7,193**	**67,161**	**4,497**	**5**	**78,856**
Currency translation	(18)	30	(9)	0	3
Changes in the composition of the Group	2	6	0	0	8
Additions (depreciation)	762	6,498	760	0	8,020
Additions (impairment)	179	10	3	11	203
Disposals	46	3,240	341	0	3,627
Change from non-current assets and disposal groups held for sale	251	(2,427)	(100)	0	(2,276)
Reclassifications	(3)	(14)	0	0	(17)
Reversal of impairment losses	(131)	0	0	0	(131)
At December 31, 2009	**8,189**	**68,024**	**4,810**	**16**	**81,039**
Net carrying amounts					
At December 31, 2008	8,985	27,183	2,204	3,187	41,559
At December 31, 2009	**10,703**	**29,691**	**2,296**	**2,778**	**45,468**

Restoration obligations of EUR 0.2 billion were recognized as of December 31, 2009 (December 31, 2008: EUR 0.2 billion). Deutsche Telekom had commitments for the acquisition of property, plant and equipment in the amount of EUR 0.9 billion as of the reporting date.

7 Investments accounted for using the equity method

Significant investments in entities accounted for using the equity method are as follows:

	Dec. 31, 2009		Dec. 31, 2008	
	Deutsche Telekom share	Net carrying amounts	Deutsche Telekom share	Net carrying amounts
	%	(millions of €)	%	(millions of €)
Hellenic Telecommunications Organization S.A. (OTE)[1]	-	-	30.00	3,407
HT Mostar[2,3]	39.10	51	39.10	49
Toll Collect[2]	45.00	46	45.00	39
Iowa Wireless Services LCC	36.42	18	39.74	14
CTDI GmbH (formerly: CTDI Nethouse Services GmbH)	49.00	14	49.00	12
DETECON AL SAUDIA CO. Ltd.	46.50	8	46.50	7
Other		10		29
		147		**3,557**

1 Fair value (share value) as of December 31, 2008: EUR 1,750 million.
2 Joint venture
3 Indirect shareholding via HT-Hrvatske telekomunikacije d.d., Croatia (Deutsche Telekom AG's share: 51.00 %).

Aggregated key financial figures for the associates accounted for using the equity method are shown in the following overview. The data is not based on the portions attributable to the Deutsche Telekom Group, but represents the shareholdings on a 100-percent basis.

(billions of €)	Dec. 31, 2009	Dec. 31, 2008[1]
Total assets	0.2	11.8
Total liabilities	0.1	9.4
	2009	**2008[1]**
Net revenue	0.2	6.8
Profit (loss)	0.0	0.6

1 Figures for the prior year adjusted. In Deutsche Telekom's consolidated financial statements as of December 31, 2008, OTE's prior-year figures were not included in this presentation, since OTE as a listed company had not yet published its financial statements as of December 31, 2008 when Deutsche Telekom's consolidated financial statements were prepared.

The following table is a summary presentation of aggregated key financial figures – pro-rated according to the relevant percentage of shares held – for the joint ventures of Deutsche Telekom accounted for using the equity method:

(billions of €)	Dec. 31, 2009	Dec. 31, 2008
Total assets	0.5	0.5
Current	0.3	0.3
Non-current	0.2	0.2
Total liabilities	0.4	0.4
Current	0.3	0.4
Non-current	0.1	0.0
	2009	**2008**
Net revenue	0.2	0.2
Profit (loss)	0.0	0.0

8 Other financial assets

	Dec. 31, 2009		Dec. 31, 2008	
(millions of €)	**Total**	**Of which: current**	**Total**	**Of which: current**
Originated loans and receivables	2,003	1,509	1,267	1,034
Available-for-sale financial assets	609	74	406	17
Derivative financial assets[a]	1,048	348	1,601	374
Miscellaneous assets	80	70	281	267
	3,740	**2,001**	**3,555**	**1,692**

[a] Figures for the prior-year reporting dates adjusted. Changes in the presentation of derivatives. For explanations, please refer to “Summary of accounting policies/Change in accounting policies.”

Originated loans and receivables	**Carrying amounts**	**Of which: neither impaired nor past due on the reporting date**	**Of which: not impaired on the reporting date and past due in the following periods**					
(millions of €)			**Less than 30 days**	**Between 30 and 60 days**	**Between 61 and 90 days**	**Between 91 and 180 days**	**Between 181 and 360 days**	**More than 360 days**
as of Dec. 31, 2009								
Due within one year	1,509	1,413	26	8	3	19	18	1
Due after more than one year	494	482	9					3
as of Dec. 31, 2008								
Due within one year	1,034	1,007	13	3			1	
Due after more than one year	233	232						1

With respect to the originated loans and receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Receivables of EUR 337 million (December 31, 2008: EUR 28 million) were used in connection with collateral agreements as surety for potential credit risks arising from derivative transactions. In addition, an amount of EUR 309 million had been paid into a trust account as of the reporting date – in particular relating to the purchase of Strato AG - and is currently not freely available for Deutsche Telekom.

The available-for-sale financial assets include unquoted equity instruments whose fair values could not be reliably measured, and which were therefore recognized at cost in the amount of EUR 411 million as of December 31, 2009 (December 31, 2008: EUR 288 million).

In the 2009 financial year, EUR 8 million (2008: EUR 12 million) in impairment losses on available-for-sale financial assets were recognized in profit or loss because the impairment was permanent or significant.

9 Financial liabilities

(millions of €)	Dec. 31, 2009 Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities				
Non-convertible bonds	25,055	4,121	9,686	11,248
Commercial paper, medium-term notes, and similar liabilities	13,453	285	8,318	4,850
Liabilities to banks	4,718	974	2,764	980
	43,226	5,380	20,768	17,078
Lease liabilities	1,909	131	446	1,332
Liabilities to non-banks from promissory notes	1,057	0	177	880
Other interest-bearing liabilities	447	97	229	121
Other non-interest-bearing liabilities	3,573	3,486	85	2
Derivative financial liabilities[a]	979	297	463	219
	7,965	4,011	1,400	2,554
Financial liabilities	**51,191**	**9,391**	**22,168**	**19,632**

	Dec. 31, 2008 Total	Due within 1 year	Due > 1 year ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities				
Non-convertible bonds	23,272	717	13,452	9,103
Commercial paper, medium-term notes, and similar liabilities	11,030	4,375	2,893	3,762
Liabilities to banks	4,222	319	1,752	2,151
	38,524	5,411	18,097	15,016
Lease liabilities	2,009	129	436	1,444
Liabilities to non-banks from promissory notes	887	-	50	837
Other interest-bearing liabilities	541	196	211	134
Other non-interest-bearing liabilities	3,545	3,450	94	1
Derivative financial liabilities[a]	1,088	398	562	128
	8,070	4,173	1,353	2,544
Financial liabilities	**46,594**	**9,584**	**19,450**	**17,560**

[a] Figures for the prior-year reporting dates adjusted. Changes in the presentation of derivatives. For explanations, please refer to “Summary of accounting policies/Change in accounting policies.”

Bonds and other securitized liabilities are mainly issued by Deutsche Telekom International Finance B.V., a wholly-owned subsidiary of Deutsche Telekom AG. Deutsche Telekom AG provides a full and irrevocable guarantee for all liabilities issued by Deutsche Telekom International Finance B.V.

At December 31, 2009, Deutsche Telekom had standardized bilateral credit agreements with 24 banks for a total of EUR 14.4 billion. None of the credit lines had been utilized by December 31, 2009. Pursuant to the credit agreements, the terms and conditions depend on Deutsche Telekom’s rating. The bilateral credit agreements have an original maturity of 36 months and can, after each period of 12 months, be extended by a further 12 months to renew the maturity of 36 months. In 2008 and in early 2009, the financial market crisis impacted the extension of bilateral credit lines. Especially institutions that were split up or taken over by other banks or did not have sufficient equity did not extend their lines. Deutsche Telekom agreed to cancel one credit line with each of four merged banks in 2009. As a result, the number of credit facilities available to Deutsche Telekom decreased from 28 to 24 in the course of the year, with 19 of them having been extended at the point in time of the previous extension request. In the event that these 19 credit lines are not extended, they will continue to be available to Deutsche Telekom for another two years from the date of non-extension.

The following tables show Deutsche Telekom's contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

(millions of €)	Carrying amounts Dec. 31, 2009	Cash flows in 2010			Cash flows in 2011		
		Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment
Non-derivative financial liabilities:							
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(44,283)	(2,327)	(59)	(5,629)	(2,038)	(58)	(6,886)
Finance lease liabilities	(1,423)	(113)		(121)	(106)		(96)
Other interest-bearing liabilities	(933)	(34)		(213)	(35)		(75)
Other non-interest-bearing liabilities	(3,573)			(3,486)			(85)
Derivative financial liabilities and assets:							
Derivative financial liabilities:							
Currency derivatives without a hedging relationship	(46)			(45)			(2)
Currency derivatives in connection with cash flow hedges	(17)			(15)			
Interest rate derivatives without a hedging relationship	(635)	(40)	(36)	(129)	18	(33)	(32)
Interest rate derivatives in connection with fair value hedges	(52)	115	(28)		115	(28)	
Interest rate derivatives in connection with cash flow hedges	(174)	(46)	14		(70)	27	
Derivative financial assets:							
Currency derivatives without a hedging relationship	91			102			1
Currency derivatives in connection with cash flow hedges	15			11			1
Interest rate derivatives without a hedging relationship	562	135	(56)	11	(7)	(12)	31
Interest rate derivatives in connection with fair value hedges	225	155	(43)		162	(33)	
Interest rate derivatives in connection with cash flow hedges	155	(26)		129	(24)		

	Cash flows in 2012-2014			Cash flows in 2015-2019			Cash flows in 2020 and thereafter		
	Fixed interest rate	**Variable interest rate**	**Repay-ment**	**Fixed interest rate**	**Variable interest rate**	**Repay-ment**	**Fixed interest rate**	**Variable interest rate**	**Repay-ment**
Non-derivative financial liabilities:									
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(4,392)	(77)	(14,037)	(3,594)	(2)	(12,920)	(4,030)		(6,022)
Finance lease liabilities	(244)		(293)	(275)		(496)	(227)		(417)
Other interest-bearing liabilities	(112)		(103)	(161)		(508)	(64)		(34)
Other non-interest-bearing liabilities						(1)			(1)
Derivative financial liabilities and assets:									
Derivative financial liabilities:									
Currency derivatives without a hedging relationship									
Currency derivatives in connection with cash flow hedges									
Interest rate derivatives without a hedging relationship	38	(68)	(234)	33	(61)	(64)	107	(144)	(58)
Interest rate derivatives in connection with fair value hedges	346	(84)		34	(7)		62	(12)	
Interest rate derivatives in connection with cash flow hedges	(334)	54		3			2		17
Derivative financial assets:									
Currency derivatives without a hedging relationship			2						
Interest rate derivatives in connection with cash flow hedges			1						
Interest rate derivatives without a hedging relationship	(8)	(9)	293		(3)	178			
Interest rate derivatives in connection with fair value hedges	299	(49)		218	(21)		381	(41)	
Interest rate derivatives in connection with cash flow hedges									

(millions of €)	Carrying amounts Dec. 31, 2008	Cash flows in				
		2009	2010	2011-2013	2014-2018	2019 and thereafter
Non-derivative financial liabilities:						
Bonds, other securitized liabilities, liabilities to banks and liabilities to non-banks from promissory notes and similar liabilities	(39,411)	(7,866)	(7,096)	(16,998)	(12,831)	(10,866)
Finance lease liabilities	(1,514)	(250)	(204)	(548)	(830)	(762)
Other interest-bearing liabilities	(1,036)	(305)	(134)	(207)	(716)	(130)
Other non-interest-bearing liabilities	(3,545)	(3,523)	(12)	(9)	(1)	(1)
Derivative financial liabilities and assets:						
Derivative financial liabilities:						
Currency derivatives without a hedging relationship	(277)	(271)		(2)		
Currency derivatives in connection with cash flow hedges	(47)	(42)	(2)			
Interest rate derivatives without a hedging relationship	(662)	(131)	(211)	(437)	(158)	(291)
Interest rate derivatives in connection with cash flow hedges	(67)	(9)	9	(52)	(19)	
Derivative financial assets:						
Currency derivatives without a hedging relationship	261	262	1			
Currency derivatives in connection with cash flow hedges	34	31				
Interest rate derivatives without a hedging relationship	553	106	85	248	268	
Interest rate derivatives in connection with fair value hedges	660	90	74	143	125	184
Interest rate derivatives in connection with cash flow hedges	90	(26)	112			

All instruments held at December 31, 2009 and for which payments were already contractually agreed are included. Planning data for future, new liabilities were not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2009. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. In accordance with § 2 (4) of the German Act on the Transformation of the Deutsche Bundespost Enterprises into the Legal Structure of Stock Corporation (Stock Corporation Transformation Act - Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities which were already outstanding as at January 1, 1995. At December 31, 2009, this figure was a nominal EUR 1.9 billion (December 31, 2008: EUR 2.1 billion).

10 Trade and other payables

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Trade payables	6,294	7,055
Liabilities from construction contracts	10	18
	6,304	**7,073**

Of the total of trade and other payables, EUR 6,300 million (December 31, 2008: EUR 7,064 million) is due within one year.

11 Provisions for pensions and other employee benefits

The following disclosures on pension obligations as of the reporting date do not include T-Mobile UK's pension obligations of EUR 147 million as of December 31, 2009 (defined benefit obligations of EUR 454 million minus plan assets of EUR 307 million), since this entity has been classified as held for sale. These obligations have been eliminated in the following tables in the line "Reclassification in accordance with IFRS 5."

Defined benefit plans

The following table shows the composition of pension obligations:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Pension obligations		
Unfunded	5,804	4,826
Funded	358	315
Obligations in accordance with Article 131 GG	3	3
Net defined benefit liability (+)/defined benefit asset (-)	**6,165**	**5,144**

Calculation of net defined benefit liability (+) / defined benefit asset (-)

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Present value of funded obligations	979	1,270
Plan assets at fair value	(618)	(952)
Defined benefit obligations in excess of plan assets	**361**	**318**
Present value of unfunded obligations	5,854	4,831
Unrecognized past service cost	(50)	(8)
Defined benefit liability (+)/ defined benefit asset (-) according to IAS 19.54	6,165	5,141
Additional provision recognized due to a minimum funding requirement	0	3
Net defined benefit liability (+)/ defined benefit asset (-)	**6,165**	**5,144**

Pension provisions break down into defined benefit liability and defined benefit asset as follows:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Defined benefit asset	(14)	(13)
Defined benefit liability	6,179	5,157
Net defined benefit liability (+)/defined benefit asset (-)	**6,165**	**5,144**

The defined benefit asset is recognized under other non-current assets in the consolidated statement of financial position.

The calculations were based on the following assumptions at the respective reporting dates:

Assumptions for the measurement of defined benefit obligations as of December 31:

(%)		2009	2008
Discount rate	Germany	5.25	5.80
	Switzerland (T-Systems)	3.15	3.00
	Greece (OTE S.A.)	4.56/3.89	n.a.
	United Kingdom	5.70	5.80
Projected salary increase	Germany (pay-scale employees)	3.25	3.50
	Germany (non-pay-scale employees)	3.50	4.25
	Switzerland (T-Systems)	1.50	1.50
	Greece (OTE S.A.)	4.50/5.50	n.a.
	United Kingdom	4.60	4.20
Projected pension increase	Germany (general)	1.50	2.00
	Germany (according to arrticles of association)	1.00	1.00
	Switzerland (T-Systems)	0.30	0.30
	Greece (OTE S.A.)	n.a.	n.a.
	United Kingdom	3.40	3.20

Pension obligations at German entities of the Group are measured using the biometrical assumptions of the 2005G tables published by Prof. Klaus Heubeck. Local actuarial tables are used in the other countries.

Assumptions for determining the pension expense for years ending December 31:

(%)		2009	2008	2007
Discount rate	Germany	5.80	5.50	4.45
	Switzerland (T-Systems)	3.00	3.25	3.25
	Greece (OTE S.A.)	5.50/5.00	n.a.	n.a.
	United Kingdom	5.80	5.40	4.80
Projected salary increase	Germany (pay-scale employees)	3.50	2.50	2.50
	Germany (non-pay-scale employees)	4.25	3.25	3.25
	Switzerland (T-Systems)	1.50	1.50	1.50
	Greece (OTE S.A.)	6.50/4.50	n.a.	n.a.
	United Kingdom	4.20	4.20	4.00
Return on plan assets	Germany	3.50	4.30	4.00
	Switzerland (T-Systems)	4.50	4.50	4.50
	United Kingdom	6.90	7.00	6.47
Projected pension increase	Germany (general)	2.00	1.70	1.50
	Germany (according to arrticles of association	1.00	1.00	1.00
	Switzerland (T-Systems)	0.30	0.60	0.60
	Greece (OTE S.A.)	n.a.	n.a	n.a.
	United Kingdom	3.20	3.20	3.00

Development of defined benefit obligations in the reporting year:

(millions of €)	2009	2008
Present value of the defined benefit obligations as of January 1	**6,101**	**6,327**
Reclassification in accordance with IFRS 5	(454)	-
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	609	(132)
Current service cost	204	204
Interest cost	371	331
Contributions by plan participants	3	4
Actuarial losses (gains)	373	(232)
Total benefits actually paid	(393)	(301)
Plan amendments	(12)	4
Exchange rate fluctuations for foreign-currency plans	31	(104)
Present value of the defined benefit obligations as of December 31	**6,833**	**6,101**

Taking the plan assets into consideration, the pension obligations were accounted for in full.

Development of plan assets at fair value in the respective reporting year:

(millions of €)	2009	2008
Plan assets at fair value as of January 1	**952**	**986**
Reclassification in accordance with IFRS 5	(307)	-
Changes attributable to business combinations/transfers of operation/ acquisitions and disposals	0	3
Expected return on plan assets	50	52
Actuarial (losses) gains	(91)	(2)
Contributions by employer	45	54
Contributions by plan participants	3	4
Benefits actually paid through pension funds	(61)	(57)
Exchange rate fluctuations for foreign-currency plans	27	(88)
Plan assets at fair value as of December 31	**618**	**952**

Breakdown of plan assets at fair value by investment category:

(%)	Dec. 31, 2009	Dec. 31, 2008
Equity securities	19	24
Debt securities	64	40
Real estate	6	7
Other	11	29[a]

[a] Of which T-Mobile UK holds a 70-% share which breaks down as follows: interest rate swaps (56 %), money market securities (33 %) and cash and cash equivalents (11 %).

The investment structure is defined, managed and regularly reviewed using asset/liability studies. The resulting target allocations for the plan assets of the respective pension plans therefore reflect the duration of the obligations, the defined benefit obligation, the minimum requirements for the policy reserve, and other factors.

At December 31, 2009, the plan assets include shares issued by Deutsche Telekom amounting to EUR 1.0 million (December 31, 2008: shares totaling EUR 1.7 million). No other own financial instruments were included in the years shown.

Determination of the expected return on essential plan assets:

These expectations are based on consensus forecasts for each asset class as well as on bank estimates. The forecasts are based on historical figures, economic data, interest rate forecasts, and anticipated stock market developments.

The pension expense for each period is composed of the following items and is reported in the indicated accounts of the income statement:

(millions of €)	Presentation in the income statement	2009	2008	2007
Current service cost	Functional costs[a]	204	204	217
Interest cost	Other financial income (expense)	371	331	307
Expected return on plan assets	Other financial income (expense)	(50)	(52)	(50)
Past service cost	Functional costs[a]	0	0	0
Pension expense before curtailments/ settlements		525	483	474
Curtailments	Functional costs[a]	0	0	1
Settlements	Functional costs[a]	0	0	32
Pension expense		**525**	**483**	**507**
Actual return on plan assets		(41)	50	26

[a] Including other operating expenses.

The consolidated statement of **comprehensive** income includes the following amounts:

(millions of €)	2009	2008	2007
Cumulative losses (gains) recognized directly in equity as of January 1	118	342	1 265
Change due to business combinations/ disposals	10	3	0
Actuarial (gains) losses as shown in the consolidated statement of comprehensive income	461	(227)	(923)
Of which: recognition directly in equity of actuarial (gains) losses in the reporting period	464	(230)	(923)
Of which: change in the additional provision recognized due to a minimum funding requirement	(3)	3	0
Cumulative losses (gains) recognized directly in equity as of December 31	**589**	**118**	**342**

EUR 62 million of the EUR 589 million in cumulative income and expenses recognized directly in equity as of the reporting date relate to T-Mobile UK, which is classified as held for sale.

Expected employer contributions for the subsequent year are estimated as follows:

(millions of €)	2010
Expected contributions by employer	**15**

Amounts for the current year and four preceding years of defined benefit obligations, plan assets, defined benefit obligations in excess of plan assets, and experience-based adjustments:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Defined benefit obligations	6,833	6,101	6,327	7,134	7,016
Plan assets at fair value	(618)	(952)	(986)	(966)	(901)
Defined benefit obligations in excess of plan assets (funded status)	**6,215**	**5,149**	**5,341**	**6,168**	**6,115**

Adjustment in %	2009	2008	2007
Experience-based increase (decrease) of pension obligations	(0.7)	(0.1)	(0.8)
Experience-based increase (decrease) of plan assets	(9.9)	(0.2)	(2.5)

Defined contribution plans

Current contributions for defined contributions plans, which are reported as an expense in the consolidated income statement of the respective year, amounted to EUR 73 million in 2009 (2008: EUR 160 million; 2007: EUR 103 million).

Civil-servant retirement arrangements at Deutsche Telekom

An expense of EUR 684 million was recognized in the 2009 financial year (2008: EUR 762 million; 2007: EUR 772 million) for the annual contribution to the BPS-PT special pension fund amounting to 33 percent of the pensionable gross emoluments of active civil servants and the notional pensionable gross emoluments of civil servants on leave of absence. The present value to the total obligation arising from payment obligations to this special pension fund was EUR 6.6 billion as of the reporting date (December 31, 2008: EUR 6.9 billion).

12 Other provisions

(millions of €)	Provisions for re-struc-turing expenses	Other provisions for per-sonnel costs	Provisions for resto-ration obligations	Provisions for litiga-tion risks	Provisions for sales and pro-curement support	Miscella-neous other provisions	Total
At December 31, 2007	**2,808**	**1,802**	**664**	**351**	**452**	**953**	**7,030**
Of which: current	800	1,367	10	165	437	586	3,365
Changes in the composition of the Group	(25)	(34)	3	1	2	23	(30)
Currency translation adjustments	(25)	1	(24)	(1)	0	(18)	(67)
Addition	893	1,531	113	202	553	639	3,931
Use	(1,366)	(1,348)	(49)	(63)	(491)	(318)	(3,635)
Reversal	(171)	(90)	(26)	(22)	(31)	(240)	(580)
Interest effect	112	23	19	0	0	3	157
Other changes	25	(10)	0	4	2	(86)	(65)
At December 31, 2008	**2,251**	**1,875**	**700**	**472**	**487**	**956**	**6,741**
Of which: current	695	1,466	26	170	474	606	3,437
Changes in the composition of the Group	1	83	7	48	0	12	151
Currency translation adjustments	7	4	6	1	(1)	3	20
Addition	460	1,382	156	105	456	397	2,956
Use	(1,341)	(1,477)	(38)	(68)	(481)	(288)	(3,693)
Reversal	(116)	(296)	(24)	(104)	(23)	(194)	(757)
Interest effect	131	17	67	0	0	17	232
Other changes	(54)	13	(76)	(4)	(31)	32	(120)
At December 31, 2009	**1,339**	**1,601**	**798**	**450**	**407**	**935**	**5,530**
Of which: current	536	1,349	39	424	407	614	3,369

The provisions for restructuring expenses mainly include provisions for staff restructuring. The provisions for restructuring expenses developed as follows in the financial year:

(millions of €)	Jan. 1, 2009	Addition	Use	Reversal	Other changes	Dec. 31, 2009
Early retirement	1,179	170	(742)	(58)	73	622
Severance and voluntary redundancy models	690	141	(350)	(29)	(86)	366
Partial retirement	340	111	(218)	(24)	83	292
Other	42	38	(31)	(5)	15	59
	2,251	**460**	**(1,341)**	**(116)**	**85**	**1,339**
Of which: current	695					536

Some of the staff restructuring measures are covered by law and will apply beyond 2009. The deadline for civil servants to apply for early retirement, for example, was originally the end of 2010. For civil servants employed at Deutsche Telekom, the law provides the opportunity under certain conditions to retire early from the age of 55. When the reform of civil-service law came into effect, the provisions for early retirement for civil servants were extended until December 31, 2012. Exercise of the early retirement option in 2011 and 2012, however, will be subject to a resolution by the Board of Management.

Other provisions for personnel costs include a variety of individual issues such as provisions for deferred compensation and allowances, as well as for anniversary gifts. The expenses are allocated to functional costs or to other operating expenses based on actual cost generation.

Provisions for restoration obligations include the estimated costs for dismantling and removing an asset, and restoring the site on which it is located. The estimated costs are included in the costs of the relevant asset.

The provisions for litigation risks primarily include possible settlements attributable to pending lawsuits.

Provisions for sales and procurement support include dealer commissions, subsidies for advertising expenses and reimbursements.

Miscellaneous other provisions include provisions related to the disposal of businesses and site closures, provisions for environmental damage and risks, warranty provisions as well as a variety of other items for which the individually recognized amounts are not material.

13 Other liabilities

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Deferred revenue	2,095	1,910
Liabilities from other taxes	1,178	1,181
Other deferred revenue	527	702
Miscellaneous other liabilities	3,746	2,882
	7,546	**6,675**

Miscellaneous other liabilities increased in the reporting year due to higher liabilities in connection with the early retirement arrangements for civil servants.

14 Shareholders' equity

Issued capital

As of December 31, 2009, the **share capital** of Deutsche Telekom totaled EUR 11,164,979,182.08, the same as on the reporting date of the prior year. The share capital is divided into 4,361,319,993 no par value registered shares.

	2009	
	(thousands)	(%)
Federal Republic of Germany	646,575	14.8
KfW Bankengruppe	735,662	16.9
Free float	2,979,083	68.3
Of which: Blackstone Group	191,700	4.4
Of which: BlackRock	145,762	3.3
	4,361,320	**100.0**

Each share entitles the holder to one vote. The voting rights are nevertheless restricted in relation to the treasury shares (around 2 million as of December 31, 2009) and the trust shares (around 19 million as of December 31, 2009). The trust shares are connected with the acquisitions of VoiceStream and Powertel (now T-Mobile USA) in 2001. As part of these acquisitions, Deutsche Telekom AG issued new shares from authorized capital to trustees for the benefit of holders of warrants, options, and conversion rights, among others. As regards the shares issued to trusts, the trustees in question waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts' existence. The shares issued to the trusts can be sold on the stock exchange on the instruction of Deutsche Telekom AG if the beneficiaries do not exercise their options or conversion rights or if these expire. The proceeds from the sale accrue to Deutsche Telekom AG. As of December 31, 2009, the number of T-Shares reserved for the stock options still outstanding was 5,403,455.

Authorized capital and contingent capital

Authorized capital and contingent capital comprised the following components as of December 31, 2009:

	Amount (€)	No par value shares	Purpose
2009 Authorized capital I[1]	2,176,000,000.00	850,000,000	Increase in share capital (until April 29, 2014)
2009 Authorized capital II[1]	38,400,000.00	15,000,000	Employee shares (until April 29, 2014)
Contingent capital II	31,813,089.28	12,426,988	Meeting preemptive rights to shares from stock options under the 2001 Stock Option Plan
Contingent capital IV	600,000,000.00	234,375,000	Servicing guaranteed convertible bonds or bonds with warrants issued on or before April 25, 2010

1 The Supervisory Board's approval is required.

Capital reserves

The capital reserves of the Group primarily encompass the capital reserves of Deutsche Telekom AG. Differences to the capital reserves of Deutsche Telekom AG result from the recognition at fair value of the Deutsche Telekom AG shares newly issued in the course of the acquisition of T-Mobile USA Inc., Bellevue (United States)/Powertel Inc., Bellevue (United States) instead of at their par value, which is permissible in the consolidated financial statements, and from the related treatment of the issuing costs, which are deducted from capital reserves.

Treasury shares

The total of 1,881,508 treasury shares remained unchanged year-on-year. These are carried at cost of EUR 5 million and correspond to 0.04 percent of the Company's share capital. All treasury shares are held by Deutsche Telekom AG.

The shareholders' meeting on April 30, 2009 authorized the Board of Management to purchase up to 436,131,999 no par value shares in Deutsche Telekom AG by October 29, 2010, with the amount of share capital accounted for by these shares totaling up to EUR 1,116,497,917.44, provided the shares to be purchased on the basis of this authorization in conjunction with other shares of Deutsche Telekom AG which it has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10 percent of Deutsche Telekom's share capital. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The purchase takes place without prejudice to the principle of equal treatment through the stock exchange or a public purchase offer addressed to all shareholders. By resolution of the shareholders' meeting of April 30, 2009, the Board of Management is authorized to redeem Deutsche Telekom AG's shares purchased on the basis of the aforementioned authorization, without such redemption or its implementation requiring a further resolution of the shareholders' meeting.

Non-controlling interests

The significant increase in non-controlling interests compared with the prior year was attributable to offsetting effects. The increase in non-controlling interests as a result of the first-time full consolidation of OTE and the attributable total comprehensive income was partially offset by the payment of dividends.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

15 Net revenue

Net revenue breaks down into the following revenue categories:

(millions of €)	2009	2008	2007
Revenue from the rendering of services	61,017	58,449	59,125
Revenue from the sale of goods and merchandise	3,442	3,036	3,174
Revenue from the use of entity assets by others	143	181	217
	64,602	**61,666**	**62,516**

The first-time full consolidation of the OTE was the primary driver behind the rise in net revenue in the 2009 financial year, contributing EUR 5.4 billion. Adjusted for the effects of changes in the composition of the Group totaling EUR 5.5 billion and negative exchange rate effects (EUR 0.4 billion), net revenue was below prior-year level.

While the Group’s revenue in the United States and Southern and Eastern Europe operating segments increased, revenue in the Germany, Europe and Systems Solutions operating segments declined.

16 Cost of sales

The EUR 1.7 billion increase in cost of sales year-on-year was mainly attributable to the first-time full consolidation of OTE, which contributed EUR 3.2 billion to the Group’s cost of sales in the financial year. Furthermore, exchange rate effects totaling EUR 0.4 billion as well as, to a smaller extent, higher sales of higher-value products and the roll-out of the 2G and 3G networks increased costs in the United States operating segment.

Sales-related declines in costs in the Europe and Systems Solutions operating segments impacted the Group by a total of EUR 1.5 billion. Positive exchange rate effects totaling EUR 0.4 billion, in particular in the Europe operating segment and in the Southern and Eastern Europe operating segment arising from the translation of pounds sterling, Polish zlotys, Czech korunas and Hungarian forints to euros also reduced cost of sales.

17 Selling expenses

The Group’s selling expenses remained on a par with the prior-year level despite the increasing effects of the first-time full consolidation of OTE in 2009. These effects were offset in particular by cost cuts in the Germany operating segment, primarily in operational sales and receivables management. In addition, selling expenses decreased in the Europe operating segment, after elimination of exchange rate effects.

18 General and administrative expenses

The Group’s general and administrative expenses were reduced by EUR 0.2 billion. The effect from the first-time full consolidation of OTE of EUR 0.5 billion was more than offset by savings measures.

19 Other operating income

(millions of €)	2009	2008	2007
Income from reimbursements	344	272	226
Income from the reversal of impairment losses on noncurrent financial assets in accordance with IFRS 5	131	134	32
Income from disposal of non-current assets	104	100	300
Income from insurance compensation	49	50	58
Income from divestitures	20	505	388
Miscellaneous other operating income	856	910	641
	1,504	**1,971**	**1,645**

Other operating income decreased by EUR 0.5 billion year-on-year. The decline was mainly attributable to lower income from divestitures. In the prior year, the Group generated income of EUR 0.4 billion from the disposal of Media&Broadcast.

20 Other operating expenses

(millions of €)	2009	2008	2007
Goodwill impairment losses	2,345	289	327
Loss on disposal of non-current assets	154	170	257
Miscellaneous other operating expenses	820	773	1,177
	3,319	**1,232**	**1,761**

Other operating expenses increased by EUR 2.1 billion year-on-year. This was mainly attributable to impairment losses on goodwill amounting to EUR 2.3 billion that had to be recognized in the financial year. For further details, please refer to Note 5.

21 Finance costs

(millions of €)	2009	2008	2007
Interest income	341	408	261
Interest expense	(2,896)	(2,895)	(2,775)
	(2,555)	**(2,487)**	**(2,514)**
Of which: from financial instruments relating to categories in accordance with IAS 39:			
Loans and receivables	132	162	152
Held-to-maturity investments	3	23	9
Available-for-sale financial assets	42	32	31
Financial liabilities measured at amortized cost[1]	(2,637)	(2,668)	(2,612)

1 Interest expense calculated according to the effective interest method and adjusted for accrued interest from derivatives that were used as hedging instruments against interest rate-based changes in the fair values of financial liabilities measured at amortized cost in the reporting period for hedge accounting in accordance with IAS 39 (2009: interest income of EUR 107 million; 2008: interest income of EUR 68 million, interest expense of EUR 11 million; 2007: interest expense of EUR 42 million).

Finance costs were subject to two offsetting effects. On the one hand, interest expense increased in the 2009 financial year due to the first-time full consolidation of OTE in the consolidated financial statements. On the other, the downgrade of Deutsche Telekom's rating in the prior year and the resulting adjustments to carrying amounts for a number of bonds with rating-linked coupons had a one-time impact on interest expense in the prior year.

Since January 1, 2009 Deutsche Telekom has capitalized borrowing costs as part of the cost of qualifying assets. EUR 27 million were recognized as part of acquisition costs in the financial year. The amount was calculated on the basis of an average capitalization rate of 5.9 percent applied across the Group. The figures for prior-year periods have not been adjusted.

Accrued interest payments from derivatives (interest rate swaps) that were designated as hedging instruments in a fair value hedge in accordance with IAS 39 are netted per swap contract and recognized as interest income or interest expense depending on the net amount. Finance costs are assigned to the categories on the basis of the hedged item; only financial liabilities were hedged in the reporting period.

22 Share of profit/loss of associates and joint ventures accounted for using the equity method

(millions of €)	**2009**	**2008**	**2007**
Share of profit (loss) of joint ventures	9	31	25
Share of profit (loss) of associates	15	(419)	30
	24	**(388)**	**55**

The share of profit or loss of associates and joint ventures accounted for using the equity method improved by EUR 0.4 billion in the financial year. This was mainly due to the impairment loss of EUR 0.5 billion that had to be recognized in the prior year on the carrying amount of the shares in OTE. OTE has been fully consolidated since the beginning of February 2009. For further details, please refer to the “Business combinations” section.

23 Other financial income/expense

(millions of €)	**2009**	**2008**	**2007**
Income from investments	22	44	25
Gain (loss) from financial instruments	(171)	(254)	(3)
Interest component from measurement of provisions and liabilities	(677)	(503)	(396)
	(826)	**(713)**	**(374)**

All income components including interest income and expense from financial instruments classified as held for trading in accordance with IAS 39 are reported under other financial income/expense.

The EUR 0.1 billion increase in other financial expense compared with the prior year is mainly attributable to higher interest rate expenses on provisions and liabilities.

24 Income taxes

Income taxes in the consolidated income statement

Income taxes are broken down into current taxes paid or payable in the individual countries and into deferred taxes.

The following table provides a breakdown of income taxes in Germany and internationally:

(millions of €)	**2009**	**2008**	**2007**
Current taxes	873	644	212
Germany	163	88	(259)
International	710	556	471
Deferred taxes	909	784	1,161
Germany	353	515	1,121
International	556	269	40
	1,782	**1,428**	**1,373**

Deutsche Telekom's combined income tax rate for 2009 amounted to 30.5 percent, comprising corporate income tax at a rate of 15 percent, the solidarity surcharge of 5.5 percent on corporate income tax, and trade income tax at an average multiplier of 419 percent. The combined income tax rate amounted to 30.5 percent for 2008 and to 39 percent for 2007.

Reconciliation of the effective tax rate

Income taxes of EUR 1,782 million in the reporting year (2008: EUR 1,428 million; 2007: EUR 1,373 million) are derived as follows from the expected income tax expense that would have arisen had the statutory income tax rate of the parent company (combined income tax rate) been applied to profit before income taxes:

(millions of €)	2009	2008	2007
Profit before income taxes	**2,655**	**3,452**	**2,453**
Expected income tax expense (income tax rate applicable to Deutsche Telekom AG:			
2009: 30.5 %; 2008: 30.5 %; 2007: 39 %)	810	1,053	957
Adjustments to expected tax expense			
Effect of changes in statutory tax rates	26	3	734
Tax effects from prior years	(26)	29	65
Tax effects from other income taxes	161	115	42
Non-taxable income	(106)	(86)	(217)
Tax effects from equity investments	(9)	124	(23)
Non-deductible expenses	136	110	63
Permanent differences	64	(47)	28
Goodwill impairment losses	702	71	130
Tax effects from loss carryforwards	51	(34)	(306)
Tax effects from additions to and reductions of local tax	71	86	92
Adjustment of taxes to different foreign tax rates	(102)	3	(182)
Other tax effects	4	1	(10)
Income tax expense (benefit) according to the consolidated income statement	**1,782**	**1,428**	**1,373**
Effective income tax rate (%)	**67**	**41**	**56**

Current income taxes in the consolidated income statement

The following table provides a breakdown of current income taxes:

(millions of €)	2009	2008	2007
Current income taxes	**873**	**644**	**212**
Of which:			
Current tax expense	744	596	579
Prior-period tax expense (income)	129	48	(367)

Deferred taxes in the consolidated income statement

The following table shows the development of deferred taxes:

(millions of €)	2009	2008	2007
Deferred tax expense (income)	**909**	**784**	**1,161**
Of which:			
On temporary differences	692	409	324
On loss carryforwards	232	419	852
From tax credits	(15)	(44)	(15)

Despite the significantly lower profit/loss before income taxes, income tax expense did not decrease year-on-year; rather, it increased significantly. This was mainly attributable to higher impairment losses recognized on goodwill, in particular at T-Mobile UK. Since these impairment losses are not to be considered for tax purposes, income tax expense increased relative to profit before income taxes.

Income taxes in the consolidated statement of financial position

Current income taxes in the consolidated statement of financial position:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Recoverable taxes	144	273
Tax liabilities	(511)	(585)

Deferred taxes in the consolidated statement of financial position:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Deferred tax assets	5,162	6,234
Deferred tax liabilities	(7,153)	(7,108)
	(1,991)	(874)
Of which: recognized in equity:		
Actuarial gains and losses	151	35
Revaluation due to business combinations	3	0
Cash flow hedges	(319)	(338)
Financial assets available for sale	3	3
	(162)	**(300)**

Development of deferred taxes:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Deferred taxes recognized in statement of financial position	(1,991)	(874)
Difference to prior year	(1,117)	(809)
Of which:		
Recognized in income statement	(909)	(784)
Recognized in equity	138	(53)
Acquisitions/disposals	(482)	215
Currency translation adjustments	136	(187)

Deferred taxes relate to the following key items in the statement of financial position, loss carryforwards, and tax credits:

	Dec. 31, 2009		Dec. 31, 2008	
(millions of €)	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Current assets	**788**	**(368)**	**659**	**(1,145)**
Trade and other receivables	339	(52)	262	(57)
Other financial assets	317	(251)	276	(1,036)
Inventories	13	(17)	13	(5)
Other assets	119	(48)	108	(47)
Non-current assets	**1,279**	**(9,739)**	**2,391**	**(9,748)**
Intangible assets	493	(6,802)	888	(6,755)
Property, plant and equipment	459	(2,588)	507	(2,135)
Investments accounted for using the equity method	0	0	0	(3)
Other financial assets	327	(349)	996	(855)
Current liabilities	**641**	**(405)**	**1,713**	**(748)**
Financial liabilities	267	(229)	117	(212)
Trade and other payables	29	(58)	1,175	(394)
Other provisions	176	(46)	305	(40)
Other liabilities	169	(72)	116	(102)
Non-current liabilities	**3,209**	**(998)**	**2,572**	**(605)**
Financial liabilities	1,572	(734)	864	(300)
Provisions for pensions and other employee benefits	542	(162)	393	(217)
Other provisions	393	(75)	664	(44)
Other liabilities	702	(27)	651	(44)
Tax credits	**196**	**-**	**188**	**-**
Loss carryforwards	**4,458**	**-**	**5,062**	**-**
Total	**10,571**	**(11,510)**	**12,585**	**(12,246)**
Of which: non-current	8,865	(10,737)	11,327	(9,982)
Allowance	(1,052)		(1,213)	
Netting	(4,357)	4 357	(5,138)	5,138
Recognition	**5,162**	**(7,153)**	**6,234**	**(7,108)**

The allowances relate primarily to loss carryforwards. This table does not include deferred taxes (deferred tax assets: EUR 0.3 billion; deferred tax liabilities: EUR 0.3 billion) attributable to T-Mobile UK, which was classified as held for sale as of the reporting date.

The loss carryforwards are shown in the following table:

(millions of €)	**Dec. 31, 2009**	**Dec. 31, 2008**
Loss carryforwards for corporate income tax purposes	**13,516**	**15,293**
Expiry within		
1 year	38	4
2 years	1,403	2
3 years	165	1,390
4 years	128	87
5 years	157	28
After 5 years	5,051	6,291
Unlimited carryforward period	6,574	7,491

The loss carryforwards of T-Mobile UK, which was classified as held for sale as of the reporting date, totaling EUR 1,666 million are not included in the table.

Loss carryforwards and temporary differences for which no deferred taxes were recorded amount to:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Loss carryforwards for corporate income tax purposes	3,295	3,952
Expiry within		
1 year	18	4
2 years	1,127	2
3 years	46	1,146
4 years	43	34
5 years	81	22
After 5 years	202	117
Unlimited carryforward period	1,778	2,627
Temporary differences in corporate income tax	477	289

The loss carryforwards of T-Mobile UK, which was classified as held for sale as of the reporting date, totaling EUR 774 million are not included in the table.

In addition, no deferred taxes are recognized on trade tax loss carryforwards of EUR 124 million (December 31, 2008: EUR 220 million) and on temporary differences for trade tax purposes in the amount of EUR 40 million (December 31, 2008: EUR 75 million). Apart from corporate income tax loss carryforwards, no deferred taxes amounting to EUR 118 million (December 31, 2008: EUR 106 million) were recognized for other foreign income tax loss carryforwards.

No deferred tax assets were recognized on the aforementioned tax loss carryforwards and temporary differences as it is not probable that taxable profit will be available in the foreseeable future against which these tax loss carryforwards can be utilized.

A positive tax effect in the amount of EUR 12 million (2008: EUR 12 million; 2007: EUR 14 million) was recorded, attributable to the utilization of loss carryforwards on which deferred tax assets had not yet been recognized.

As the Group expects to generate future taxable profits, deferred tax assets in the amount of EUR 2,624 million were recognized on loss carryforwards and temporary differences for 2009 (December 31, 2008: EUR 2,878 million), although the respective entities generated tax losses in the current and the prior year. Furthermore, the impairment test of deferred tax assets also takes potential structural improvements into consideration.

Having streamlined T-Mobile UK's corporate structure in 2006, Deutsche Telekom believes that a capital loss has become available for tax purposes. However, as it is unlikely that the resulting loss carryforward of EUR 8,122 million, which can only be offset against certain types of profit, can be utilized, it is not included in the aforementioned loss carryforwards.

No deferred tax liabilities were recognized on temporary differences in connection with equity interests in subsidiaries amounting to EUR 1,590 million (December 31, 2008: EUR 1,485 million) as it is unlikely that these differences will be reversed in the foreseeable future.

Disclosure of tax effects relating to each component of "Other comprehensive income."

	2009			2008			2007		
(millions of €)	**Before tax amount**	**Tax (expense) benefit**	**Net of tax amount**	**Before tax amount**	**Tax (expense) benefit**	**Net of tax amount**	**Before tax amount**	**Tax (expense) benefit**	**Net of tax amount**
Actuarial gains and losses on defined benefit pension plans	(461)	116	(345)	227	(64)	163	923	(364)	559
Revaluation due to business combinations	(38)	3	(35)	0	0	0	18	0	18
Exchange differences on translating foreign operations	(211)	0	(211)	(352)	0	(352)	(2,510)	0	(2,510)
Available-for-sale financial assets	(4)	0	(4)	1	0	1	(2)	0	(2)
Of which: recognized in income statement	0	0	0	0	0	0	(1)	0	(1)
Fair value measurement of hedging instruments	(48)	19	(29)	(41)	8	(33)	(115)	137	22
Of which: recognized in income statement	8	(1)	7	(101)	5	(96)	3	(1)	2
Other income and expense recognized directly in equity	11	0	11	(8)	3	(5)	0	(1)	(1)
Other comprehensive income	**(751)**	**138**	**(613)**	**(173)**	**(53)**	**(226)**	**(1,686)**	**(228)**	**(1,914)**
Profit			873			2,024			1,080
Total comprehensive income			**260**			**1,798**			**(834)**

25 Profit attributable to non-controlling interests

Profit attributable to non-controlling interests of EUR 520 million (2008: EUR 541 million; 2007: EUR 509 million) comprises gains of EUR 527 million (2008: EUR 859 million; 2007: EUR 549 million) and losses of EUR 7 million (2008: EUR 318 million; 2007: EUR 40 million).

Profit attributable to non-controlling interests in 2009 primarily relates to T-Mobile Czech Republic, Magyar Telekom, T-Mobile Hrvatska, HT-Hrvatske telekomunikacije and Slovak Telekom.

26 Earnings per share

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

Basic earnings per share		**2009**	**2008**	**2007**
Profit attributable to the owners of the parent (net profit)	(millions of €)	353	1,483	571
Adjustment		-	-	-
Adjusted net profit (basic)	**(millions of €)**	**353**	**1,483**	**571**
Number of ordinary shares issued	(millions)	4,361	4,361	4,361
Treasury shares	(millions)	(2)	(2)	(2)
Shares reserved for outstanding options (T-Mobile USA/Powertel)	(millions)	(19)	(19)	(20)
Adjusted weighted average number of ordinary shares outstanding (basic)	**(millions)**	**4,340**	**4,340**	**4,339**
Basic earnings per share/ADS	**(€)**	**0.08**	**0.34**	**0.13**

The calculation of basic earnings per share is based on the time-weighted total number of all ordinary shares outstanding. The number of ordinary shares issued already includes all shares newly issued in the reporting period in line with their time weighting. Furthermore, the weighted average number of ordinary shares outstanding is determined by deducting the treasury shares held by Deutsche Telekom AG as well as the shares that, as part of the issue of new shares in the course of the acquisition of T-Mobile USA/Powertel, are held in a trust deposit account for later issue and later trading as registered shares and/or American depositary shares (ADSs), each multiplied by the corresponding time weighting factor.

Diluted earnings per share		**2009**	**2008**	**2007**
Adjusted profit attributable to the owners of the parent (net profit)	(millions of €)	353	1,483	571
Dilutive effects on profit (loss) from stock options (after taxes)	(millions of €)	0	0	0
Net profit (diluted)	**(millions of €)**	**353**	**1,483**	**571**
Adjusted weighted average number of ordinary shares outstanding (basic)	(millions)	4,340	4,340	4,339
Dilutive potential ordinary shares from stock options and warrants	(millions)	0	0	1
Weighted average number of ordinary shares outstanding (diluted)	**(millions)**	**4,340**	**4,340**	**4,340**
Diluted earnings per share/ADS	**(€)**	**0.08**	**0.34**	**0.13**

The calculation of diluted earnings per share generally corresponds to the method for calculating basic earnings per share. However, the calculation must be adjusted for all dilutive effects arising from potential ordinary shares. Equity instruments may dilute basic earnings per share in the future and – to the extent that a potential dilution already occurred in the respective reporting period – have been included in the calculation of diluted earnings per share. For further details on the equity instruments currently applicable, please refer to Notes 14 and 34.

27 Dividend per share

For the 2009 financial year, the Board of Management proposes a dividend of EUR 0.78 for each no par value share carrying dividend rights. On the basis of this proposed appropriation, total dividends in the amount of EUR 3,386 million (2008: EUR 3,386 million) will be appropriated to the no par value shares carrying dividend rights at February 8, 2010.

The final amount of the total dividend payment depends on the number of no par value shares carrying dividend rights as of the date of the resolution on the appropriation of net income as adopted on the day of the shareholders' meeting.

28 Average number of employees and personnel costs

Average number of employees	**2009**	**2008**	**2007**
Group (total)	**257,601**	**234,887**	**243,736**
Domestic	130,477	141,123	154,101
International	127,124	93,764	89,635
Non-civil servants	226,460	201,036	205,471
Civil servants (domestic)	31,141	33,851	38,265
Trainees and student interns	9,805	10,424	10,708

	2009	**2008**	**2007**
Personnel costs (millions of €)	**14,333**	**14,078**	**15,387**

The number of employees in the Group increased year-on-year by 22,714. This increase was largely a result of the first-time inclusion of the OTE staff in early February 2009. The headcount also grew in the Systems Solutions and United States operating segments. In the Systems Solutions operating segment, the higher staff level was due to the expansion of international business. In the United States operating segment, the rise in headcount resulted from further retail distribution growth. These effects were only partially offset by staff reductions in Germany

The change in personnel costs, which are included in functional costs, is attributable to the headcount trends described.

29 Depreciation, amortization and impairment losses

The following table provides a breakdown of depreciation, amortization and impairment losses included in the functional costs:

(millions of €)	2009	2008	2007
Amortization and impairment of intangible assets	**5,657**	**3,397**	**3,490**
Of which: goodwill impairment losses	2,345	289	327
Of which: amortization of mobile communications licenses	905	1,013	1,017
Depreciation and impairment of property, plant and equipment	**8,237**	**7,578**	**8,121**
	13,894	**10,975**	**11,611**

The following table provides a breakdown of impairment losses:

(millions of €)	2009	2008	2007
Intangible assets	**2,354**	**340**	**378**
Of which: goodwill	2,345	289	327
Of which: U.S. mobile communications licenses	-	21	9
Property, plant and equipment	**217**	**140**	**300**
Land and buildings	193	123	238
Technical equipment and machinery	10	5	54
Other equipment, operating and office equipment	3	8	4
Advance payments and construction in progress	11	4	4
	2,571	**480**	**678**

Amortization and impairment of intangible assets mainly relate to mobile communications licenses, software, customer bases and brand names as well as goodwill. The increase in the 2009 financial year is mainly due to the full consolidation of OTE for the first time in early February 2009 as well as higher impairment losses recognized on goodwill. The Group recognized an impairment loss of EUR 1.8 billion on the goodwill of the cash-generating unit T-Mobile UK in the first quarter of 2009. T-Mobile UK has been classified as held for sale since September 8, 2009. The Group also recognized impairment losses of EUR 0.5 billion as of December 31, 2009 as a result of the annual impairment test. For further details on impairment losses, please refer to Note 5. For further details on the disclosure of T-Mobile UK, please refer to Note 4.

Depreciation of property, plant and equipment increased by EUR 0.7 billion in the reporting year, mainly as a result of the full consolidation of OTE for the first time. This increase was partially offset by lower depreciation of technical equipment and machinery as well as lower impairment of land and buildings.

OTHER DISCLOSURES

30 Notes to the consolidated statement of cash flows

Net cash from operating activities

Net cash from operating activities amounted to EUR 15.8 billion in the 2009 financial year, an increase of EUR 0.4 billion over the prior year. While cash generated from operations improved by EUR 0.6 billion, net interest paid increased by EUR 0.2 billion. The increase in cash generated from operations is the result of several factors, some of which offset each other. The Group's EBIT decreased by EUR 1,0 billion while the depreciation, amortization and impairment losses increased by EUR 2,9 billion year-on-year. Additionally, the effects of the disposal of fully consolidated companies increased by EUR 0.4 billion. The change in assets carried as working capital increased by EUR 1.7 billion, mainly as a result of inflows of EUR 0.8 billion from the sale of receivables (factoring) and as a result of the decrease of EUR 0.5 billion in trade receivables (excluding receivables from construction contracts) which is due to improved receivables management. By contrast, the changes in provisions and other liabilities carried as working capital decreased by EUR 3.1 billion year-on-year, mainly due to lower additions to provisions for restructuring measures in combination with higher cash outflows for restructuring measures, increased utilization of provisions for personnel costs and provisions for litigation risks, as well as a reduction in trade payables. In addition, income tax payments increased by EUR 0.4 billion year-on-year, in particular as a result of the first-time full consolidation of OTE from February 2009. The increase in net interest paid is also largely attributable to this effect.

Net cash used in investing activities

Net cash used in investing activities totaled EUR 8.6 billion as compared with EUR 11.4 billion in the previous year. This development was mainly due to the addition of OTE's cash and cash equivalents amounting to EUR 1.6 billion as part of the first-time full consolidation of OTE, whereas the prior year saw outflows for the acquisition of shares in OTE amounting to EUR 3.1 billion. Cash outflows for intangible assets and property, plant and equipment increased by EUR 0.5 billion in 2009. In addition, cash outflows were impacted by EUR 0.3 billion for the deposit of cash collateral in 2009 for the acquisition of Strato AG, whereas in 2008 net cash used in investing activities was positively impacted by EUR 0.6 billion cash inflows from short-term investments.

The net cash outflows for investments in fully consolidated companies and business units increased by EUR 0.6 billion. Whereas cash outflows amounting to EUR 1.0 billion for the acquisition of SunCom and cash inflows of EUR 0.8 billion from the sale of Media&Broadcast were recorded in the 2008 financial year, the 2009 financial year saw cash outflows of EUR 1.0 billion in particular for the acquisition of additional shares in OTE in connection with put option I, and the acquisition of Zapp, and cash inflows of EUR 0.1 billion from the sale of Cosmofon.

Net cash used in financing activities

Net cash used in financing activities amounted to EUR 5.1 billion in the reporting period, compared with EUR 3.1 billion in the prior year.

This change was mostly attributable to EUR 1.1 billion lower year-on-year proceeds from the issue of non-current financial liabilities and EUR 0.6 billion higher net repayments of current financial liabilities. In addition, dividend payments increased by EUR 0.3 billion compared with 2008, in particular as a result of the first-time full consolidation of OTE in February 2009 and higher dividend payments at Slovak Telekom. The considerable decrease in issuance and repayment of current financial liabilities year-on-year is primarily attributable to the issuance of commercial paper in 2009 to finance short-term liquidity needs. This is contrasted by the drawdown of several short-term credit lines in the prior year.

The issue of financial liabilities in the 2009 financial year consisted in particular of the issue of a Eurobond for EUR 2.0 billion, medium-term notes for EUR 2.0 billion, U.S. dollar bonds for EUR 1.1 billion, and promissory notes for EUR 0.2 billion. Medium-term notes for an amount of EUR 3.7 billion, a U.S. dollar bond for an amount of EUR 0.7 billion, commercial paper for a net amount of EUR 0.6 billion, a medium-term note of OTE for an amount of EUR 0.6 billion and promissory notes and other loans for EUR 0.4 billion were repaid during the same period.

31 Segment reporting

Since July 1, 2009, Deutsche Telekom's organizational structure has reflected the realigned management structure approved by the Supervisory Board on April 29, 2009. The new structure increases regional market responsibility in the combined fixed-network and mobile communications business. The realignment also resulted in a change to the structure of the operating segments from July 1, 2009. Since July 1, 2009, Deutsche Telekom has reported on the five operating segments Germany, United States, Europe, Southern and Eastern Europe, and Systems Solutions as well as on Group Headquarters & Shared Services.

The business activities in four of these five operating segments are assigned by regions and in the fifth by customers and products.

The **Germany** operating segment comprises all fixed-network and mobile activities in Germany. In addition, the operating segment provides wholesale telecommunications services for the Group's other operating segments. The **United States** operating segment combines all mobile activities in the U.S. market. The **Europe** operating segment covers all activities of the mobile communications companies in the United Kingdom, Poland, the Netherlands, the Czech Republic and Austria, as well as the International Carrier Sales and Services unit, which provides wholesale telecommunications services for the Group's other operating segments. The **Southern and Eastern Europe** operating segment comprises all fixed-network and mobile communications operations of the national companies in Hungary, Croatia, Slovakia, Greece, Romania, Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro.

Fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers.

The mobile communications business offers mobile voice and data services to consumers and business customers. Mobile terminals and other hardware are sold in connection with the services offered. In addition, T-Mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (MVNOs).

The **Systems Solutions** operating segment bundles business with ICT products and solutions for large multinational corporations under the T-Systems brand. The operating segment offers its customers information and communication technology (ICT) from a single source. It develops and operates infrastructure and industry solutions for multinational corporations and public institutions. The products and services offered range from standard products and IP-based high-performance networks through to complete ICT solutions.

Group Headquarters & Shared Services comprises Service Headquarters and those subsidiaries of Deutsche Telekom AG that are not allocated to the operating segments.

The around 160,000 business customers of the Systems Solutions operating segment (called the Business Customers operating segment until December 31, 2008), which were transferred to the former Broadband/Fixed Network operating segment as of January 1, 2009, are now included in the Germany operating segment.

All of the information presented here has been incorporated into the following tables, and prior-year and comparative figures have been adjusted accordingly. The reconciliation summarizes the elimination of intersegment transactions.

The measurement principles for Deutsche Telekom's segment reporting structure are based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices. Segment assets and liabilities include all assets and liabilities that are accounted for on the basis of the financial statements prepared by the operating segments and included in the consolidated financial statements. Segment investments include additions to intangible assets and property, plant and equipment. Where entities accounted for using the equity method are directly allocable to a segment, their share of profit or loss after income taxes and their carrying amount is reported in this segment's accounts. The following tables show the performance indicators used by Deutsche Telekom to evaluate the segments' performance as well as additional segment-related indicators:

(millions of €)	Year	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Interest income	Interest expense	Share of profit (loss) of associates and joint ventures accounted for using the equity method	Income taxes
Germany	**2009**	**23,813**	**1,610**	**25,423**	**5,062**	**172**	**(107)**	**2**	**(13)**
	2008	24,754	1,646	26,400	4,624	654	(425)	(1)	16
	2007	26,134	1,982	28,116	4,691	524	(420)	7	(9)
United States	**2009**	**15,457**	**14**	**15,471**	**2,233**	**16**	**(543)**	**6**	**(643)**
	2008	14,942	15	14,957	2,299	81	(577)	6	(694)
	2007	14,050	25	14,075	2,017	99	(457)	6	(518)
Europe	**2009**	**9,486**	**548**	**10,034**	**(905)**	**92**	**(187)**	**0**	**(160)**
	2008	10,798	556	11,354	496	190	(269)	0	(58)
	2007	10,675	559	11,234	86	150	(264)	0	202
Southern and Eastern Europe	**2009**	**9,510**	**175**	**9,685**	**1,037**	**126**	**(479)**	**7**	**(420)**
	2008	4,497	148	4,645	915	99	(151)	7	(223)
	2007	4,458	142	4,600	1,010	80	(139)	38	(214)
Systems Solutions	**2009**	**6,083**	**2,715**	**8,798**	**(11)**	**39**	**(46)**	**10**	**(12)**
	2008	6,368	2,975	9,343	81	82	(59)	41	(10)
	2007	6,911	3,660	10,571	(229)	72	(97)	1	(43)
Group Headquarters & Shared Services	**2009**	**253**	**2,157**	**2,410**	**(1,249)**	**1,156**	**(2,768)**	**0**	**(570)**
	2008	307	2,474	2,781	(1,266)	1,559	(3,627)	(441)	(476)
	2007	288	2,855	3,143	(2,243)	1,206	(3,272)	2	(720)
Total	**2009**	**64,602**	**7,219**	**71,821**	**6,167**	**1,601**	**(4,130)**	**25**	**(1,818)**
	2008	61,666	7,814	69,480	7,149	2,665	(5,108)	(388)	(1,445)
	2007	62,516	9,223	71,739	5,332	2,131	(4,649)	54	(1,302)
Reconciliation	**2009**	**-**	**(7,219)**	**(7,219)**	**(155)**	**(1,260)**	**1,234**	**(1)**	**36**
	2008	-	(7,814)	(7,814)	(109)	(2,257)	2,213	0	17
	2007	-	(9,223)	(9,223)	(46)	(1,870)	1,874	1	(71)
Group	**2009**	**64,602**	**-**	**64,602**	**6,012**	**341**	**(2,896)**	**24**	**(1,782)**
	2008	61,666	-	61,666	7,040	408	(2,895)	(388)	(1,428)
	2007	62,516	-	62,516	5,286	261	(2,775)	55	(1,373)

(millions of €)	Year	Segment assets	Segment liabilities	Segment invest-ments	Investments accounted for using the equity method	Depre-ciation and amort-ization	Impair-ment losses	Employees (average)
Germany	**2009**	**52,002**	**16,244**	**3,221**	**23**	**(4,189)**	**(7)**	**84,584**
	2008	49,797	14,693	3,412	18	(4,164)	(16)	89,961
	2007	49,289	15,286	3,386	19	(4,292)	(49)	94,460
United States	**2009**	**36,087**	**19,326**	**2,494**	**18**	**(2,025)**	**(3)**	**38,231**
	2008	37,213	20,998	3,615	14	(1,863)	(21)	36,076
	2007	33,602	13,998	2,203	10	(1,883)	(9)	31,655
Europe	**2009**	**21,668**	**10,372**	**804**	**0**	**(1,561)**	**(1,850)**	**18,105**
	2008	23,297	7,539	1,095	3	(2,229)	(128)	17,945
	2007	27,379	9,234	1,485	0	(2,364)	(336)	17,189
Southern and Eastern Europe	**2009**	**25,120**	**11,724**	**4,009**	**52**	**(2,211)**	**(536)**	**51,172**
	2008	11,054	3,130	844	65	(861)	(173)	21,229
	2007	10,726	3,112	732	67	(913)	(24)	23,442
Systems Solutions	**2009**	**8,872**	**5,932**	**837**	**54**	**(718)**	**(3)**	**45,328**
	2008	9,280	6,342	846	46	(765)	(16)	46,095
	2007	10,841	6,973	934	18	(863)	(25)	49,433
Group Headquarters & Shared Services	**2009**	**120,162**	**78,379**	**747**	**0**	**(660)**	**(173)**	**20,181**
	2008	116,948	75,764	545	3,411	(646)	(127)	23,581
	2007	109,902	71,915	442	4	(666)	(258)	27,557
Total	**2009**	**263,911**	**141,977**	**12,112**	**147**	**(11,364)**	**(2,572)**	**257,601**
	2008	247,589	128,466	10,357	3,557	(10,528)	(481)	234,887
	2007	241,739	120,518	9,182	118	(10,981)	(701)	243,736
Reconciliation	**2009**	**(136, 137)**	**(56,140)**	**(645)**	**-**	**41**	**1**	**-**
	2008	(124,449)	(48,438)	(240)	-	33	1	-
	2007	(121,066)	(45,090)	(105)	-	48	23	-
Group	**2009**	**127,774**	**85,837**	**11,467**	**147**	**(11,323)**	**(2,571)**	**257,601**
	2008	123,140	80,028	10,117	3,557	(10,495)	(480)	234,887
	2007	120,673	75,428	9,077	118	(10,933)	(678)	243,736

(millions of €)	Year	Net cash from operating activities	Net cash (used in) from investing activities	Of which: Cash capex[b]	Net cash (used in) from financing activities
Germany	**2009**	**9,777**	**(2,801)**	**(3,158)**	**(3,689)**
	2008	9,941	(2,791)	(3,038)	(7,224)
	2007	8,587	483	(3,014)	(2,238)
United States	**2009**	**3,929**	**(3,014)**	**(2,666)**	**(1,004)**
	2008	3,740	(2,892)	(2,540)	(852)
	2007	3,622	(2,713)	(1,958)	(831)
Europe	**2009**	**2,175**	**(1,413)**	**(879)**	**(3,839)**
	2008	2,605	(1,525)	(1,152)	(1,436)
	2007	2,474	(2,774)	(1,148)	435
Southern and Eastern Europe	**2009**	**2,859**	**(97)**	**(1,610)**	**(2,232)**
	2008	1,691	(523)	(865)	(464)
	2007	1,655	(452)	(732)	(710)
Systems Solutions	**2009**	**325**	**(643)**	**(681)**	**88**
	2008	766	9	(823)	(838)
	2007	688	(839)	(903)	932
Group Headquarters & Shared Services	**2009**	**6,801**	**(2,995)**	**(449)**	**(2,147)**
	2008	3,366	(1,021)	(426)	(1,028)
	2007	1,120	(4,871)	(340)	(6,902)
Total	**2009**	**25,866**	**(10,963)**	**(9,443)**	**(12,823)**
	2008	22,109	(8,743)	(8,844)	(11,842)
	2007	18,146	(11,166)	(8,095)	(9,314)
Reconciliation	**2009**	**(10,071)**	**2,314**	**241**	**7,700**
	2008	(6,741)	(2,641)	137	8,745
	2007	(4,432)	3,112	80	3,189
Group	**2009**	**15,795**	**(8,649)**	**(9,202)**	**(5,123)**
	2008	15,368	(11,384)	(8,707)	(3,097)
	2007	13,714	(8,054)	(8,015)	(6,125)

[b] Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment, as shown in the statement of cash flows.

Information on geographic areas

The Group's non-current assets and net revenue are shown by region. These are the regions in which Deutsche Telekom is active: Germany, Europe (excluding Germany), North America and Other countries. The Europe (excluding Germany) region covers the entire European Union (excluding Germany) and the other countries in Europe. The North America region comprises the United States and Canada. "Other countries" includes all countries that are not Germany or in Europe (excluding Germany) or North America. Non-current assets are allocated to the regions according to the location of the assets in question. Non-current assets encompass intangible assets; property, plant and equipment; investments accounted for using the equity method as well as other non-current assets. Net revenue is allocated according to the location of the respective customers' operations.

	Non-current assets			Net revenue		
(millions of €)	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	2009	2008	2007
Germany	40,499	44,385	44,817	28,033	28,885	30,694
International	57,362	55,227	52,702	36,569	32,781	31,822
Of which: Europe (excluding Germany)	26,575	23,854	25,238	20,573	17,324	17,264
North America	30,717	31,298	27,407	15,527	14,931	14,159
Other countries	70	75	57	469	526	399
Group	**97,861**	**99,612**	**97,519**	**64,602**	**61,666**	**62,516**

Information on products and services

Revenue generated with external customers for groups of comparable products and services developed as follows:

	Net revenue		
(millions of €)	**2009**	**2008**	**2007**
Telecommunications	58,266	54,991	55,317
Systems solutions	6,083	6,368	6,911
Other	253	307	288
	64,602	**61,666**	**62,516**

32 Contingencies

As of the reporting date, the Group was exposed to contingent liabilities amounting to EUR 724 million (December 31, 2008: EUR 591 million) that, on the basis of the information and estimates available, do not fulfill the requirements for recognition as liabilities in the statement of financial position. Deutsche Telekom is involved in a number of court and arbitration proceedings in connection with its regular business activities. Litigation provisions include the costs of legal counsel services and any probable losses. Deutsche Telekom does not believe that any additional costs arising from legal counsel services or the results of proceedings will have a material adverse effect on the results of operations and financial position of the Group.

In addition to individual cases that do not have any significant impact on their own, the aforementioned total contingent liabilities include the following:

Year-end bonus for civil servants

In November 2004, the Federal Republic of Germany passed the Act to amend the Act on the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz - PostPersRG), which abolished the obligation on Deutsche Telekom and other private companies to pay active civil servants an annual year-end bonus under the German Federal Act on Bonus Payments (Bundessonderzahlungsgesetz). This Act was reviewed at several court instances. In December 2008, the Federal Administrative Court ruled to refer the question as to whether § 10 PostPersRG is constitutional to the Federal Constitutional Court for a judicial review pursuant to Article 100 of the Basic Law. It is uncertain when the Federal Constitutional Court will announce its ruling. If the court rules that the abolition of the bonus payment was unconstitutional, Deutsche Telekom AG's supplementary payment risk would total EUR 0.2 billion for the period 2004 through June 2009.

T-Online appraisal rights proceedings

After the merger of T-Online International AG into Deutsche Telekom AG became effective on June 6, 2006, Deutsche Telekom AG was served around 250 applications for a court review of the fairness of the exchange ratio stipulated in the merger agreement dated March 8, 2005. Under the German Reorganization and Transformation Act (Umwandlungsgesetz), former shareholders of T-Online can request the Frankfurt/Main Regional Court to review the fairness of the exchange ratio in the course of appraisal rights proceedings (Spruchverfahren). The court ruled on March 13, 2009 that the exchange ratio for the T-Online shares was not fair and deemed a supplementary payment of EUR 1.15 per share fair. This decision is not yet final and legally binding. Deutsche Telekom filed an appeal (sofortige Beschwerde) against the ruling immediately and within the stipulated period. Because the complaints do not stipulate a precise numerical claim, but rather target a supplementary cash payment in the amount deemed appropriate by the court, it is not possible at present to estimate whether Deutsche Telekom will be ordered to make a supplementary payment and if so, in what amount. Deutsche Telekom believes the plaintiffs' claims are unfounded. However, should the current ruling of the Regional Court of Frankfurt/Main become legally binding and Deutsche Telekom be ordered to make a supplementary payment of EUR 1.15 per share to the former shareholders of T-Online, this could result in a payment of approximately EUR 0.2 billion. The amount of EUR 1.15 per share is a possible, but not the most probable outcome in the event that the Higher Regional Court determines that there is to be a supplementary cash payment. It is also possible that in this event the Higher Regional Court will call in an expert consultant to conduct a partial or full revaluation. The expert consultant's (partial) revaluation may result in no supplementary cash payment at all, but may also result in a higher payment than EUR 1.15 per share.

Likewise, on the basis of the information and estimates available, the issues listed below do not fulfill the requirements for recognition as liabilities in the statement of financial position. As, however, the Group is unable to estimate the amount of the contingent liabilities in each case due to the uncertainties described below, they have not been included in the aforementioned total contingent liabilities.

Toll Collect

In order to fulfill their obligations as set out in the agreement (operating agreement) with the Federal Republic of Germany, Deutsche Telekom AG, Daimler Financial Services AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) have concluded a consortium agreement on the development and setup of an electronic system for collecting toll charges for the use of German autobahns by commercial vehicles with a permissible total weight of more than 12 tons, and on the operation of this system via a joint venture company. Deutsche Telekom AG and Daimler Financial Services AG each hold a 45-percent stake in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect), while Cofiroute holds the remaining 10-percent stake in each.

Under the operating agreement, the toll collection system had to be operational no later than August 31, 2003. Following a delay in launching the system, which resulted in revenue losses at Toll Collect and the payment of contractual penalties, the toll collection system was launched on January 1, 2005 using on-board units that allowed for slightly less than full technical performance in accordance with the original specifications (phase 1). On January 1, 2006, the fully functioning toll collection system was installed and put into operation as required in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received the preliminary operating permit in accordance with the operating agreement. Toll Collect GmbH anticipates receiving the final operating permit and has been operating the toll collection system in the interim period using the preliminary operating permit.

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 Federal Republic claims to have lost toll revenues of approximately EUR 3.5 billion plus interest (5 percent per year above the applicable base interest rate since the arbitration proceedings were initiated), alleging – among other things – that it was deceived as to the likelihood of operations commencing on September 1, 2003. In May 2008, the Federal Republic of Germany slightly reduced its claim to around EUR 3.3 billion plus interest (5 percent per year above the applicable base interest rate since the arbitration proceedings were initiated). The asserted claims for contractual penalties total approximately EUR 1.7 billion plus interest (5 percent per year above the applicable base interest rate since the arbitration proceedings were initiated). The contractual penalties are based on alleged violations of the operator agreement (lack of consent to subcontracting, delayed provision of on-board units and monitoring equipment). Deutsche Telekom AG believes the claims of the Federal Republic to be unfounded and is contesting them. The statement of defense was submitted to the arbitration court on June 30, 2006. The plaintiff's reply was submitted to the arbitration court on February 14, 2007. The defendant's rejoinder was submitted to the arbitration court on October 1, 2007. Further declarations were received from the Federal Republic of Germany on January 7 and February 6, 2008. The initial hearing took place in June 2008 during which the arbitration court discussed legal issues with the parties. No arbitrational ruling was made on the claims asserted. Under orders from the arbitration court, each party submitted documents to the other party at the end of September 2008, as well as a written statement at the end of November 2008 addressing the legal issues discussed during the hearing and in the documents submitted. On May 15, 2009, the parties presented written responses to the relevant statement from the other party. The arbitration court also scheduled another hearing for October 19 to 22, 2009. In this connection, the arbitration court ordered the submission of further documents and papers as well as witness examinations and appointed three experts to evaluate by September 30, 2009 the plausibility of the expert opinions that had been presented by the parties. In July and August 2009, the defendants became aware of information that gave rise to concerns of bias regarding the arbitrator appointed by the Federal Republic, following which the defendants filed a request with the arbitration court to reject the arbitrator on the grounds of bias. On September 4, 2009, the arbitration court ruled to cancel the hearing date and the submission of expert opinions on plausibility. On September 30, 2009, the arbitration court rejected the defendant's request. Following this decision, the defendants filed a rejection request with the Berlin Administrative Court on November 6, 2009.

Toll Collect GmbH filed for arbitration against the Federal Republic of Germany on May 25, 2007 requesting, among other things, the granting of a final operating permit and the payment of outstanding claims. Following an increase in the claim by Toll Collect GmbH on May 15, 2009, the asserted claims for payment total EUR 0.7 billion plus interest. The Federal Republic of Germany filed a counterclaim against Toll Collect GmbH with rebutter dated September 30, 2009 for EUR 0.2 billion plus interest, claiming, among other things, excessive compensation had been paid and contractual penalties that were allegedly due. Just as the defendants in the arbitrational proceedings initiated by the Federal Republic, Toll Collect GmbH has also applied to reject the arbitrator appointed by the Federal Republic on the grounds of bias. Following the aforementioned ruling of the arbitration court, Toll Collect GmbH also filed a rejection request with the Berlin Administrative Court on November 6, 2009.

Each consortium member has submitted guarantees for Toll Collect GmbH's obligations to the Federal Republic of Germany in connection with the completion and operation of the toll system. In addition, Deutsche Telekom AG has given a guarantee for bank loans to Toll Collect GmbH. These guarantees, which are subject to certain terms and conditions, are described below:

- **Bank loans guarantee.** Deutsche Telekom AG guarantees to third parties bank loans of up to a maximum amount of EUR 115 million granted to Toll Collect GmbH. These guarantees for bank loans will expire on May 31, 2012.
- **Equity maintenance undertaking.** The consortium partners have the obligation, on a joint and several basis, to provide Toll Collect GmbH with additional equity in order to ensure a minimum equity ratio of 15 percent (in the single-entity financial statements prepared in accordance with German GAAP) (equity maintenance undertaking). This obligation ends when the operating agreement expires on August 31, 2015, or earlier if the operating agreement is terminated early.

In June 2006, the Federal Republic of Germany began to partially offset its monthly advance payments for operating fees to Toll Collect GmbH of EUR 8 million against the contractual penalty claims that are already subject of the aforementioned arbitration proceedings. As a result, it may become necessary for the consortium members to provide Toll Collect GmbH with further liquidity.

Cofiroute's risks and obligations are limited to EUR 70 million. Deutsche Telekom AG and Daimler Financial Services AG have the obligation, on a joint and several basis, to indemnify Cofiroute against further claims.

Deutsche Telekom believes the claims of the Federal Republic of Germany are unfounded. Furthermore, the amount of a possible settlement attributable to the equity maintenance undertaking or the arbitration proceedings described, which may be material, cannot be estimated because of the aforementioned uncertainties.

ULL rate approvals

In November 2008, the Cologne Administrative Court revoked the rates approval for the unbundled local loop line (ULL) from 1999 with regard to the monthly charges. Both Deutsche Telekom and the Federal Network Agency filed complaints against non-allowance of appeal. In a ruling dated October 5, 2009, the Federal Administrative Court rejected these complaints because the points raised relate to the old legal framework. The rulings of Cologne Administrative Court revoking the approvals thus became legally effective and the rate approval proceedings from 1999 were revived, i.e., the Federal Network Agency must decide again on ULL monthly charges for the period from February 1999 to March 2001. Under its rulings dated August 27, 2009, the Cologne Administrative Court revoked the 2001 ULL rate approval, which relates to monthly charges for the period April 2001 through March 2003 and one-time charges for the period April 2001 through March 2002. In its rulings dated November 19, 2009, the Cologne Administrative Court then revoked the 2002 rate approval, which relates to one-time charges for the period April 2002 through June 2003. These rulings are not legally effective because both Deutsche Telekom and the Federal Network Agency have filed complaints against non-allowance of appeal. If the rulings become legally effective, the Federal Network Agency would have to decide again on the rates for the period April 2001 to March 2003 or June 2003. All other rulings of the Federal Network Agency on ULL rates since 1999 have been challenged and, apart from the 1999 ULL one-time charges, are therefore not final.

33 Disclosures on leases

Deutsche Telekom as lessee

Finance leases

When a lease transfers substantially all risks and rewards to Deutsche Telekom as lessee, Deutsche Telekom initially recognizes the leased assets in the statement of financial position at the lower of fair value or present value of the future minimum lease payments. Most of the leased assets carried in the statement of financial position as part of a finance lease relate to long-term rental and lease agreements for office buildings with a typical lease term of up to 25 years. The agreements include extension and purchase options. The following table shows the net carrying amounts of leased assets capitalized in connection with a finance lease as of the reporting date:

(millions of €)	Dec. 31, 2009	Of which: sale and lease-back transactions	Dec. 31, 2008	Of which: sale and leaseback transactions
Land and buildings	1,035	591	1,116	649
Technical equipment and machinery	35	9	57	-
Other	21	0	24	1
Net carrying amounts of leased assets capitalized	**1,091**	**600**	**1,197**	**650**

At the commencement of the lease term, Deutsche Telekom recognizes a lease liability equal to the carrying amount of the leased asset. In subsequent periods, the liability decreases by the amount of lease payments made to the lessors using the effective interest method. The interest component of the lease payments is recognized in the income statement.

The following table provides a breakdown of these amounts:

	Dec. 31, 2009					
(millions of €)	**Minimum lease payments**		**Interest component**		**Present values**	
Maturity	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**
Within 1 year	231	114	110	66	121	48
In 1 to 3 years	387	211	202	120	185	91
In 3 to 5 years	358	213	154	104	204	109
After 5 years	1,415	860	502	334	913	526
	2,391	**1,398**	**968**	**624**	**1,423**	**774**

	Dec. 31, 2008					
(millions of €)	**Minimum lease payments**		**Interest component**		**Present values**	
Maturity	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**	**Total**	**Of which: sale and leaseback**
Within 1 year	236	116	116	68	120	48
In 1 to 3 years	404	210	215	128	189	82
In 3 to 5 years	367	212	170	113	197	99
After 5 years	1,586	967	578	384	1,008	583
	2,593	**1,505**	**1,079**	**693**	**1,514**	**812**

Operating leases

Beneficial ownership of a lease is attributed to the lessor if this is the party to which all the substantial risks and rewards incidental to ownership of the asset are transferred. The lessor recognizes the leased asset in their statement of financial position. Deutsche Telekom recognizes the lease payments made during the term of the operating lease in profit or loss. Deutsche Telekom’s obligations arising from non-cancelable operating leases are mainly related to long-term rental or lease agreements for network infrastructure, radio towers and real estate. Some leases include extension options and provide for stepped rents. The obligations from operating leases as of December 31, 2009 do not include the obligations of T-Mobile UK, classified as held for sale at the reporting date. The operating lease expenses recognized in profit or loss amounted to EUR 2.1 billion as of the end of 2009 (2008: EUR 2.0 billion; 2007: EUR 1.8 billion). The following table provides a breakdown of future obligations arising from operating leases:

(millions of €)	**Dec. 31, 2009**	**Dec. 31, 2008**
Maturity		
Within 1 year	2,553	2,414
In 1 to 3 years	4,195	3,864
In 3 to 5 years	3,325	2,988
After 5 years	14,475	13,407
	24,548	**22,673**

Deutsche Telekom as lessor

Finance leases

Deutsche Telekom acts as lessor in connection with finance leases. Essentially, these relate to the leasing of routers which Deutsche Telekom provides to its customers for data and telephone network solutions. Deutsche Telekom recognizes a receivable in the amount of the net investment in the lease. The lease payments made by the lessees are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as finance income in the income statement. The amount of the net investment in a finance lease is determined as shown in the following table:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Minimum lease payments	307	334
Unguaranteed residual value	-	-
Gross investment	307	334
Unearned finance income	(43)	(51)
Net investment (present value of the minimum lease payments)	**264**	**283**

The gross investment amount and the present value of payable minimum lease payments are shown in the following table:

(millions of €)	Dec. 31, 2009		Dec. 31, 2008	
Maturity	**Gross investment**	**Present value of minimum lease payments**	**Gross investment**	**Present value of minimum lease payments**
Within 1 year	98	83	128	108
In 1 to 3 years	131	112	122	102
In 3 to 5 years	57	49	52	43
After 5 years	21	20	32	30
	307	**264**	**334**	**283**

Operating leases

Deutsche Telekom acts as a lessor in connection with operating leases and continues to recognize the leased assets in its statement of financial position. The lease payments received are recognized in profit or loss. The leases mainly relate to the rental of building space and radio towers and have an average term of ten years. The future minimum lease payments arising from non-cancelable operating leases are shown in the following table:

(millions of €)	Dec. 31, 2009	Dec. 31, 2008
Maturity		
Within 1 year	338	330
In 1 to 3 years	406	354
In 3 to 5 years	318	281
After 5 years	624	614
	1,686	**1,579**

Agreements that are not leases in substance

In 2002, T-Mobile Deutschland GmbH concluded so-called lease-in / lease-out agreements (QTE lease agreements) for substantial parts of its GSM mobile communications network (amounting to USD 0.8 billion). The contracting parties were initially four and, after the contract with one of them was terminated by mutual agreement in 2009, three U.S. trusts backed by U.S. investors. Under the terms of the principal lease agreements, T-Mobile Deutschland GmbH is obliged to grant the respective U.S. trust unhindered use of the leased objects for a period of 30 years. After expiry of the principal lease agreements, the U.S. trusts have the right to acquire the network components for a purchase price of USD 1.00 each. In return, T-Mobile Deutschland GmbH has leased the network components back for 16 years by means of sub-lease agreements. After around 13 years, T-Mobile Deutschland GmbH has the option of acquiring the rights of the respective U.S. trust arising from the principal lease agreements (call option). Upon exercise of this call option, all the rights of the U.S. trust in question to the leased objects arising are transferred to T-Mobile Deutschland GmbH. In this case, T-Mobile Deutschland GmbH would be the only party to the principal lease agreement, meaning that this agreement would be extinguished as a result of the fusion of rights and obligations under the agreement.

34 Stock-based compensation plans

Stock option plans

The following table provides an overview of all existing stock option plans (SOPs) of Deutsche Telekom AG, T-Online International AG (prior to merger), T-Mobile USA and the OTE group:

Entity	Plan	Year of issuance	Stock options granted (thousands)	Vesting period (years)	Contractual term (years)	Weighted exercise price	Share price at grant date	Max. price for SARs	Comments	Classification/accounting treatment
Deutsche Telekom AG	2001 SOP	2001	8,221	2 - 3	10	€ 30.00	€ 19.10			Equity-settled
		2002	3,928	2 - 3	10	€ 12.36	€ 10.30			Equity-settled
	SARs	2001	165	2 - 3	10	€ 30.00	€ 19.10	€ 50.00		Cash-settled
		2002	3	2 - 3	10	€ 12.36	€ 10.30	€ 20.60		Cash-settled
T-Online International AG	2001 SOP	2001	2,369	2 – 3	10	€ 10.35	€ 8.28			Cash-settled
		2002	2,067	2 – 6	10	€ 10.26	€ 8.21			Cash-settled
T-Mobile USA	Acquired SOPs	2001	24,278	up to 4	max. 10	USD 15.36				Equity-settled
		2002	5,964	up to 4	max. 10	USD 13.35				Equity-settled
		2003	1,715	up to 4	max. 10	USD 12.86				Equity-settled
	Powertel	2001	5,323	up to 4	max. 10	USD 20.04				Equity-settled
	T-Mobile USA/ Powertel	2004	230	up to 4	max. 10	USD 19.64			Plans merged	Equity-settled
OTE group	Cosmote group	2005-2007	3,440	up to 3	6	€ 14.90	€ 15.48		Modified in 2008 and 2009	Equity-settled
	OTE (original) 2008	2008	3,142	up to 3	max. 6	€ 15.70	€ 21.38		Modified in 2008 and 2009	Equity-settled
	OTE group 2008	2009	3,226	up to 3	max. 6	€ 16.20	€ 10.40		Modified in 2009	Equity-settled

Supplemental information on the stock option plans

Deutsche Telekom AG

In May 2001, the shareholders' meeting approved the introduction of the 2001 Stock Option Plan, resulting in the granting of stock options in August 2001 and July 2002. Furthermore, in 2001 and 2002, Deutsche Telekom also granted stock appreciation rights (SARs) to employees in countries where it was not legally possible to issue stock options.

The table below shows the changes in outstanding options issued by Deutsche Telekom AG:

Deutsche Telekom AG	2001 SOP		SARs	
	Stock options (thousands)	Weighted average exercise price (€)	SARs (thousands)	Weighted average exercise price (€)
Stock options outstanding/exercisable at January 1, 2009	9,006	24.38	138	29.93
Granted	0	-	0	-

Exercised	0	-	0	-
Forfeited	949	26.43	4	30.00
Stock options outstanding/ exercisable at December 31, 2009	**8,057**	**24.14**	**134**	**29.93**
Supplemental information for 2009				
Remaining contractual life of options outstanding at end of period (years, weighted)	1.9		1.6	

The characteristics of the options outstanding/exercisable as of the reporting date (December 31, 2009) are as follows:

Deutsche Telekom AG Range of exercise prices (€)			Options outstanding/exercisable as of Dec. 31, 2009 Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price (€)
10	-	20	2,675	2.5	12.36
21	-	40	5,382	1.6	30.00
			8,057	**1.9**	**24.14**

Deutsche Telekom AG (formerly T-Online International AG (prior to merger))

In May 2001, the shareholders' meeting approved the introduction of the 2001 Stock Option Plan, resulting in the granting of stock options in August 2001 and July 2002.

The merger of T-Online International AG into Deutsche Telekom AG became effective upon entry in the commercial register on June 6, 2006. Under the merger agreement, as of this date Deutsche Telekom AG granted rights equivalent to the stock options awarded by T-Online International AG. When exercising a stock option, the holders of such rights receive 0.52 shares in Deutsche Telekom AG. The Board of Management of Deutsche Telekom AG has made use of the possibility of a future cash compensation provided for under the merger agreement and the option terms and conditions.

The table below shows the changes in outstanding options issued by the former T-Online International AG:

T-Online International AG (prior to merger)	2001 SOP Stock options (thousands)	Weighted average exercise price (€)
Stock options outstanding/exercisable at January 1, 2009	2,840	10.30
Granted	0	-
Exercised	0	-
Forfeited	494	10.31
Stock options outstanding/exercisable at December 31, 2009	**2,346**	**10.30**

The characteristics of the options outstanding/exercisable as of the reporting date are as follows:

T-Online International AG (prior to merger) Range of exercise prices (€)			Options outstanding/exercisable as of Dec. 31, 2009 Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price (€)
10	-	20	2,346	2.1	10.30

T-Mobile USA

Prior to the acquisition on May 31, 2001 of T-Mobile USA (formerly VoiceStream and Powertel), the companies had granted stock options to their employees under the 1999 Management Incentive Stock Option Plan (MISOP). These plans were combined as of January 1, 2004 into a single T-Mobile plan. The exchange ratio for VoiceStream shares was 3.7647 per share and for Powertel shares 2.6353 per share. The plan has now expired and no more options can be issued.

The table below shows the changes in outstanding options issued by T-Mobile USA:

T-Mobile USA	Stock options (thousands)	Weighted average exercise price (USD)
Stock options outstanding/exercisable at January 1, 2009	6,060	23.00
Granted	0	-
Exercised	247	8.88
Forfeited	410	23.07
Expired	0	-
Stock options outstanding/exercisable at December 31, 2009	**5,403**	**23.64**

The characteristics of the options outstanding/exercisable as of the reporting date are as follows:

T-Mobile USA			Options outstanding/exercisable as of Dec. 31, 2009		
Range of exercise prices (USD)			Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price (USD)
3.81	-	15.19	1,202	2.3	13.06
15.20	-	30.39	3,617	0.8	25.87
30.40		34.19	524	0.4	31.00
34.20	-	38.00	60	0.1	37.04
			5,403	**1.1**	**23.64**

OTE group

In July 2008, the OTE shareholders' meeting passed a resolution to introduce a modified stock option plan that united the original OTE and Cosmote stock option plans and now only grants options on OTE shares.

The table below shows the changes in outstanding options issued by OTE:

OTE group	Stock options (thousands)	Weighted average exercise price (€)
Stock options outstanding/ exercisable at January 1, 2009	6,008	15.31
Granted	3,226	16.21
Exercised	0	-
Forfeited	559	16.23
Expired	0	-
Stock options outstanding at December 31, 2009	**8,675**	**15.59**
Stock options exercisable at December 31, 2009	**4,485**	**15.05**

The characteristics of the options outstanding/exercisable as of the reporting date are as follows:

OTE group			Options outstanding as of Dec. 31, 2009		
Range of exercise prices (€)			Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price (€)
11.96	-	16.57	8,675	3.9	15.59

OTE group			Options exercisable as of Dec. 31, 2009		
Range of exercise prices (€)			Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price (€)
11.96	-	16.57	4,485	3.9	15.05

Mid-Term Incentive Plans (MTIPs)/Phantom Share Plan

Deutsche Telekom has introduced Mid-Term Incentive Plans (MTIPs) and a Phantom Share Plan (PSP) to ensure competitive total compensation for members of the Board of Management, senior executives, and other beneficiaries of the Deutsche Telekom Group.

Mid-Term Incentive Plans

In the 2004 financial year, Deutsche Telekom introduced Mid-Term Incentive Plans (MTIPs) to ensure competitive total compensation for members of the Board of Management, senior executives, and other beneficiaries of the Deutsche Telekom Group. The MTIP is a global, Group-wide compensation instrument for Deutsche Telekom AG and other participating Group entities that promotes mid- and long-term value creation in the Group, and therefore aligns the interests of management and shareholders.

The MTIP is a cash-based plan pegged to two equally weighted, share-based performance parameters – one absolute and one relative. If both performance targets are achieved, then the total amount earmarked as an award to the beneficiaries by the respective employers is paid out; if one performance target is achieved, 50 percent of the amount is paid out, and if neither performance target is achieved, no payment is made.

The absolute performance target is achieved if, at the end of the individual plans, Deutsche Telekom's share price has risen by at least 30 percent compared with its share price at the beginning of the plan. The benchmark for the assessment is the non-weighted average closing price of the T-Share in Xetra trading at the Frankfurt Stock Exchange (Deutsche Börse AG) during the last 20 trading days prior to the beginning and end of the plan.

The relative performance target is achieved if the total return of the T-Share has outperformed the Dow Jones EURO STOXX® Total Return Index on a percentage basis during the term of the individual plan. The benchmark is the non-weighted average of Deutsche Telekom shares (based on the Xetra closing prices of Deutsche Telekom shares) plus the value of dividends paid and reinvested in Deutsche Telekom shares, bonus shares etc., and the non-weighted average of the Dow Jones EURO STOXX® Total Return Index during the last 20 trading days prior to the beginning and end of the plan.

At the end of the term of the individual plans, Deutsche Telekom AG's Supervisory Board will establish whether the absolute and relative performance targets for the Board of Management have been achieved. Based on these findings, the Board of Management will establish whether the target has been achieved for Deutsche Telekom and all participating companies as a whole and will communicate this decision. Once it has been established whether one or both targets have been achieved, the relevant amounts will be paid out to the beneficiaries.

The General Committee of the Supervisory Board determined at its meeting on February 4, 2009 that the relative plan target for the 2006 tranche of the MTIP had been achieved. Consequently, 50 percent of the award amount for the 2006 tranche was paid out in 2009.

MTIP plan year	Maximum budget (millions of €)	Term of plan (years)	Share price at start of plan (€)	Absolute performance target (€)	Starting value of the index
2007	83	3	13.64	17.73	551.91
2008	83	3	15.11	19.64	601.59
2009	55	3	11.01	14.31	328.55

The proportionate amount to be expensed is calculated based on a Monte Carlo simulation.

The MTIP of **Magyar Telekom** is based on the same terms and conditions as the MTIP described above, except that the assessment benchmark is the performance of Magyar Telekom shares and the Dow Jones EURO STOXX® Total Return Index. In addition, the absolute performance target is achieved if, at the end of the individual plans, Magyar Telekom's share price has risen by at least 35 percent compared with Magyar Telekom's share price at the beginning of the plan.

The MTIP of **HT-Hrvatske telekomunikacije** is based on the same terms and conditions as the MTIP described above. The absolute performance target for the 2008 MTIP is, however, EBITDA, and the relative performance target is a combined index from a basket of telecommunications shares. The absolute performance target for the 2009 MTIP is a 30-percent increase in the HT share price; the relative performance target is the same as for the 2008 MTIP.

The MTIP of **T-Mobile UK** is also based on the same terms and conditions applicable to the MTIP described above. In addition to the two aforementioned performance targets, however, these plans are subject to a third performance target for a defined group of participants, which is based on the cash contribution (EBITDA less investments in intangible assets (excluding goodwill) and property, plant and equipment). The third performance target can only be achieved after the two other performance targets have been met.

PTC has established a performance cash plan program with long-term incentive plans (LTIPs). The program provides for additional pay in the form of deferred compensation under the terms and conditions of the LTIP and is aimed at employees whose performance is of outstanding significance for the company's shareholder value. The LTIP is generally open to high-performers at specific management levels. Participants in the plans are selected individually by the management of PTC. Each plan encompasses three consecutive cycles, each running from January 1 through December 31. Participants receive payments from the plan after three years, provided the defined EBITDA target has been achieved (EBITDA hurdle). In addition, a bonus is paid at the end of each cycle. The amount of the bonus is determined for each cycle individually and depends on the level of target achievement. The 2007 to 2009 plan is still in operation.

Phantom Share Plan (PSP)

T-Mobile USA has established a Phantom Share Plan (PSP) as Long-Term Incentive Plan (LTIP) on a revolving basis for the years 2005 through 2009, providing benefits for the top management. Under the PSP, T-Mobile USA grants performance-based cash bonus awards. These awards are earned (in full or in part) based upon the customer growth on a sliding scale from 60 to 150 percent of the original number of phantom shares granted. The value of a phantom share appreciates or depreciates from its USD 10 per share face value proportionate to the change in the appraised enterprise value of the subsidiary over the performance period. The value of an award is determined by multiplying the number of phantom share awards earned by the appraised value of one phantom share. Awards are earned and paid out ratably over a performance period of two to three years.

Impact of all share-based compensation systems

The expense incurred for share-based compensation systems totaled EUR 31 million in the reporting year (2008: EUR 96 million; 2007: EUR 79 million). Provisions total EUR 78 million as of the reporting date (December 31, 2008: EUR 138 million).

35 Disclosures on financial instruments

Carrying amounts, amounts recognized, and fair values by measurement category.

(millions of €)	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2009	Amounts recognized in the statement of financial position according to IAS 39				Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2009
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and cash equivalents	LaR	5,022	5,022					5,022
Trade receivables	LaR	6,643	6,643					6,643
Other receivables	LaR/n.a.	2,003	1,739				264	2,003
Other non-derivative financial assets								
Held-to-maturity investments	HtM	80	80					80
Available-for-sale financial assets	AfS	609		411	198			198[1]
Derivative financial assets								
Derivatives without a hedging relationship	FAHfT	653				653		653
Derivatives with a hedging relationship	n.a.	395			170	225		395
Liabilities								
Trade payables	FLAC	6,294	6,294					6,294
Bonds and other securitized liabilities	FLAC	38,508	38,508					41,813
Liabilities to banks	FLAC	4,718	4,718					4,864
Liabilities to non-banks from promissory notes	FLAC	1,057	1,057					1,205
Other interest-bearing liabilities	FLAC	933	933					984
Other non-interest-bearing liabilities	FLAC	3,573	3,573					3,573
Finance lease liabilities	n.a.	1,423					1,423	1,703
Derivative financial liabilities								
Derivatives without a hedging relationship (held for trading)	FLHfT	730				730		730
Derivatives with a hedging relationship (hedge accounting)	n.a.	249			197	52		249
Of which: aggregated by category in accordance with IAS 39:								
Loans and receivables (LaR)		13,404	13,404					13,404
Held-to-maturity investments (HtM)		80	80					80
Available-for-sale financial assets (AfS)		609		411	198			198[1]
Financial assets held for trading (FAHfT)		653				653		653
Financial liabilities measured at amortized cost (FLAC)		55,083	55,083					58,733
Financial liabilities held for trading (FLHfT)		730				730		730

[1] For details, please refer to Note 8.

(millions of €)	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2009	Amounts recognized in statement of financial position according to IAS 39				Amounts recognized in the statement of financial position according to IAS 17	Fair value Dec. 31, 2009
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and cash equivalents	LaR	3,026	3,026					3,026
Trade receivables	LaR	7,224	7,224					7,224
Other receivables	LaR/n.a.	1,267	984				283	1,267
Other non-derivative financial assets								
Held-to-maturity investments	HtM	281	281					281
Available-for-sale financial assets	AfS	406		288	118			118[1]
Derivative financial assets								
Derivatives without a hedging relationship	FAHfT	814				814		814
Derivatives with a hedging relationship	n.a.	787			127	660		787
Liabilities								
Trade payables	FLAC	7,055	7,055					7,055
Bonds and other securitized liabilities	FLAC	34,302	34,302					35,657
Liabilities to banks	FLAC	4,222	4,222					4,155
Liabilities to non-banks from promissory notes	FLAC	887	887					919
Other interest-bearing liabilities	FLAC	1,036	1,036					1,042
Other non-interest-bearing liabilities	FLAC	3,545	3,545					3,545
Finance lease liabilities	n.a.	1,514					1,514	1,616
Derivative financial liabilities								
Derivatives without a hedging relationship (held for trading)	FLHfT	974				974		974
Derivatives with a hedging relationship (hedge accounting)	n.a.	114			114			114
Of which: aggregated by category in accordance with IAS 39:								
Loans and receivables (LaR)		11,234	11,234					11,234
Held-to-maturity investments (HtM)		281	281					281
Available-for-sale financial assets (AfS)		406		288	118			118[1]
Financial assets held for trading (FAHfT)		814				814		814
Financial liabilities measured at amortized cost (FLAC)		51,047	51,047					52,372
Financial liabilities held for trading (FLHfT)		974				974		974

[1] For details, please refer to Note 8.

Classes of financial instruments according to IFRS 7.27

	Dec. 31, 2009				Dec. 31, 2008			
(millions of €)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Available-for-sale financial assets (AfS)		198		198		118		118
Financial assets held for trading (FAHfT)		653		653		814		814
Derivative financial assets with a hedging relationship		395		395		787		787
Liabilities								
Financial liabilities held for trading (FLHfT)		730		730		974		974
Derivative financial liabilities with a hedging relationship		249		249		114		114

For further details on the classes of financial instruments, please refer to the section “Change in accounting policies” in the chapter “Summary of accounting policies.”

Cash and cash equivalents and trade and other receivables mainly have short-term maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair values of other non-current receivables and held-to-maturity financial investments due after more than one year correspond to the present values of the payments related to the assets, taking into account the current interest rate parameters that reflect market- and partner-based changes to terms and conditions, and expectations.

Trade and other payables, as well as other liabilities, generally have short times to maturity; the values reported approximate the fair values.

The fair values of the quoted bonds and other securitized liabilities equal the nominal amounts multiplied by the price quotations at the reporting date.

The fair values of unquoted bonds, liabilities to banks, liabilities to non-banks from promissory notes, and other financial liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom’s credit spread curve for specific currencies.

Net gain/loss by measurement category

	From interest, dividends	From subsequent measurement			From derecognition	Net gain (loss)	
(millions of €)		**At fair value**	**Currency translation**	**Impairment/ reversal of impairment**		**2009**	**2008**
Loans and receivables (LaR)	132		(195)	(716)		(779)	(1,577)
Held-to-maturity investments (HtM)	3			2	2	7	5
Available-for-sale financial assets (AfS)	64			(8)	(11)	45	68
Financial instruments held for trading (FAHfT and FLHfT)	n.a.	(79)				(79)	383
Financial liabilities measured at amortized cost (FLAC)	(2,757)		183			(2,574)	(2,387)
	(2,558)	**(79)**	**(12)**	**(722)**	**(9)**	**(3,380)**	**(3,508)**

Interest from financial instruments is recognized in finance costs, dividends in other financial income/expense (please refer to Notes 21 and 23). Deutsche Telekom recognizes the other components of net gain/loss in other financial income/expense, except for impairments/reversal of impairments of trade receivables (please refer to Note 2) that are classified as loans and receivables which are reported under selling expenses. The net loss from the subsequent measurement for financial instruments held for trading (EUR 79 million) also includes interest and currency translation effects. The net currency translation losses on financial assets classified as loans and receivables (EUR 195 million) are primarily attributable to the Group-internal transfer of foreign-currency loans taken out by Deutsche Telekom’s financing company, Deutsche Telekom International

Finance B.V., on the capital market. These were offset by corresponding currency translation gains on capital market liabilities of EUR 183 million. Finance costs from financial liabilities measured at amortized cost (EUR 2,757 million) primarily consist of interest expense on bonds and other (securitized) financial liabilities. The item also includes interest expenses from interest added back and interest income from interest discounted from trade payables. However, it does not include the interest expense and interest income from interest rate derivatives Deutsche Telekom used in the reporting period to hedge the fair value risk of financial liabilities (please refer to Note 21).

36 Risk management, financial derivatives, and other disclosures on capital management

Principles of risk management

Deutsche Telekom is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments are used for this purpose, depending on the risk assessment. However, Deutsche Telekom only hedges the risks that affect the Group’s cash flow. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the credit risk, hedging transactions are generally only concluded with leading financial institutions whose credit rating is at least BBB+/Baa1. In addition, the credit risk of financial instruments with a positive fair value is minimized by way of limit management, which sets individualized relative and absolute figures for risk exposure depending on the counterparty’s rating, share price development and credit default swap level.

The fundamentals of Deutsche Telekom’s financial policy are established each year by the Board of Management and overseen by the Supervisory Board. Group Treasury is responsible for implementing the financial policy and for ongoing risk management. Certain transactions require the prior approval of the Board of Management, which is also regularly briefed on the severity and amount of the current risk exposure.

Treasury regards effective management of the market risk as one of its main tasks. The department performs simulation calculations using different worst-case and market scenarios so that it can estimate the effects of different conditions on the market.

Currency risks

Deutsche Telekom is exposed to currency risks from its investing, financing, and operating activities. Risks from foreign currencies are hedged to the extent that they influence the Group’s cash flows. Foreign-currency risks that do not influence the Group’s cash flows (i.e., the risks resulting from the translation of statements of assets and liabilities of foreign operations into the Group’s reporting currency) are generally not hedged, however. Deutsche Telekom may nevertheless also hedge this foreign-currency risk under certain circumstances.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies. Deutsche Telekom hedges these risks. If the risk position exceeds EUR 100 million, the Board of Management must make a special decision on how the risk shall be hedged. If the risk position is below EUR 100 million, Group Treasury performs the currency hedging itself. At the reporting date, Deutsche Telekom was not exposed to any significant risks from foreign-currency transactions in the field of investments.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intragroup loans denominated in foreign currencies into the Group entities’ functional currencies.

At the reporting date, the foreign-currency liabilities for which currency risks were hedged mainly consisted of bonds and medium-term notes in Swiss francs, Czech koruna, Japanese yen, pound sterling, and U.S. dollars. On account of these hedging activities, Deutsche Telekom was not exposed to any significant currency risks in the area of financing at the reporting date.

The individual Group entities predominantly execute their operating activities in their respective functional currencies. Some Group entities, however, are exposed to foreign-currency risks in connection with scheduled payments in currencies that are not their functional currency. These are mainly payments to international carriers for the processing of international calls placed by Deutsche Telekom's customers in Germany, plus payments for the procurement of handsets and network systems, as well as for international roaming. Deutsche Telekom uses currency derivatives or, in some cases, currency options to hedge these payments up to a maximum of one year in advance. On account of these hedging activities, Deutsche Telekom was not exposed to any significant exchange rate risks from its operating activities at the reporting date.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. In addition to currency risks, Deutsche Telekom is exposed to interest rate risks and price risks in its investments. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Deutsche Telekom has contracted financial instruments.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing securities and/or debt instruments held, interest-bearing liabilities, finance lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effects on profit or loss, or shareholders' equity.

Non-interest-bearing securities or equity instruments held are of a non-monetary nature and therefore are not exposed to currency risk as defined by IFRS 7.

Interest income and interest expense from financial instruments are also either recorded directly in the functional currency or transferred to the functional currency by using derivatives. For this reason, there can be no effects on the variables considered in this connection.

In the case of fair value hedges designed for hedging currency risks, the changes in the fair values of the hedged item and the hedging instruments attributable to exchange rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to currency risks with an effect on profit or loss, or shareholders' equity, either.

Cross-currency swaps are always assigned to non-derivative hedged items, so these instruments do not have any currency effects, either.

Deutsche Telekom is therefore only exposed to currency risks from specific currency derivatives. Some of these are currency derivatives that are part of an effective cash flow hedge for hedging payment fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Others are currency derivatives that are neither part of one of the hedges defined in IAS 39 nor part of a natural hedge. These derivatives are used to hedge planned transactions. Exchange rate fluctuations of the currencies, on which such financial instruments are based, affect other financial income or expense (net gain/loss from remeasurement of financial assets to fair value).

If the euro had gained (lost) 10 percent against the U.S. dollar and the pound sterling at December 31, 2009, the hedging reserve in shareholders' equity and the fair values of the hedging transactions before taxes would have been EUR 70 million lower (higher) (December 31, 2008: EUR 45 million lower (higher)). The hypothetical effect of EUR -70 million on profit or loss results from the currency sensitivities EUR/USD: EUR -55 million; EUR/GBP: EUR -15 million.

If the euro had gained (lost) 10 percent against all currencies at December 31, 2009, other financial income and the fair value of the hedging transactions before taxes would have been EUR 11 million lower (higher) (December 31, 2008: EUR 5 million lower (higher)). The hypothetical effect on profit or loss of EUR -11 million results from the currency sensitivities EUR/USD: EUR -36 million; EUR/INR: EUR -4 million; EUR/HUF: EUR -4 million; EUR/CHF: EUR -1 million; EUR/PLN: EUR +15 million; EUR/GBP: EUR +12 million; EUR/CZK: EUR +7 million.

Interest rate risks

Deutsche Telekom is exposed to interest rate risks, mainly in the euro zone and in the United States of America. To minimize the effects of interest rate fluctuations in these regions, Deutsche Telekom manages the interest rate risk for net financial liabilities denominated in euros and U.S. dollars separately. Once a year, the Board of Management stipulates the desired mix of fixed and variable-interest net financial liabilities for a period of three years. Taking account of the Group’s existing and planned debt structure, Treasury uses interest rate derivatives to adjust the interest structure for the net financial liabilities of the composition specified by the Board of Management.

Due to the derivative hedges, an average of 72 percent (2008: 64 percent) of the net financial liabilities in 2009 denominated in euros and 73 percent (2008: 58 percent) of those denominated in U.S. dollars had a fixed rate of interest. The average value is representative for the year as a whole.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders’ equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. This means that interest-rate-based changes in the measurement of the hedged item and the hedging instrument do not affect income and are therefore not subject to interest rate risk.

In the case of interest rate derivatives in fair value hedges, however, changes in market interest rates affect the amount of interest payments. As a consequence, they have an effect on interest income and are therefore included in the calculation of income-related sensitivities.

Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in shareholders’ equity and are therefore taken into consideration in the equity-related sensitivity calculations.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

Changes in the market interest rate of interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense (net gain/loss from remeasurement of the financial assets to fair value) and are therefore taken into consideration in the income-related sensitivity calculations.

Currency derivatives are not exposed to interest rate risks and therefore do not affect the interest rate sensitivities.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2009, profit or loss before taxes would have been EUR 194 million (2008: EUR 173 million) lower (higher). The hypothetical effect of EUR -194 million on income results from the potential effects of EUR -169 million from interest rate derivatives and EUR -25 million from non-derivative, variable-interest financial liabilities. If the market interest rates had been 100 basis points higher (lower) at December 31, 2009, total comprehensive income before taxes would have been EUR 104 million (December 31, 2008: EUR 57 million) higher (lower).

Other price risks

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes.

As of December 31, 2009, Deutsche Telekom did not hold any material investments to be classified as available for sale.

Credit risks

Deutsche Telekom is exposed to a credit risk from its operating activities and certain financing activities. With regard to financing activities, transactions are only concluded with counterparties that have at least a credit rating of BBB+/Baa1, in connection with an operational credit management system. At the level of operations, the outstanding debts are continuously monitored in each area, i.e., locally. Credit risks must be taken into account through individual and collective allowances.

The solvency of the business with corporate customers, especially international carriers, is monitored separately. In terms of the overall risk exposure from the credit risk, however, the receivables from these counterparties are not so extensive as to justify extraordinary concentrations of risk.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are carried in the statement of financial position, including derivatives with positive market values. Except for the collateral agreements mentioned in Notes 1 and 8, no significant agreements reducing the maximum exposure to credit risk (such as contractual netting) had been concluded as of the reporting date. In addition, Deutsche Telekom is exposed to a credit risk through the granting of financial guarantees. Guarantees amounting to a nominal total of EUR 41 million had been pledged as of the reporting date (December 31, 2008: EUR 181 million).

Liquidity risks

Please refer to Note 9.

Hedge accounting

Fair value hedges

To hedge the fair value risk of fixed-interest liabilities, Deutsche Telekom used interest rate swaps and forward interest rate swaps (receive fixed, pay variable) denominated in CHF, EUR, GBP, and USD in the 2009 and 2008 financial years. Fixed-income bonds/MTNs denominated in CHF, EUR, GBP, and USD were designated as hedged items. The changes in the fair values of the hedged items resulting from changes in the CHF Libor, Euribor, GBP Libor, or USD Libor swap rate are offset against the changes in the value of the interest rate swaps. The aim of this hedging is to transform the fixed-income bonds into variable-interest debt, thus hedging the fair value of the financial liabilities. Credit risks are not part of the hedging.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date using statistical methods in the form of a regression analysis. All hedging relationships, with their effectiveness having been tested using statistical methods, were effective at the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had interest rate derivatives in a net amount of EUR +173 million (2008: EUR +660 million) designated as fair value hedges at December 31, 2009. The remeasurement of the hedged items results in gains of EUR 293 million being recorded in other financial income/expense in the 2009 financial year (2008: losses of EUR 695 million); the changes in the fair values of the hedging transactions result in losses of EUR 291 million (2008: gains of EUR 684 million) being recorded in other financial income/expense.

Cash flow hedges – interest rate risks

Deutsche Telekom entered into payer interest rate swaps and forward payer interest rate swaps (receive variable, pay fixed) to hedge the cash flow risk of variable-interest debt. The changes in the cash flows of the hedged items resulting from changes in the Euribor and Libor rates are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging is to transform the variable-interest bonds into fixed-income debt, thus hedging the cash flows of the financial liabilities. Credit risks are not part of the hedging.

In 2009, Deutsche Telekom entered into forward payer interest rate swaps totaling EUR 2.1 billion for loans scheduled to be taken out in 2011. The following table shows the contractual maturities newly incorporated into a hedging relationship in 2009 relating to the payments for the aforementioned forward payer interest rate swaps:

Start	End	Nominal volume (millions of €)	Reference rate
January 24, 2011	January 24, 2014	500	3-month Euribor
January 24, 2011	January 24, 2014	500	3-month Euribor
January 24, 2011	January 24, 2014	600	3-month Euribor
January 24, 2011	January 24, 2014	500	3-month Euribor

The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. All hedging relationships of this nature were effective as of the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had interest rate derivatives with a fair value of EUR -142 million (2008: EUR -67 million) amounting to a nominal total of EUR 3.7 billion (2008: EUR 2.7 billion) designated as hedging instruments for cash flow hedges at December 31, 2009. The terms of the hedging relationships will end in the years 2012 through 2014. The recognition directly in equity of the change in the fair value of the hedging transactions resulted in losses of EUR 83 million being recorded in the revaluation surplus in the 2009 financial year (2008: losses of EUR 86 million). Losses amounting to EUR 41 million recognized in shareholders’ equity were transferred to other financial income/expense in the 2009 financial year (2008: gains of EUR 7 million).

Cash flow hedges – currency risks

Deutsche Telekom entered into GBP/EUR foreign currency derivatives with terms until 2022 to hedge the EUR equivalent of nominal receivables from a GBP-denominated MTN issued by Deutsche Telekom International Finance. GBP 0.7 billion are swapped against EUR 0.77 billion as nominal values. The effectiveness of the hedging relationship is tested prospectively and retrospectively using statistical methods in the form of a regression analysis. The hedging relationship was effective as of the reporting date.

In the 2009 financial year, gains totaling EUR 26 million (2008: gains of EUR 146 million) resulting from the change in the fair values of currency derivatives were taken directly to equity (hedging reserve). These changes constitute the effective portion of the hedging relationship. Gains amounting to EUR 32 million recognized in shareholders' equity were transferred to other financial income/expense in the 2009 financial year (2008: gains of EUR 89 million). There was no material ineffectiveness of these hedges recorded as of the reporting date.

As the list of the fair values of derivatives shows (please refer to table under Derivatives), Deutsche Telekom had currency forwards of a net fair value of EUR -2 million (2008: EUR -13 million) and a total volume of EUR 692 million (2008: EUR 477 million), as well as cross-currency swaps of a net fair value of EUR +123 million (2008: EUR +90 million) and a total volume of EUR 1,890 million (2008: EUR 1,156 million) designated as hedging instruments for cash flow hedges as of December 31, 2009. The terms of the hedging relationships will end in the years 2010 through 2022.

Derivatives

The following table shows the fair values of the various derivatives carried. A distinction is made depending on whether these are part of an effective hedging relationship as set out in IAS 39 (fair value hedge, cash flow hedge) or not. Other derivatives can also be embedded (i.e., a component of a composite instrument that contains a non-derivative host contract).

(millions of €)	Net carrying amounts Dec. 31, 2009	Net carrying amounts Dec. 31, 2008
Assets		
Interest rate swaps		
Held for trading	94	99
In connection with fair value hedges	225	660
In connection with cash flow hedges	0	0
Currency forwards/currency swaps		
Held for trading	91	261
In connection with cash flow hedges	15	34
Cross-currency swaps		
Held for trading	468	454
In connection with cash flow hedges	155	90
Other derivatives in connection with cash flow hedges	0	3
Liabilities		
Interest rate swaps		
Held for trading	80	108
In connection with fair value hedges	52	0
In connection with cash flow hedges	142	67
Currency forwards/currency swaps		
Held for trading	46	277
In connection with cash flow hedges	17	47
Cross-currency swaps		
Held for trading	555	554
In connection with cash flow hedges	32	0
Other derivatives in connection with cash flow hedges	6	0
Embedded derivatives	49	35

Disclosures on capital management

The overriding aim of the Group's capital management is to ensure that it will continue to be able to repay its debt and remain financially sound.

An important indicator of capital management is the gearing ratio of net debt to shareholders' equity as shown in the consolidated statement of financial position. Deutsche Telekom considers net debt to be an important measure for investors, analysts, and rating agencies. It is a non-GAAP figure not governed by International Financial Reporting Standards and its definition and calculation may vary from one company to another. The gearing increased to 1.0 as of December 31, 2009 compared with 0.9 in the prior year. The target corridor for this indicator is between 0.8 and 1.2.

Calculation of net debt; shareholders' equity.

(millions of €), as of Dec. 31 of each year	2009	2008
Bonds	38,508	34,302
Liabilities to banks	4,718	4,222
Liabilities to non-banks from promissory notes	1,057	887
Derivative financial liabilities	924	1,053
Lease liabilities	1,909	2,009
Other financial liabilities	1,001	974
Gross debt	**48,117**	**43,447**
Cash and cash equivalents	5,022	3,026
Available-for-sale/held-for-trading financial assets	162	101
Derivative financial assets	1,048	1,598
Other financial assets	974	564
Net debt	**40,911**	**38,158**
Shareholders' equity in accordance with the consolidated statement of financial position	**41,937**	**43,112**

37 Related party disclosures

The Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds 31.70 percent (December 31, 2008: 31.70 percent) of the share capital of Deutsche Telekom AG. Due to the average attendance of the shareholders' meeting, the Federal Republic represents a solid majority at the shareholders' meeting, although it only has a minority shareholding, making Deutsche Telekom a dependent company of the Federal Republic. Therefore, the Federal Republic and the companies controlled by the Federal Republic are classified as related parties of Deutsche Telekom.

Federal Republic of Germany

The Federal Posts and Telecommunications Agency (Federal Agency) has been assigned certain tasks by law that affect cross-company issues at Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the recreation service (Erholungswerk), the supplementary retirement pensions institution (Versorgungsanstalt der Deutschen Bundespost - VAP), and the welfare service (Betreuungswerk) for Deutsche Telekom AG, Deutsche Post AG, and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements. For the 2009 financial year, Deutsche Telekom made payments in the amount of EUR 56 million (2008: EUR 55 million; 2007: EUR 52 million). Payments are made according to the provisions of the Posts and Telecommunications Reorganization Act.

The Federal Republic of Germany is a customer of Deutsche Telekom who sources services from the Company. Charges for services provided to the Federal Republic and its departments and agencies are based on

Deutsche Telekom's commercial pricing policies. Services provided to any one department or agency do not represent a significant component of Deutsche Telekom's net revenue.

The Company's Dutch financing subsidiary, Deutsche Telekom International Finance, has taken out a loan of GBP 150 million with KfW Bankengruppe. The interest rate on the loan reflects market conditions and is based on Deutsche Telekom AG's current rating. The loan has a remaining life of under one year.

Joint ventures and associates

Deutsche Telekom has business relationships with numerous associates and joint ventures.

In 2009, Deutsche Telekom generated revenues from its joint venture Toll Collect amounting to EUR 0.1 billion (2008: EUR 0.1 billion; 2007: EUR 0.1 billion).

At December 31, 2009, the total amount of trade receivables from related companies was EUR 0.1 billion (December 31, 2008: EUR 0.1 billion). At the same date, the total amount of trade payables due to related companies was EUR 0.1 billion (December 31, 2008: EUR 0.0 billion).

Related individuals

No major transaction took place.

38 Compensation of the Board of Management and the Supervisory Board

Compensation of the Board of Management

The following information concerning the compensation of the Board of Management comprises the notes required by law under the German Commercial Code (please refer to § 314 HGB) as well as the information specified in the guidelines set out in the German Corporate Governance Code. The German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into effect on August 5, 2009. All the contracts of the Board of Management members listed in the table below were in existence before the Act entered into force. Pursuant to the Act's explanatory memorandum (document 16/13433), these contracts enjoy vested rights protection. Reporting on compensation of Board of Management members is based on German Accounting Standard (GAS) No. 17.

Composition of the Board of Management as of December 31, 2009

The Board of Management of Deutsche Telekom AG currently comprises eight members.

Member of the Board of Management	Department
René Obermann	Chairman of the Board of Management (CEO) / USA
Hamid Akhavan	Chief Operating Officer (COO) / Europe
Dr. Manfred Balz	Data Privacy, Legal Affairs and Compliance
Reinhard Clemens	T-Systems
Niek Jan van Damme	Germany
Timotheus Höttges	Finance (CFO)
Guido Kerkhoff	Southern and Eastern Europe
Thomas Sattelberger	Human Resources

On December 17, 2009, the Supervisory Board agreed to Hamid Akhavan's request to resign his seat on the Board of Management effective February 15, 2010.

Changes in the Board of Management in 2009

In agreement with the Supervisory Board, Dr. Karl-Gerhard Eick resigned from the Board of Management with effect from midnight on February 28, 2009.

At the Supervisory Board meeting on February 26, 2009, the Supervisory Board appointed Timotheus Höttges as the new member of the Board of Management for Finance effective March 1, 2009 and Niek Jan van Damme as the new member of the Board of Management for T-Home and Sales & Service, also effective March 1, 2009. The establishment of a new Board of Management department for Southern and Eastern Europe with effect from March 1, 2009 was also approved at the meeting on February 26, 2009 to account for the growing significance of the Southern and Eastern European region and to combine responsibility for the existing, integrated operations in the region following the takeover of management control of the Greek company OTE. The new department is headed by Guido Kerkhoff, who was appointed to the Group Board of Management effective March 1, 2009.

On April 29, 2009, the Supervisory Board decided to merge responsibility for standard fixed-network and mobile communications business for consumers and business customers in Germany into a single Board of Management department – Germany – effective July 1, 2009. This department is headed by Niek Jan van Damme. Reinhard Clemens retains responsibility for the ICT solution business with corporate customers – T-Systems. In addition, the Operating Officer's department was established, which is led by Hamid Akhavan, effective July 1, 2009. This new department brings together the responsibility for technology, IT, procurement, products and innovations for standard business for consumers and business customers. Hamid Akhavan is also responsible for the Group's mobile communications subsidiaries in the United Kingdom, the Netherlands, Austria, the Czech Republic and Poland.

Board of Management compensation system and review

The compensation of Board of Management members is comprised of various components. Under the terms of their service contracts, members of the Board of Management are entitled to annual fixed remuneration and annual variable performance-based remuneration, a long-term variable remuneration component (Mid-Term Incentive Plan), and fringe benefits and deferred benefits based on a company pension commitment. The structure of the compensation system and the appropriateness of compensation for the Board of Management are reviewed and established by the Supervisory Board at regular intervals.

Fixed remuneration, variable performance-based remuneration and fringe benefits

Total compensation is generally about two-thirds variable and one-third fixed if targets are achieved in full. The non-performance-based components are comprised of a fixed remuneration, fringe benefits and pension entitlements, while the performance-based components are split into variable performance-based remuneration and a long-term incentive component.

Fixed remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law (for individual figures, please refer to the table "Total compensation").

The annual variable performance-based remuneration of Board of Management members is based on the achievement of targets set by the Supervisory Board of Deutsche Telekom AG for each member of the Board of Management prior to commencement of the financial year. The set of targets is composed of corporate targets and personal targets for the individual members of the Board of Management, based on the parameters of EBITDA and net profit adjusted for special factors and free cash flow. The level of target achievement is determined by the Supervisory Board for the respective financial year (for detailed information, please refer to the table "Total compensation").

At its discretion and after due consideration, the Supervisory Board of the Company may also reward extraordinary performance by individual or all Board of Management members in the form of a special bonus.

In accordance with market-oriented and corporate standards, the Company grants all members of the Board of Management additional benefits under the terms of their service contracts, some of which are viewed as non-cash benefits and taxed accordingly. This mainly includes being furnished with a company car and accident and liability insurance and reimbursements in connection with maintaining a second household.

Sideline employment generally requires prior approval. Generally, no additional compensation is paid for being a member of the management or supervisory board of other Group entities.

Arrangements in the event of termination of a position on the Board of Management

The terms of the existing service contracts of the Board of Management members are linked to the term of appointment as a member of the Board of Management. If the Company is entitled to terminate the appointment as a Board of Management member without this also constituting cause for the simultaneous termination of the service contract under civil law, the Board of Management member shall be entitled to a contractually defined severance payment. This is calculated (subject to being discounted) on the basis of the imputed remaining term of appointment in the current term of office of the Board of Management (up to a maximum of 36 months) on the basis of 100 percent of the fixed annual remuneration and 75 percent of the variable remuneration with an assumed 100 percent achievement of targets.

The service contracts for members of the Board of Management at Deutsche Telekom AG do not include any benefits in the event of the termination of a position on the Board of Management as a result of a change of control.

Service contracts for members of the Board of Management concluded during the 2009 financial year include a severance cap in case of premature termination without good cause allowing a compensation payment which, in line with the recommendations of the German Corporate Governance Code, is restricted to a maximum of two years' remuneration (severance cap) and may not exceed the remuneration due for the remaining term of the service contract.

Board of Management member service contracts generally stipulate a post-contractual prohibition of competition. Unless otherwise agreed, members of the Board of Management are prohibited from rendering services to or on behalf of a competitor for the duration of one year following their departure. As compensation for this restricted period, they receive a payment in the amount of the annual fixed compensation last received.

Company pension entitlement

The members of the Board of Management are entitled to a company pension based on their respective annual salaries. This means that Board of Management members receive a company pension based on a fixed percentage of their last fixed annual remuneration for each year of service rendered prior to their date of retirement. The key features of the pension plan for Board of Management members active in 2009 are described below.

Board of Management members are entitled to pension payments in the form of a life-long retirement pension upon reaching the age of 62, a disability pension or in the form of an early retirement pension upon reaching the age of 60 (subject to the usual actuarial deductions). The amount of the company pension is calculated on the basis of the eligible period of service rendered as a Board of Management member until the date of departure.

The annual retirement pension is comprised of a base percentage (6 percent for René Obermann and Dr. Karl-Gerhard Eick, and 5 percent for the remaining Board of Management members) of the fixed annual remuneration upon termination of the service relationship multiplied by the eligible service period expressed in years. After ten years of Board of Management membership, the maximum percentage of the pension level is achieved (60 percent or 50 percent, respectively). Pension payments are subject to a standard annual adjustment (3 percent for René Obermann and Dr. Karl-Gerhard Eick, and 1 percent for the remaining Board of Management members). In the event of a permanent inability to work (invalidity), the respective period of service through the scheduled end of the current period of appointment serves as the basis for the period of service eligible for calculating the pension. A "pension plan substitute" was agreed with Hamid Akhavan in lieu of a pension commitment due to his U.S. citizenship. The resulting annual payment for each full year of service rendered is included in the table "Total compensation" under "Other remuneration." Dr. Manfred Balz's pension arrangements under his previous employment relationship (Deutsche Telekom AG capital account plan) remain in place. Guido Kerkhoff and Niek Jan van Damme, who were appointed to the Board of Management in 2009, are also not covered by the Board of Management pension entitlements described above. The pension arrangements of these two Board members will be transferred to a new Board of Management pension scheme, effective from the beginning of their service on the Board of Management, to be adopted by the Supervisory Board in early 2010. Both Board members have been guaranteed that the new entitlement will not leave them in a worse position than their current pension entitlement as employees of Deutsche Telekom AG.

In addition, the pension agreements include arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is excluded. Finally, the standard criteria for eligibility in the pension arrangements are in line with market levels.

In addition, the Company makes contributions, including the related taxes, for term life insurance with standard coverage (EUR 1.3 million) for several of its Board of Management members. The related expenses are included in the figures for non-cash benefits.

Components with mid- and long-term incentives

Mid-Term Incentive Plan

Members of the Board of Management participate in the Deutsche Telekom AG Mid-Term Incentive Plan (MTIP) introduced in the 2004 financial year (please refer to the explanations regarding the MTIP under Note 34).

Incentive-based compensation from the MTIP.

	2009 MTIP	**2009 MTIP**		**2008 MTIP**	
€[1]	**Maximum award amoun**	**Fair value at grant date**	**Total expense for share-based payments 2009**	**Maximum award amount**	**Total expense for share-based payments 2008**
René Obermann	750,000	76,613	257,518	750,000	444,591
Dr. Karl-Gerhard Eick[2]	0	0	(250,939)	630,000	439,520
Hamid Akhavan	480,000	49,032	164,812	480,000	275,023
Dr. Manfred Balz	330,000	33,710	62,004	168,000	122,830
Reinhard Clemens	420,000	42,903	63,869	420,000	44,580
Timotheus Höttges	450,000	45,968	154,511	450,000	240,435
Guido Kerkhoff[3]	360,000	36,774	70,366	0	0
Thomas Sattelberger	515,000	52,607	173,887	515,000	152,452
Niek Jan van Damme[3]	295,000	30,134	41,502	0	0
	3,600,000	**367,741**	**737,530**	**3,413,000**	**1,719,431**

[1] Fair value calculated using the so-called Monte Carlo model.
[2] As Dr. Karl-Gerhard Eick left the Group effective February 28, 2009, no further tranches of the MTIP were awarded to him in 2009. The tranches for 2007 and 2008 were terminated without compensation. Therefore the existing provisions were reversed and are shown in the table above as negative figure in the "Total expense for share-based payments 2009" column.
[3] Guido Kerkhoff and Niek Jan van Damme still participate in the 2008 MTIP tranche due to their previous positions within the Group prior to being appointed to the Board of Management.

2001 Stock Option Plan

The Company's 2001 Stock Option Plan was terminated by resolution of the shareholders' meeting of May 18, 2004. No stock options were issued for members of the Board of Management as of the 2002 financial year.

Hamid Akhavan, Timotheus Höttges and René Obermann continue to participate in the 2002 tranche of the 2001 Stock Option Plan as a result of their prior activities at T-Mobile. Dr. Manfred Balz and Guido Kerkhoff still participate in the Stock Option Plan as a result of their employment relationship prior to being appointed to the Board of Management.

The stock options that have been granted can be exercised under the terms of the stock option plans. However, no options have yet been exercised. The number of stock options held by the Board of Management members active in the 2009 financial year is unchanged year-on-year.

The number of stock options is shown in the following table:

Incentive-based compensation from stock option plans.

	Year	Number of options 2001 SOP 2001 tranche	Value of options on issue (2001) (€)	Number of options 2001 SOP 2002 tranche	Value of options on issue (2002)(€)	Weighted average exercise price of stock options (€)
René Obermann	**2009**	48,195	4,87	28,830	3,79	23,40
	2008	48,195		28,830		
Hamid Akhavan	**2009**	0		19,840	3,79	12,36
	2008	0		19,840		
Dr. Manfred Balz	**2009**	32,130	4,87	17,360	3,79	23,81
	2008	32,130		17,360		
Reinhard Clemens	**2009**	0		0		
	2008	0		0		
Niek Jan van Damme	**2009**	0		0		
	2008	0		0		
Timotheus Höttges	**2009**	0		17,050	3,79	12,36
	2008	0		17,050		
Guido Kerkhoff[1]	**2009**	0		4,650	3,79	12,36
	2008	0		4,650		
Thomas Sattelberger	**2009**	0		0		
	2008	0		0		
Dr. Karl-Gerhard Eick	**2009**	0		0		
	2008	163,891		0		
	2009	**80,325**		**87,730**		
	2008	244,216		87,730		

[1] Guido Kerkhoff still participated in the Stock Option Plan before being appointed to the Board of Management due to his previous position held at Deutsche Telekom AG. The total number of options issued for members of the Board of Management as shown in the table above increased compared with the table in the prior year, as Guido Kerkhoff who was not a member of the Board of Management in 2008 was included in this table in 2009.

The range of exercise prices of René Obermann's and Dr. Manfred Balz's options varies between EUR 12.36 and EUR 30.00.

Due to the fact that the remaining members of the Board of Management only participate in one tranche of the stock option plan, no range need be stated.

The average remaining term of the outstanding options for Board of Management members as of December 31, 2009 is 2.0 years.

Please also refer to the explanations regarding stock option plans under Note 34.

Board of Management compensation for the 2009 financial year

In reliance on legal requirements and other guidelines, a total of EUR 13,711,623 (2008: EUR 14,910,486) is reported in the following table as total compensation for the 2009 financial year for the current members of the Board of Management. This compensation comprises fixed annual remuneration, other benefits, non-cash benefits, remuneration in kind, variable remuneration for the 2009 financial year, and the fair value of the 2009 MTIP at the grant date. The pension expense resulting from the company pension plan is shown as service costs. All other remuneration is totally unrelated to performance.

Total compensation

The compensation of the Board of Management is shown in detail in the following table:

€	Year	Fixed annual remuneration	Other remu-neration	Variable re-muneration	MTIP (fair value at grant date)	Total	Service costs
René Obermann	**2009**	1,250,000	37,233	1,365,000	76,613	2,728,846	549,326
	2008	1,250,000	86,262	1,762,500	116,738	3,215,500	495,302
Dr. Karl-Gerhard Eick	**2009**	183,750	17,371	183,750	0	384,871	753,839
(until February 28, 2009)	2008	1,054,375	49,290	1,513,028	98,060	2,714,753	704,526
Hamid Akhavan	**2009**	800,000	611,878[1]	789,600	49,032	2,250,510	0
	2008	800,000	613,588[1]	1,178,400	74,712	2,666,700	0
Dr. Manfred Balz	**2009**	660,000	19,204	468,600	33,710	1,181,514	423,373
	2008	127,742	4,641	122,485	26,149	281,017	117,570
Reinhard Clemens	**2009**	658,333	31,531	825,750	42,903	1,558,517	302,817
	2008	650,000	33,463	1,106,250	65,373	1,855,086	261,469
Timotheus Höttges	**2009**	750,000	21,583	803,250	45,968	1,620,801	244,599
	2008	750,000	24,506	1,116,000	70,043	1,960,549	204,936
Guido Kerkhoff	**2009**	433,333	11,874	692,250	36,774	1,174,231	230,190
(from March 1, 2009)	2008	-	-	-	-	-	-
Thomas Sattelberger	**2009**	800,000	5,687	976,250	52,607	1,834,544	865,667
	2008	800,000	44,221	1,292,500	80,160	2,216,881	948,713
Niek Jan van Damme	**2009**	366,667	31,538	549,450	30,134	977,789	231,583
	2008	-	-	-	-	-	-
	2009	**5,902,083**	**787,899**	**6,653,900**	**367,741**	**13,711,623**	**3,601,394**
	2008	5,432,117	855,971	8,091,163	531,235	14,910,486	2,732,516

[1] In addition to the pension substitute paid to Hamid Akhavan due to his U.S. citizenship, he also receives a monthly lump-sum payment to compensate for different tax regulations in Germany and the United States.

The additions to provisions for pensions recognized in 2009 amounted to EUR 4,081,024 (2008: EUR 3,236,348). This amount includes service costs of EUR 3,601,394 (2008: EUR 2,732,516) and interest costs of EUR 479,630 (2008: EUR 503,832).

The termination agreement concluded with Dr. Karl-Gerhard Eick effective February 28, 2009 did not result in any reportable legal obligations as of the reporting date. Under this agreement, all existing entitlements to stock options and the tranches awarded under the 2007 MTIP and 2008 MTIP were terminated without compensation. In addition to the pro-rata fixed annual remuneration for the 2009 financial year, Dr. Karl-Gerhard Eick was granted a pro-rata variable, performance-based remuneration that was calculated based on 100-percent achievement of targets and pro rated for the period until January 28, 2009. Pension rights were already legally vested at the date of Dr. Eick’s departure, and thus continued to be valid as at February 28, 2009.

No member of the Board of Management received benefits or corresponding commitments from a third party for his activity as a Board of Management member during the past financial year.

Former members of the Board of Management

A total of EUR 4,249,734 (2008: EUR 4,140,947) was recorded for payments to and entitlements for former members of the Board of Management and their surviving dependents.

Provisions (measured in accordance with IAS 19) totaling EUR 96,259,798 (December 31, 2008: EUR 78,477,282) were recognized for current pensions and vested rights to pensions for this group of persons and their surviving dependents.

Other

The Company has not extended any loans to current or former Board of Management members.

Compensation of the Supervisory Board

The compensation received by the members of the Supervisory Board is specified under § 13 of the Articles of Incorporation of Deutsche Telekom AG. The members of the Supervisory Board receive fixed annual remuneration of EUR 20,000.00 plus variable, performance-related remuneration with short-term and long-term components, depending on the development of net profit per share.

The short-term performance-related remuneration amounts to EUR 300.00 per full EUR 0.01 by which the net profit per no par value share exceeds EUR 0.50 in the financial year for which the remuneration is being paid.

The long-term performance-related remuneration amounts to EUR 300.00 for every 4 percent by which the net profit per no par value share in the second financial year following the financial year in question (reference year) exceeds the net profit per no par value share in the financial year preceding the financial year in question. The long-term performance-related remuneration is limited, however, to the amount of the long-term performance-related remuneration for the financial year preceding the financial year in question, insofar as the net revenue in the reference year does not exceed the net revenue in the financial year preceding the financial year in question.

Short-term and long-term performance-related remuneration are each limited to a maximum of EUR 20,000.00.

Moreover, the short-term performance-related remuneration may not exceed a total of 0.02 percent of the Company's unappropriated net income reported in the approved annual financial statements of the financial year in question, reduced by an amount of 4 percent of the contributions made on the lowest issue price of the shares at the end of the financial year.

The chairperson of the Supervisory Board receives double, and the deputy chairperson one and a half times the remuneration of an ordinary member of the Supervisory Board. In addition, remuneration increases by half for each membership of a Supervisory Board committee (with the exception of the Mediation Committee and the Nomination Committee) and by a further half for each Supervisory Board committee chaired; total remuneration shall not exceed double the annual remuneration, however. Members of the Supervisory Board who were not in office for the entire financial year receive one twelfth of the remuneration for each month or part thereof that they held a seat.

Members of the Supervisory Board receive an attendance fee amounting to EUR 200.00 for each meeting of the Supervisory Board or its committees that they have attended. The Company reimburses value-added tax payable on remuneration and expenses.

The total remuneration of the members of the Supervisory Board in 2009 amounted to EUR 709,400.00 (plus VAT).

No loans were granted to the members of the Supervisory Board.

The **compensation of the individual members** of the Supervisory Board for 2009 is as follows:

Member of the Supervisory Board	Fixed remuneration incl. attendance fee	Short-term variable	Total (net)	Imputed long-term remuneration entitlement[a]
	€	€	€	€
Asmussen, Jörg	32,400	0	32,400	0
Becker, Hermann Josef	42,800	0	42,800	0
Brandl, Monika	21,400	0	21,400	0
Bury, Hans Martin	42,000	0	42,000	0
Falbisoner, Josef	21,400	0	21,400	0
Dr. von Grünberg, Hubertus	31,400	0	31,400	0
Guffey, Lawrence H.	42,600	0	42,600	0
Hocker, Ulrich	21,400	0	21,400	0
Holzwarth, Lothar[b]	42,400	0	42,400	0
Kallmeier, Hans-Jürgen	21,400	0	21,400	0
Kühnast, Sylvia	21,400	0	21,400	0
Prof. Dr. Lehner, Ulrich (Chairman)	73,400	0	73,400	0
Litzenberger, Waltraud	64,600	0	64,600	0
Löffler, Michael	21,400	0	21,400	0
Prof. Dr. Reitzle, Wolfgang (until Dec. 31, 2009)	20,800	0	20,800	0
Prof. Dr. von Schimmelmann, Wulf (until Dec. 31, 2009)	21,000	0	21,000	0
Schröder, Lothar (Deputy Chairman)[c]	63,400	0	63,400	0
Dr. Schröder, Ulrich	21,000	0	21,000	0
Sommer, Michael	20,600	0	20,600	0
Dr. h.c. Walter, Bernhard	62,600	0	62,600	0
	709,400	**0**	**709,400**	

[a] In determining the amount to be recognized as provision it was assumed that net profit per no par value share in 2011 would equal that in 2009. Based on this assumption, there is no long-term remuneration entitlement for the total year for the period 2008 to 2011.

[b] Lothar Holzwarth received compensation of EUR 2,666.66 from T-Systems Business Services GmbH (until April. 1, 2009 – merged into Deutsche Telekom AG), Bonn, a wholly-owned subsidiary of Deutsche Telekom AG, for the 2009 financial year for a mandate as member of the supervisory board of this company.

[c] Lothar Schröder received compensation of EUR 17,400.00 from T-Mobile Deutschland GmbH, Bonn, a wholly-owned subsidiary of Deutsche Telekom AG, for the 2009 financial year for a mandate as member of the supervisory board of this company.

39 Declaration of conformity with the German Corporate Governance Code in accordance with § 161 AktG

In accordance with § 161 AktG, the Board of Management and the Supervisory Board of Deutsche Telekom AG have submitted the mandatory declaration of conformity and made it available to shareholders on Deutsche Telekom AG's website. The full text of the Declaration of Conformity can be found on the Deutsche Telekom website (www.telekom.com) under Investor Relations in the Corporate Governance section.

40 Events after the reporting period

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 will assume Hamid Akhavan's responsibilities in an acting capacity. Effective February 15, 2010, Guido Kerkhoff will assume temporary responsibility for the Europe region (United Kingdom, Netherlands, Austria, Poland and Czech Republic) and International Sales and Service. Reinhard Clemens will, also in an acting capacity, assume Group-wide responsibility for the remaining COO units, such as Products & Innovation, Technology, IT and Procurement effective the same date.

Regulation of ULL, access to cable ducts, dark fiber

The Federal Administrative Court granted the appeal in part with its ruling dated January 27, 2010 and lifted the regulatory order with legally binding effect insofar as it concerned access to dark fiber. The reason for the ruling was that Deutsche Telekom's initial investment in the roll-out of optical fiber had not sufficiently been taken into account.

41 Auditors' fees and services in accordance with § 314 HGB

The following table provides a breakdown of professional fees recognized as expenses in the 2009 financial year:

PricewaterhouseCoopers Aktiengesellschaft

(millions of €)	2009
Auditing services	9
Other assurance services	7
Tax advisory services	0
Other non-audit services	10
	26

Ernst & Young GmbH

(millions of €)	2009
Auditing services	8
Other assurance services	8
Tax advisory services	1
Other non-audit services	0
	17

Professional fees for auditing services include in particular fees for the statutory auditing of annual and consolidated financial statements as well as fees for other auditing services provided, in particular in connection with the audit of internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Professional fees for other assurance services primarily relate to fees for the review of the interim financial statements as well as auditing activities in connection with the documentation of the internal control system for financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Professional fees for tax advisory services primarily include professional fees for tax advisory services performed as part of current or planned transactions.

Professional fees for other non-audit services mainly relate to consulting services and assistance in connection with the Company's compliance with requirements stipulated by the Federal Network Agency and other authorities.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

Bonn, February 8, 2010

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

The following auditors' report (*Bestätigungsvermerk*) has been issued in accordance with § 322 German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements and the group management report (*Konzernlagebericht*) of Deutsche Telekom Aktiengesellschaft as of and for the financial year ended December 31, 2009. The list of shareholdings in accordance with § 313 German Commercial Code (Handelsgesetzbuch) of Deutsche Telekom AG as of December 31, 2009, which is an integral part of the consolidated financial statements of Deutsche Telekom AG, and the group management report are neither included nor incorporated by reference in this offering memorandum.

Auditors' report

We have audited the consolidated financial statements prepared by Deutsche Telekom AG, Bonn, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes to the financial statements, together with the Group management report for the financial year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit. In addition, we have been instructed to express an opinion as to whether the consolidated financial statements comply with IFRS as issued by the IASB.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on our findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and IFRS as issued by the IASB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Frankfurt am Main, February 8, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Wollmert)
Wirtschaftsprüfer

(Forst)
Wirtschaftsprüfer

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Kämpfer)
Wirtschaftsprüfer

(Tandetzki)
Wirtschaftsprüfer

Schedule A

FISCAL AND PAYING AGENCY AGREEMENT

Dated as of April [__], 2011

U.S.$[____________] [__]% Notes due 2016

between

Deutsche Telekom International Finance B.V.
as Issuer,

Deutsche Telekom AG
as Guarantor

and

Deutsche Bank Trust Company Americas
as Fiscal Agent, Paying Agent and Registrar

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

THIS FISCAL AND PAYING AGENCY AGREEMENT dated as of April [__], 2011 between Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands, having its seat in Amsterdam, The Netherlands and its registered office at Herengracht 124-128 1015 BT Amsterdam, and registered with the Dutch Commercial Register (*Handelsregister*) under number 33274743, as the Issuer, Deutsche Telekom AG, a stock corporation (*Aktiengesellschaft*) organized under the laws of the Federal Republic of Germany, as the Guarantor and Deutsche Bank Trust Company Americas, a New York banking corporation, as Fiscal Agent, Paying Agent and Registrar.

W I T N E S S E T H:

WHEREAS, the Issuer has duly authorized the issue of U.S.$[___________] in aggregate principal amount of the Issuer's [__]% Notes due 2016 (the "Securities") (the aggregate principal amount of such Securities may be increased by the issuance of Additional Securities (as defined herein)), and to provide, among other things, for the authentication, delivery and administration thereof, the Issuer has duly authorized the execution and delivery of this Agreement;

WHEREAS, the Guarantor has duly authorized its Guarantee of the due and punctual payment of principal of, and interest and Additional Amounts (as defined herein), if any, on, the Securities, and to provide, among other things, for the execution and delivery of the Guarantees, the Guarantor has duly authorized the execution and delivery of this Agreement;

WHEREAS, the Issuer and the Guarantor have authorized the issuance and initial sale of the Securities pursuant to a purchase agreement dated April [__], 2011 among the Issuer, the Guarantor and the initial purchasers named therein; and

WHEREAS, all things necessary to make the Securities and the Guarantees, when executed by the Issuer and the Guarantor, respectively, and authenticated and delivered by the Fiscal Agent as provided in this Agreement, the valid, binding and legal obligations of the Issuer and the Guarantor, respectively, and to make this instrument constitute an agreement valid in accordance with its terms, have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the Holders thereof, the Issuer, the Guarantor and the Fiscal Agent mutually covenant and agree for the equal and proportionate benefit of the respective Holders from time to time of the Securities as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. <u>Certain Terms Defined</u>. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Agreement and of any agreement supplemental hereto shall have the respective meanings specified in this Section. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with International Financial Reporting Standards, as adopted for use in the European Union by the European Commission ("IFRS"), at the date or time of any computation. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"Additional Amounts" has the meaning set forth in Section 3.05.

"Additional Securities" has the meaning set forth in Section 2.10.

"Adjusted Treasury Yield" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date plus [__] basis points.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agents" means the Fiscal Agent, Registrar, Paying Agent, Authenticating Agent and any additional paying agents appointed hereunder.

"Agreement" means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented.

"Authenticating Agent" means any Person authorized by the Fiscal Agent pursuant to Section 5.11 of this Agreement to act on behalf of the Fiscal Agent to authenticate the Securities.

"Authorized Officer" means (i) any director or officer of the Issuer or the Guarantor, respectively, or (ii) any other director, general manager or manager or attorney-in-fact of the Issuer or the Guarantor, as the case may be, who is authorized to represent the Issuer or the Guarantor, respectively. In the case of the Guarantor, a *Prokurist* shall be deemed to be an Authorized Officer for purposes of this Agreement.

"Beneficial Owner" means any Person owning an interest in a Global Security as reflected on the books of the Depositary or on the books of a Depositary Participant or on the books of an indirect participant for which a Depositary Participant acts as agent.

"Board of Directors" when used with reference to the Issuer or the Guarantor, means the Managing Directors of the Issuer or the Management Board (*Vorstand*) of the Guarantor, as the case may be, or any committee of such Managing Directors of the Issuer or the Management Board of the Guarantor, as the case may be, duly authorized to act for such Managing Directors or Management Board hereunder.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in a Place of Payment are authorized or obligated by law or executive order to close.

"Capital Market Indebtedness" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognized securities market. For the avoidance of doubt in respect of asset-backed financings originated by the Issuer or the Guarantor, the expression "assets" as used in Section 3.07 of this Agreement does not include assets of the Guarantor that are sold on a non-recourse basis determined in accordance with the civil law applicable to such transaction.

"Certificated Security" has the meaning set forth in Section 2.01(c).

"Certificate of Authentication" has the meaning set forth in Section 2.03(f).

"Clearstream" means Clearstream Banking, société anonyme.

"Closing Date" means April [__], 2011.

"Comparable Treasury Issue" means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Quotation Agent's Quotations for the redemption date.

"Corporate Office" means the principal office of the Fiscal Agent in the Borough of Manhattan, The City of New York at which the business of the Fiscal Agent shall, at any particular time, be principally administered and which is currently located at Deutsche Bank Trust Company Americas; Trust & Securities Services; 60 Wall Street; Mailstop NYC60-2710; New York, New York, 10005.

"Covenant Defeasance" has the meaning set forth in Section 9.02.

"Depositary" means DTC with respect to the Global Securities, or such other Person or Persons as shall be appointed as Depositary by the Issuer pursuant to Section 2.09(a).

"Depositary Participant" means a broker, dealer, bank or other financial institution or other Person for whom from time to time the Depositary effects book-entry transfers and pledges of securities deposited with the Depositary.

"DTC" means The Depository Trust Company, its nominees, and their respective successors.

“Encumbrance” means any mortgage, pledge, security interest or lien.

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Event of Default” has the meaning set forth in Section 4.01.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Fiscal Agent” means the entity identified as “Fiscal Agent” in the first paragraph hereof and, subject to the provisions of Article 5, shall also include any successor fiscal agent.

“Global Security” means a Rule 144A Global Security or a Regulation S Global Security, as the case may be.

“Guarantee” means the Guarantor’s unconditional and irrevocable guarantee of a Security (collectively, the “Guarantees”).

“Guarantor” means Deutsche Telekom AG, a stock corporation (*Aktiengesellschaft*) established under the laws of the Federal Republic of Germany, and, subject to Article 8, its successors and assigns.

“Holder” means the registered holder of any Security.

“Independent Investment Banker” means an independent investment banking institution of national standing in the United States appointed by the Issuer.

“Issuer” means Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands, and, subject to Article 8, its successors and assigns.

“Issuer Order” means a written statement, request or order of the Issuer signed in its name by an Authorized Officer of the Issuer and delivered to the Fiscal Agent.

“Maturity Date” means [__], 2016.

“Officer’s Certificate” means, as the context requires, a certificate signed by any Authorized Officer and delivered to the Fiscal Agent.

“Opinion of Counsel” means an opinion in writing signed by legal counsel, who may be an employee of, or counsel to, the Issuer or the Guarantor, or who may be other counsel reasonably satisfactory to the Fiscal Agent.

“Opinion of Tax Counsel” means an opinion in writing signed by an independent tax counsel or independent tax consultant, in either case of recognized standing.

“Original Issue Date” of any Security (or portion thereof) means the date of such Security.

"Outstanding", when used with reference to Securities, shall, subject to the provisions of Section 6.04, mean, as of the date of determination, all Securities authenticated and delivered by the Fiscal Agent under this Agreement, except:

(a) Securities theretofore paid and cancelled by the Fiscal Agent or delivered to the Fiscal Agent for cancellation;

(b) Securities, or portions thereof, for the payment, redemption or early repayment of which monies in the necessary amount in United States Dollars shall have been deposited irrevocably in trust with the Fiscal Agent (which may not be the Issuer or the Guarantor or any Affiliate thereof) for the Holders, *provided* that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Fiscal Agent shall have been made for giving such notice; and

(c) Securities in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.05 (unless proof satisfactory to the Fiscal Agent is presented that any of such Securities is held by a Person in whose hands such Security is a legal, valid and binding obligation of the Issuer).

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Issuer, the Guarantor or any other obligor upon the Securities or any Affiliate of the Issuer, the Guarantor or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Fiscal Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Fiscal Agent actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Fiscal Agent the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer, the Guarantor or any other obligor upon the Securities or any Affiliate of the Issuer, the Guarantor or of such other obligor.

"Paying Agents" (each a "Paying Agent") means (i) the Paying Agent, which initially shall be Deutsche Bank Trust Company Americas, and (ii) such other paying agents as the Issuer shall specify to the Fiscal Agent as paying agents for the Securities, provided that all Paying Agents shall also act as transfer agents for the Securities.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means the place or places where the principal of and any premium and interest on the Securities of that series are payable as specified pursuant to Section 3.02 of this Agreement.

"*Prokurist*" means a holder of a general commercial power of attorney known as *Prokura* pursuant to the German Commercial Code (*Handelsgesetzbuch*).

"Qualified Institutional Buyer" or "QIB" means a "qualified institutional buyer," as defined in Rule 144A under the Securities Act.

"Quotation Agent" means a reference treasury dealer that is a primary U.S. government securities dealer in New York City. The Independent Investment Banker will appoint the Quotation Agent after first consulting with the Guarantor.

"Quotation Agent's Quotations" means with respect to any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Quotation Agent at 5:00 p. m. on the third Business Day before the redemption date.

"Record Date" as used with respect to any interest payment date (except a date for payment of defaulted interest) shall have the meaning set forth in the applicable form of the Security.

"Register" has the meaning set forth in Section 2.04(a).

"Registrar" has the meaning set forth in Section 2.04(a).

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Certificated Security" has the meaning set forth in Section 2.09(b).

"Regulation S Global Security" has the meaning set forth in Section 2.01(a).

"Regulation S Security" has the meaning set forth in Section 2.01(a).

"Relevant Persons" has the meaning set forth in Section 2.07.

"Relevant Jurisdiction" has the meaning set forth in Section 3.05.

"Responsible Officer", when used with respect to the Fiscal Agent, means (a) any officer of the Fiscal Agent including any managing director, director, vice president, assistant vice president or any other officer of the Fiscal Agent who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any matter is referred because of such person's knowledge of and familiarity with the particular subject and (b) who shall have direct responsibility for the administration of this Agreement.

"Rule 144A" has the meaning set forth in Section 2.04(b)(iv)(A).

"Rule 144A Certificated Security" has the meaning set forth in Section 2.09(b).

"Rule 144A Global Security" has the meaning set forth in Section 2.01(b).

"Rule 144A Information" has the meaning set forth in Section 3.08.

"Rule 144A Security" has the meaning set forth in Section 2.01(b).

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securities Act Legend" means each of the Rule 144A Security Legend and the Regulation S Security Legend, as applicable.

"Security" means any of the Issuer's [__]% Notes due 2016.

"Specified Person" has the meaning set forth in Section 2.05.

"Subsidiary" means any company of which more than 50% of the outstanding voting stock or share capital is for the time being owned by the Issuer, by one or more Subsidiaries of the Issuer or by the Issuer together with one or more of its Subsidiaries, or any company otherwise controlled by the Issuer in accordance with the Company Law (and for the purposes of this definition "voting stock" means stock or shares having voting power for the election of directors, or persons exercising the same functions as directors of such company).

"Transfer Certificate" means a certificate substantially in the form of Exhibit E, Exhibit F, Exhibit G-1 or Exhibit G-2.

"U.S. Dollars" or "U.S.$" means the lawful currency of the United States.

"U.S. Government Obligations" means securities which are (i) direct obligations of the United States government or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States government, the payment of which is unconditionally guaranteed by the United States government, which, in either case, are "full faith and credit" obligations of the United States government payable in U.S. Dollars and are not callable or redeemable at the option of the issuer thereof and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

"U.S. Person" means a "U.S. person" as defined in Rule 902 under the Securities Act.

ARTICLE 2
ISSUE, EXECUTION, FORM AND REGISTRATION OF SECURITIES

Section 2.01. Forms Generally.

(a) Securities offered and sold in reliance on Regulation S (each, a "Regulation S Security") shall be issued in fully registered form without interest coupons and substantially in the form of the note attached as Exhibit B (with the Guarantee in the form set forth in such exhibit executed by the Guarantor) and with the reverse of such Security in the form of Exhibit D (each, a "Regulation S Global Security") with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement and such legends as may be applicable thereto, which shall be deposited with the Fiscal Agent at its Corporate Office, as custodian for the Depositary and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Issuer and authenticated by the Fiscal Agent as hereinafter provided. The aggregate outstanding amount of each Regulation S Global Security may from time to time be increased or decreased by adjustments made on the records of the Fiscal Agent, as custodian for the Depositary or its nominee, as the case may be. Interests in the Regulation S Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its direct and indirect participants.

(b) Securities offered and sold in the United States to Qualified Institutional Buyers under the Securities Act (each a "Rule 144A Security") shall be issued in fully registered form without interest coupons and substantially in the form of the note attached as Exhibit A (with the Guarantee in the form set forth in such exhibit executed by the Guarantor) and with the reverse of such Security in the form of Exhibit D (each, a "Rule 144A Global Security"), with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement and such legends as may be applicable thereto, which shall be deposited with the Fiscal Agent at its Corporate Office, as custodian for the Depositary and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Issuer and authenticated by the Fiscal Agent as hereinafter provided. The aggregate outstanding amount of each Rule 144A Global Security may from time to time be increased or decreased by adjustments made on the records of the Fiscal Agent, as custodian for the Depositary or its nominee, as the case may be. Interests in the Rule 144A Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its direct and indirect participants.

(c) Regulation S Global Securities and Rule 144A Global Securities may also be exchanged under the limited circumstances set forth in Section 2.04 for notes in definitive fully registered form without interest coupons, substantially in the form of the certificated note attached as Exhibit C (with the Guarantee in the form set forth in such exhibit executed by the Guarantor) and with the reverse of such Security in the form of Exhibit D (each a "Certificated Security"), which may be either a Regulation S Certificated Security or a Rule 144A Certificated Security, with such legends as may be applicable thereto, which shall be duly executed by the Issuer and authenticated by the Fiscal Agent or the Authenticating Agent as hereinafter provided.

Section 2.02. Authorized Amount; Note Interest Rate; Denominations.

(a) The Securities will be issuable in minimum denominations of U.S. $150,000 and integral multiples of U.S. $1,000 in excess thereof.

(b) Each Security shall be dated the date of its authentication and shall bear interest from the date of authentication, which shall be payable on the dates specified in the applicable Security.

(c) The Securities shall be numbered, lettered or otherwise distinguished in such manner as may be consistent herewith, determined by the Authorized Officer of the Issuer executing such Securities as evidenced by his or her execution of such Securities bearing such numbers, letters or distinguishing marks.

(d) For all purposes hereof, all of the Securities are entitled to receive payments *pari passu* among themselves based upon the respective outstanding principal amounts thereof (in the case of any payment of principal thereon) or based upon the respective amounts of interest due thereon (in the case of any payment of interest thereon).

Section 2.03. Execution, Authentication, Delivery and Dating.

(a) The Securities shall be executed on behalf of the Issuer by two Authorized Officers of the Issuer and the Guarantees endorsed on the Securities shall be signed on behalf of the Guarantor by two Authorized Officers of the Guarantor. Any such signature of such Authorized Officers may be manual or facsimile. Typographical and other minor errors or defects in any such reproduction of any such signature shall not affect the validity or enforceability of any Security or any Guarantee, in each case which has been duly authenticated and delivered by the Fiscal Agent.

(b) Securities bearing the manual or facsimile signature of an individual who was at any time the Authorized Officer of the Issuer shall bind such Person, notwithstanding the fact that such individual has ceased to hold such office prior to the authentication and delivery of such Securities or did not hold such office at the date of issuance of such Securities.

(c) At any time and from time to time after the execution and delivery of this Agreement, the Issuer may deliver Securities executed by the Issuer to the Fiscal Agent for authentication, and the Fiscal Agent, upon an Issuer Order, shall authenticate and deliver such Securities as provided in this Agreement and not otherwise.

(d) Each Security authenticated and delivered by the Fiscal Agent shall be dated the date of its authentication.

(e) Securities issued upon transfer, exchange or replacement of other Securities shall be issued in authorized denominations reflecting the aggregate original principal amount of the Securities so transferred, exchanged or replaced, but shall represent only the current aggregate outstanding amount of the Securities so transferred, exchanged or replaced. In the event that any Security is divided into more than one Security in accordance with this Article 2, the original principal amount of such Security shall be proportionately divided among the Securities delivered in exchange therefor and shall be deemed to be the aggregate original principal amount of such subsequently issued Securities.

(f) No Security shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose, unless there appears on such Security a Certificate of Authentication (the "Certificate of Authentication"), substantially in the form provided for in Exhibit A, Exhibit B or Exhibit C, as appropriate, executed by the Fiscal Agent by the manual signature of one of its Responsible Officers, and such certificate upon any registered Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

(g) Book-Entry Provisions. This Section 2.03(g) shall apply only to Global Securities deposited with or on behalf of the Depositary. The Issuer shall execute and the Fiscal Agent shall, in accordance with this Section 2.03(g), authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of the nominee of the Depositary for such Global Securities and (ii) shall be delivered by the Fiscal Agent to such Depositary or, pursuant to such Depositary's instructions, held by the Fiscal Agent as custodian for the Depositary. Depositary Participants shall have no rights under this Agreement with respect to any Global Security held on their behalf by the Fiscal Agent, as custodian for the Depositary or under the Global Security and the Depositary may be treated by the Issuer, the Guarantor, the Fiscal Agent, and any agent of the Issuer, the Guarantor or the Fiscal Agent as the absolute owner of such Global Security for all purposes whatsoever. Ownership of beneficial interests in a Global Security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by the Depositary or its nominee (with respect to interests of Depositary Participants) and the records of Depositary Participants (with respect to interests of persons other than Depositary Participants). Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Fiscal Agent, or any agent of the Issuer or the Fiscal Agent, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and the Depositary Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Global Security.

(h) Certificated Securities. Except as provided in Section 2.04 and Section 2.09 hereof, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of Certificated Securities.

Section 2.04. Registration, Transfer and Exchange of Securities.

(a) Registration of Securities.

(i) The Fiscal Agent is hereby appointed as the registrar of the Securities (the "Registrar"). The Registrar shall also act as the principal transfer agent with respect to the transfer or exchange of the Securities or any beneficial interest in the Securities. The Registrar shall keep, on behalf of the Issuer, a register (the "Register") for the Securities in its Corporate Office in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration of and the registration of transfers of Securities.

(ii) Subject to Section 2.03(g), the Register will show the amount of the Securities, the date of issue, all subsequent transfers and changes of ownership in respect thereof and the names, tax identifying numbers (if relevant to a specific Holder) and the addresses of Holders and any payment instructions with respect thereto (if different from a Holder's registered address). The Registrar will also maintain a record or a series of records, which will include notations as to whether the Securities have been paid or canceled, and, in the case of mutilated, destroyed, stolen or lost Securities, whether such Securities have been replaced. In the case of the replacement of any

Securities, such records will include notations of each Security so replaced, and the Security issued in replacement thereof. In the case of the cancellation of any of the Securities, such records will include notations of each Security so canceled and the date on which each such Security was canceled. The Registrar shall, upon written request, make the Register and such records available during normal office hours to the Issuer, or any Person authorized by the Issuer in writing, for inspection and for the taking of copies thereof or extracts therefrom, and, at the expense of the Issuer, the Registrar shall deliver to such Persons all lists of Holders, their addresses and the amounts of such holdings as they may request. The Register and the records referred to above shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time.

(iii) Upon any resignation or removal of the Registrar, the Issuer shall promptly appoint a successor or, in the absence of such appointment, assume the duties of the Registrar.

(iv) Except as otherwise set forth in this Section 2.04, upon surrender for registration of transfer of any Security at the office or agency of the Issuer to be maintained as provided in Section 3.02, the Issuer shall execute, and the Fiscal Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination and of a like aggregate principal amount.

(v) At the option of the Holder, Securities may be exchanged for Securities of like terms, in any authorized denominations and of like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Security is surrendered for exchange, the Issuer shall execute and the Fiscal Agent shall authenticate and deliver the Securities that the Holder making the exchange is entitled to receive.

(vi) All Securities issued and authenticated upon any registration of transfer or exchange of Securities shall be the valid obligations of the Issuer evidencing the same debt, and entitled to the same benefits under this Agreement, as the Securities surrendered upon such registration of transfer or exchange.

(vii) Every Security presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

(viii) No service charge shall be made to a Holder for any registration of transfer or exchange of a Security, but the Fiscal Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

(b) Transfer of Securities. No Security may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements of the Securities Act and is exempt under applicable state securities laws.

(i) No Security may be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons prior to the expiration of the 40-day distribution compliance period (as defined in Regulation S), except in accordance with Rule 144A or an exemption from the registration requirements of the Securities Act, to Persons purchasing for their own account or for the accounts of one or more Qualified Institutional Buyers, for which the purchaser is acting as fiduciary or agent. The Securities may be sold or resold, as the case may be, in offshore transactions to Persons other than U.S. Persons in reliance on Regulation S. None of the Issuer, the Fiscal Agent or any other Person may register the Securities under the Securities Act or any state securities law.

(ii) Upon final payment due on the Maturity Date of any Security, the Holder thereof shall present and surrender such Security at the Corporate Office of the Fiscal Agent or at the office of any Paying Agent; *provided*, *however*, that if there is delivered to the Issuer and the Fiscal Agent such security or indemnity as may be required by them to save each of them harmless and an undertaking thereafter to surrender such certificate, then, in the absence of notice to the Issuer or the Fiscal Agent that the applicable Security has been acquired by a protected purchaser, such final payment shall be made without presentation or surrender.

(iii) So long as a Global Security remains Outstanding and is held by or on behalf of the Depositary, transfers of ownership of beneficial interests in such Global Security, in whole or in part, shall only be made in accordance with Section 2.03(g) and this Section 2.04(b).

(iv) Subject to clause (D) of this Section 2.04(b)(iv), transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(A) Rule 144A Global Security to Regulation S Global Security. If a Beneficial Owner of an interest in the Rule 144A Global Security wishes at any time to exchange its interest in the Rule 144A Global Security for an interest in the Regulation S Global Security, or to transfer its interest in the Rule 144A Global Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Regulation S Global Security, such Holder may, subject to the restrictions of this Section 2.04 and to the applicable rules and procedures of DTC, Euroclear and Clearstream, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Regulation S Global Security. Such exchange or transfer shall only be made upon receipt by the Fiscal Agent from a Holder of (1) instructions given in accordance with the applicable procedures of DTC, Euroclear and Clearstream directing the Fiscal Agent to credit or cause to be credited a beneficial interest in the Regulation S Global Security in an amount equal to the beneficial interest in the

Rule 144A Global Security to be exchanged or transferred and (2) a duly completed certificate in the form provided in Exhibit F hereto given by the Holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Securities and (A) pursuant to and in accordance with Regulation S or (B) that the Security exchanged or transferred is being exchanged or transferred in a transaction permitted by Rule 144A under the Securities Act ("Rule 144A"). Upon such receipt, the Fiscal Agent shall instruct the Registrar acting as agent for the Fiscal Agent to reduce the Rule 144A Global Security by the aggregate amount of the beneficial interest in the Rule 144A Global Security to be so exchanged or transferred and, concurrently with such reduction, to increase the aggregate amount of the Regulation S Global Security by the aggregate amount of the beneficial interest in the Rule 144A Global Security to be so exchanged or transferred.

(B) Regulation S Global Security to Rule 144A Global Security. If a Beneficial Owner of an interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Rule 144A Global Security, or to transfer its interest in the Regulation S Global Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Rule 144A Global Security, on or prior to the fortieth day after the later of the commencement of the offering of the Securities and the final delivery date with respect thereto, such Holder may, subject to this Section 2.04 and subject to the applicable rules and procedures of DTC, Euroclear and Clearstream, exchange or transfer or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Rule 144A Global Security. Such exchange or transfer shall only be made upon receipt by the Fiscal Agent from a Holder of (1) instructions given in accordance with the applicable procedures of DTC, Euroclear and Clearstream directing the Fiscal Agent to credit or cause to be credited a beneficial interest in the Rule 144A Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a duly completed certificate in the form provided in Exhibit G-1 hereto given by the transferee of such beneficial interest stating that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a Qualified Institutional Buyer, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuer as it has requested pursuant to Rule 144A and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A and (3) a duly completed certificate in the form provided in Exhibit G-2 hereto given by the Holder of such beneficial interest stating that (x) the Person transferring such interest reasonably believes that the Person acquiring such interest is a Qualified Institutional Buyer and is obtaining such interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or (y) that the Person transferring such interest is relying on an exemption other than Rule 144A from the registration requirements of the

Securities Act. Upon such receipt, the Fiscal Agent shall instruct the Registrar acting as agent for the Fiscal Agent to reduce the Regulation S Global Security by the aggregate amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred and, concurrently with such reduction, to increase the aggregate amount of the Rule 144A Global Security by the aggregate amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred.

(C) Other Exchanges. In the event that a Global Security is exchanged for Securities in definitive registered form without interest coupons pursuant to Section 2.09 hereof, such Securities may be exchanged for one another only in accordance with such procedures as are substantially consistent with the provisions above (including certification requirements intended to insure that such transfers are made only in compliance with Rule 144A or Regulation S, as the case may be) and as may be from time to time adopted by the Issuer and the Fiscal Agent.

(D) Restrictions on U.S. Transfers. Prior to the expiration of the 40-day distribution compliance period (within the meaning of Regulation S), transfers of interests in a Regulation S Global Security to U.S. Persons shall be limited to transfers made pursuant to the provisions of Section 2.04(b)(iv)(B).

(E) Regulation S Global Securities. Prior to the expiration of the 40-day distribution compliance period (within the meaning of Regulation S), an owner of a beneficial interest in a Regulation S Global Security may transfer such interest in the form of a beneficial interest in such Regulation S Global Security only to a transferee that is not a U.S. Person that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or 904 of Regulation S. Such transfer may be made without the provision of written certification.

(F) Rule 144A Global Securities. An owner of a beneficial interest in a Rule 144A Global Security may transfer such interest in the form of a beneficial interest in such Rule 144A Global Security without the provision of written certification.

(v) If Securities are issued upon the transfer, exchange or replacement of Securities bearing the applicable legends set forth in Exhibit A or Exhibit B, and if a request is made to remove such applicable legend on such Securities, the Securities so issued shall bear such applicable legend, or such applicable legend shall not be removed, as the case may be, unless there is delivered to the Issuer, the Fiscal Agent and the Registrar (if other than the Fiscal Agent) such satisfactory evidence, which may include an Opinion of Counsel licensed to practice law in the State of New York, as may be reasonably required by the Issuer to the effect that neither such applicable legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A or Regulation S, as applicable. Upon provision of such satisfactory evidence, the Fiscal Agent, at the direction of the Issuer shall authenticate and deliver Securities that do not bear such applicable legend.

(vi) By its acceptance of any Security bearing a transfer-restriction legend, as set forth in Exhibit A or Exhibit B, each Holder of such a Security acknowledges the restrictions on transfer of such Security set forth in this Agreement and in the applicable legend, and agrees that it will transfer such Security only in accordance with such restrictions in this Agreement. Subject to the following sentence, the Registrar shall not register a transfer of any Security unless such transfer complies with the restrictions on transfer of such Security set forth in this Agreement. In connection with any transfer of Securities, each Holder agrees by its acceptance of the Securities to furnish the Registrar or the Issuer such certifications, legal opinions or other information as either of them may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act; provided that the Registrar shall not be required to determine (but may rely on a determination made by the Issuer with respect to) the sufficiency of any such certification, legal opinions or other information.

(vii) Any purported transfer of a Security not in accordance with this Section 2.04 shall not be recognized or effective and shall not be given effect for any purpose hereunder.

(viii) The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.04. The Registrar shall, upon written request, make such records available during normal office hours to the Issuer, or any Person authorized by the Issuer in writing, for inspection and for the taking of copies thereof or extracts therefrom.

(c) No duty to Monitor. The Fiscal Agent shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Agreement or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Beneficial Owners of interests in any Regulation S Global Security) other than to require delivery of such certificates and other documentation or evidence as are required by, and to do so if and when expressly required by the terms of, this Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(d) Expenses; Acknowledgement of Transfer. No service charge shall be made to a Holder for any registration of transfer or exchange of a Security, but the Fiscal Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail. Registration of the transfer of a Security by the Fiscal Agent shall be deemed to be the acknowledgment of such transfer on behalf of the Issuer.

(e) Surrender upon Final Payment. Upon final payment due on the Maturity Date of any Security, the Holder thereof shall present and surrender such Security at the Corporate Office of the Fiscal Agent or at the office of any Paying Agent; *provided, however,* that if there is delivered to the Issuer and the Fiscal Agent such security or indemnity as may be required by them to save each of them harmless and an undertaking thereafter to surrender such certificate, then, in the absence of notice to the Issuer or the Fiscal Agent that the applicable Security has been acquired by a protected purchaser, such final payment shall be made without presentation or surrender.

Section 2.05. Mutilated, Defaced, Destroyed, Lost or Stolen Securities.

If (a) any mutilated or defaced Security is surrendered to the Transfer Agent, or if there shall be delivered to the Issuer, the Fiscal Agent and the Transfer Agent (each, a "Specified Person") evidence to their reasonable satisfaction of the destruction, loss or theft of any Security, and (b) there is delivered to the Specified Persons such security or indemnity as may reasonably be required by them to save each of them harmless then, in the absence of notice to the Specified Persons that such Security has been acquired by a bona fide or protected purchaser, the Issuer shall execute and shall direct the Fiscal Agent to authenticate, and upon an Issuer Order the Fiscal Agent shall authenticate and deliver, in lieu of any such mutilated, defaced, destroyed, lost or stolen Security, a new Security of the same Class as such mutilated, defaced, destroyed, lost or stolen Security, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, dated the date of its authentication, bearing interest from the date to which interest has been paid on the mutilated, defaced, destroyed, lost or stolen Security and bearing a number not contemporaneously outstanding.

If, after delivery of such new Security, a bona fide or protected purchaser of the predecessor Security presents for payment, transfer or exchange such predecessor Security, the Specified Persons shall be entitled to recover such new Security from the Person to whom it was delivered or any Person taking therefrom, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Specified Persons in connection therewith.

In case any such mutilated, defaced, destroyed, lost or stolen Security has become due and payable, the Issuer in its discretion may, instead of issuing a new Security, pay such Security upon receipt of indemnity without requiring surrender thereof except that any mutilated Security shall be surrendered.

Upon the issuance of any new Security under this Section 2.05, the Issuer, the Fiscal Agent or any Transfer Agent may require the payment by the registered holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Fiscal Agent) connected therewith.

Every new Security issued pursuant to this Section 2.05 in lieu of any mutilated, defaced, destroyed, lost or stolen Security, shall constitute an original additional contractual obligation of the Issuer and such new Security shall be entitled, subject to the second paragraph of this Section 2.05, to all the benefits of this Agreement equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 2.05 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, defaced, destroyed, lost or stolen Securities.

Section 2.06. Computation of Interest. Interest on the Securities shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Section 2.07. Persons Deemed Owners.

The Issuer, the Fiscal Agent and any agent of any of them (collectively, the "Relevant Persons") may treat the Person in whose name any Security on the Register is registered as the owner of such Security on the applicable Record Date for the purpose of receiving payments of principal of and interest on such Security and on any other date for all other purposes whatsoever (whether or not such Security is overdue), and no Relevant Person shall be affected by notice to the contrary, except if and to the extent the Issuer shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid (whether by the Issuer or the Guarantor) to the Person in whose names Outstanding Securities are registered on a subsequent Record Date (which shall not be less than 5 Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holders of Securities not less than 15 days preceding such subsequent Record Date.

Section 2.08. Cancellation.

All Securities surrendered for payment, registration of transfer, exchange or redemption, or deemed lost or stolen, shall, if surrendered to any Person other than the Fiscal Agent, be delivered to the Fiscal Agent, shall promptly be canceled by it and may not be reissued or resold. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section 2.08, except as expressly permitted by this Agreement. All canceled Securities held by the Fiscal Agent shall be destroyed or held by the Fiscal Agent in accordance with its standard retention policy unless the Issuer shall direct by an Issuer Order that they be returned to it. Any Securities purchased by the Issuer shall be immediately delivered to the Fiscal Agent for cancellation.

Section 2.09. Certificated Securities; Temporary Securities.

(a) If at any time the Depositary for any Global Securities notifies the Issuer that it is unwilling or unable to continue as Depositary for the Global Securities or if at any time the Depositary for such Global Securities ceases to be a "Clearing Agency" registered under the Exchange Act, the Issuer shall appoint a successor Depositary with respect to the relevant Global Securities. If a successor Depositary is not appointed by the Issuer within 90 days after such notice or the occurrence of such event, or there shall have occurred and be continuing an Event of Default and a Holder so requests, the Global Securities deposited with such Depositary pursuant to Section 2.01 shall be transferred to the Beneficial Owners thereof in accordance with Section 2.04 of this Agreement and this Section 2.09.

(b) Any Global Security that is transferable to the Beneficial Owners thereof pursuant to this Section 2.09 shall be surrendered by the Depositary to the Corporate Office of the Fiscal Agent, to be so transferred, in whole or from time to time in part, without charge, and, upon receipt of an Issuer Order directing the authentication and delivery thereof, the Fiscal Agent shall authenticate and deliver, upon such transfer and registration of each portion of such Global Security, an equal aggregate principal amount of Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section 2.09 shall be executed, authenticated and delivered only in the minimum denominations and integral multiples of the amounts set forth in Section 2.02 in the form of Certificated Securities. Any Certificated Security delivered in exchange for an interest in a Regulation S Global Security (a "Regulation S Certificated Security") and any Certificated Security delivered in exchange for an interest in a Rule 144A Global Security (a "Rule 144A Certificated Security"), as applicable, shall bear the applicable legend set forth in Exhibit C and shall be subject to the transfer restrictions referred to in such applicable legends. The Holder of such a registered individual Security may transfer such Security by surrendering it at the Corporate Office.

(c) Subject to the provisions of Section 2.09(b) above, the Holder of a Global Security may grant proxies and otherwise authorize any Person, including Depositary Participants and Persons that may hold interests through Depositary Participants, to take any action which a Holder is entitled to take under this Agreement or the Securities.

(d) In the event of the occurrence of either of the events specified in paragraph (a) of this Section 2.09, the Issuer will make available to the Fiscal Agent a reasonable supply of Certificated Securities in definitive, fully registered form without interest coupons.

(e) Pending the preparation of Certificated Securities pursuant to this Section 2.09, the Issuer may execute, and upon Issuer Order the Fiscal Agent shall authenticate and deliver, temporary Securities that are printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any authorized denomination, substantially of the tenor of the Certificated Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the Authorized Officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

(f) If temporary Securities are issued, the Issuer will cause Certificated Securities to be prepared without unreasonable delay. The Certificated Securities shall be printed, lithographed or engraved, or provided by any combination thereof, or in any other manner permitted by the rules and regulations of any applicable securities exchange, all as determined by the Officers executing such Certificated Securities. After the preparation of Certificated Securities, the temporary Securities shall be exchangeable for Certificated Securities upon surrender of the temporary Securities at the office or agency maintained by the Issuer for such purpose, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Issuer shall execute, and the Fiscal Agent shall authenticate and deliver, in exchange therefor the same aggregate principal amount of Certificated Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Agreement as Certificated Securities.

(g) If the Holders have instituted any judicial proceeding in a court to enforce the rights of the Holders under the Securities or the Guarantees, and the Holders, the Issuer and the Guarantor have been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Holders to obtain possession of the Securities, the Issuer shall, at the request of any Holder, execute and deliver to the Fiscal Agent, and the Fiscal Agent will authenticate and deliver, in exchange for such Holders' interest in Global Securities, Certificated Securities (and if the Fiscal Agent has in its possession Certificated Securities previously executed by the Issuer, the Fiscal Agent will authenticate and deliver such Securities) with the Guarantees thereon executed by the Guarantor, in authorized denominations, in an aggregate principal amount equal to the principal amount of such Global Securities and registered in such name or names as the Issuer deems appropriate.

(h) Subject to the restrictions on transfer and exchange set forth in Section 2.04 or this Section 2.09 and to the Registrar's right to decline to accept any request for registration of transfer or exchange during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities, the Holder of any Certificated Security may transfer or exchange for a like principal amount the same as a whole or in part (in a principal amount equal to the minimum authorized denomination or any integral multiple thereof) by surrendering such Certificated Security at the Corporate Office, duly endorsed, together with an executed instrument of assignment and transfer substantially in the form of Exhibit E in the case of transfer and a written request for exchange in the case of exchange. The presentation for transfer or exchange of any Certificated Security shall not be valid unless made at the Corporate Office by the registered Holder in person, or by a duly authorized attorney in fact. Prior to the registration of any transfer by a Holder as provided herein, the Issuer, the Guarantor, the Fiscal Agent, and any agent of the Issuer, the Guarantor or the Fiscal Agent shall treat the Person in whose name the Security is registered as the owner thereof for all purposes whether or not the Security shall be overdue, and none of the Issuer, the Guarantor, the Fiscal Agent, nor any such agent shall be affected by notice to the contrary. When Securities are presented to the Registrar with a request to register the transfer or to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if the requirements for such transactions set forth herein are met. To permit registrations of transfers and exchanges, the Issuer shall execute and the Fiscal Agent shall authenticate Securities upon receipt of an Issuer Order.

Section 2.10. Additional Securities. The Issuer may, from time to time, without notice to or the consent of the Holders, create and issue, pursuant to this Agreement and in accordance with applicable laws and regulations, additional Securities (the "Additional Securities") maturing on the same Maturity Date as the Securities and having the same terms and conditions hereunder (including with respect to the Guarantor and the Guarantees) as the previously Outstanding Securities of that series in all respects (or in all respects except for the issue date, CUSIP number and for the amount and the date of the first payment of interest thereon), so that such Additional Securities shall be consolidated and form a single series with the previously Outstanding Securities of that series; *provided*, *however*, that for so long as may be required by the applicable provisions of the Securities Act or the Depositary's procedures, such Additional Securities shall be represented by one or more separate Global Securities bearing the applicable legend (as shown in Exhibit A or Exhibit B hereto) or other applicable transfer restriction legends. Additional Securities may be created and issued in the same manner as Securities are created and issued (including the requirement that Guarantees, executed by the Guarantor be endorsed thereon), subject to the additional condition that the Fiscal Agent shall have received an Officer's Certificate stating that no default hereunder shall have occurred and be continuing, and that after giving effect to the proposed issuance of Additional Securities no default hereunder shall have occurred and be continuing and an Opinion of Counsel that such Additional Securities are issued in compliance with this Agreement. Additional Securities shall bear interest from the Original Issue Date of such Additional Securities.

Section 2.11. Unconditional Guarantee. Pursuant to the Guarantee endorsed upon each Security, substantially in the form attached to the forms of Security set forth in Exhibits A, C and D hereto, the Guarantor will unconditionally and irrevocably guarantee to each Holder (a) the due and punctual payment of any principal, accrued and unpaid interest and Additional Amounts, if any, on, such Security in accordance with this Agreement, including without limitation Article 3 hereof, and (b) any Additional Amounts in respect of such Guarantee.

Section 2.12. Execution of Guarantees. To evidence each Guarantee to the Holders specified in Section 2.11, the Guarantor hereby agrees to execute such Guarantee, in substantially the form attached to the forms of Security set forth in Exhibits A, C and D hereto, to be endorsed on each Security authenticated and delivered by the Fiscal Agent. Each such Guarantee shall be signed on behalf of the Guarantor as set forth in Section 2.03 prior to the authentication of the Security on which it is endorsed, and the delivery of such Security by the Fiscal Agent, after the authentication thereof hereunder, shall constitute due delivery of such Guarantee on behalf of the Guarantor.

Section 2.13. Assumption by the Guarantor. The Guarantor shall assume all of the rights and obligations of the Issuer hereunder with respect to the Securities if, upon a default by the Issuer in the due and punctual payment of the principal, or interest on such Securities, the Guarantor is prevented by any court order or judicial proceeding from fulfilling its obligations under Section 2.11 with respect to such Securities. Such assumption shall result in the Securities becoming the direct obligations of the Guarantor and shall be effected without the consent of the Holders. Upon such an assumption, the Guarantor shall execute an amendment to this Agreement evidencing its assumption of all rights and obligations of the Issuer hereunder with respect to the Securities, and the Issuer shall be released from its liabilities hereunder and under such Securities as obligor on the Securities

ARTICLE 3
COVENANTS OF THE ISSUER

Section 3.01. Payment of Principal and Interest. The Issuer covenants and agrees that it will duly and punctually pay or cause to be paid the principal of, and interest on, each of the Securities at the place or places, at the respective times and in the manner provided in the Securities and in this Agreement. Each installment of interest on the Securities may be paid by mailing checks for such interest payable to or upon the written order of the Holders of Securities entitled thereto as they shall appear on the Register of the Issuer; *provided* that as long as the Securities then Outstanding are represented by one or more Global Securities, the Issuer shall pay or cause to be paid the principal of, and interest on, such Global Securities to the Holder thereof or a single nominee of the Holder, or, at the option of the Issuer and with prior notice to the Paying Agent, to such other Persons as the Holder thereof may designate, by wire transfer of immediately available U.S. dollar funds on the date such payments are due; *further provided* that, at the option of the Issuer and with prior notice to the Paying Agent, payment of interest may be made by check mailed to the address of the Holder as such address appears in the Register. So long as the Fiscal Agent or the Paying Agent shall make such payments on behalf of the Issuer, funds for each such payment will be delivered by the Issuer to the Fiscal Agent or the Paying Agent in immediately available U.S. dollar funds by 9:00 a.m., New York City time on the relevant Business Day on which payment is due.

Any payment to be made in respect of the Securities or Guarantees by the Issuer or the Guarantor to or to the order of a Paying Agent shall be in satisfaction pro tanto of the obligations of the Issuer under the Securities.

Section 3.02. Offices for Payments, Etc. So long as any of the Securities remain Outstanding, the Issuer will maintain in the Borough of Manhattan, the City of New York, United States of America, the following: (a) an office or agency where the Securities may be presented for payment, (b) an office or agency where the Securities may be presented for registration of transfer and for exchange as in this Agreement provided and (c) an office or agency where notices and demands to or upon the Issuer in respect of the Securities or of this Agreement may be served. The Issuer hereby initially designates the Corporate Office as the office or agency for each such purpose. The Issuer will give to the Fiscal Agent written notice of any change of the location of any such office or agency. In case the Issuer shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Office or other office or agency as previously notified by the Issuer.

Section 3.03. Appointment to Fill a Vacancy in Office of Fiscal Agent. The Issuer, whenever necessary to avoid or fill a vacancy in the office of Fiscal Agent, will appoint, in the manner provided in Section 5.08, a Fiscal Agent, so that there shall at all times be a Fiscal Agent hereunder.

Section 3.04. Paying Agents. Deutsche Bank Trust Company Americas is hereby appointed initial Paying Agent. Whenever the Issuer shall appoint a Paying Agent other than the Fiscal Agent, it will cause such Paying Agent to execute and deliver to the Fiscal Agent an instrument in which such agent shall agree with the Fiscal Agent, subject to the provisions of this Section 3.04, that it will:

(a) hold all sums received by it as such agent for the payment of the principal of or interest on the Securities (whether such sums have been paid to it by the Issuer or by any other obligor on the Securities) in trust for the benefit of the Holders of the Securities or of the Fiscal Agent until such sums shall be paid to such Holders or otherwise disposed of as provided herein;

(b) give the Fiscal Agent notice of any failure by the Issuer (or by any other obligor on the Securities) to make any payment of the principal of or interest on the Securities when the same shall be due and payable; and

(c) pay any such sums so held in trust by it to the Fiscal Agent upon the Fiscal Agent's written request at any time during the continuance of the failure referred to in clause (b) above.

The Issuer will, in accordance with Section 3.01 hereof, on or prior to each due date of the principal of or interest on the Securities, deposit with the Fiscal Agent or the Paying Agent a sum in immediately available funds in U.S. Dollars, sufficient to pay such principal or interest, and (unless such Paying Agent is also the Fiscal Agent) the Issuer will promptly notify the Fiscal Agent of any failure to take such action.

If the Issuer shall act as its own Paying Agent, it will, on or before each due date of the principal of or interest on the Securities, set aside, segregate and hold in trust for the benefit of the Holders of the Securities a sum sufficient to pay such principal or interest so becoming due until such sums shall be paid to such Holders or otherwise disposed of as provided herein. The Issuer will promptly notify the Fiscal Agent of any failure to take such action.

A Paying Agent shall be permitted to resign upon 30 days' written notice to the Issuer. In addition, the Issuer shall have the right within 30 days' prior written notice to terminate any appointment of any Paying Agent, and to appoint any additional or other Paying Agents. The Issuer will give to the Fiscal Agent written notice of the location of any such office or agency and of any change of location thereof. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given in accordance with this Agreement.

Anything in this Section to the contrary notwithstanding, the Issuer may at any time, for the purpose of obtaining a satisfaction and discharge of this Agreement or for any other reason, pay or cause to be paid to the Fiscal Agent all sums held in trust by the Issuer or any Paying Agent hereunder, as required by this Section, such sums to be held by the Fiscal Agent upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 3.04 are subject to the provisions of Sections 9.04 and 9.05.

Section 3.05. Additional Amounts. If any deduction or withholding for any present or future taxes or other governmental charges of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the Issuer or the Guarantor is incorporated, shall at any time be required by such jurisdiction (or any such political subdivision or taxing authority) (each a "Relevant Jurisdiction") in respect of any amounts to be paid by the Issuer of principal of or interest on the Securities, or by the Guarantor under the Guarantees, the Issuer or the Guarantor, as the case may be, will pay to the Holder of the Securities such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts paid to such Holder of the Securities shall be not less than the amounts specified in such Securities or coupon to which such Holder is entitled; provided, however, that the Issuer or the Guarantor, as the case may be, shall not be required to make any payment of additional amounts for or on account of: (a) any tax or other governmental charge which would not have been imposed but for the existence of any present or former connection between such Holder and the Relevant Jurisdiction (other than the mere holding of Securities and the receipt of payments thereon), including, without limitation, such Holder being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein; (b) any tax or other governmental charge which would not have been imposed but for the status of such Holder as an individual resident of a member state of the European Union; (c) any tax or other governmental charge that would not have been imposed but for a failure by the Holder or the beneficial owner of a Security to comply with any applicable certification, information, identification, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the Relevant Jurisdiction if such compliance is required as a precondition to relief or exemption from such tax or other governmental charge (including without limitation a certification that such Holder is not resident in the Relevant Jurisdiction); (d) any tax or other governmental charge which would not have been imposed but for a change in law that becomes effective more than 30 days after a payment by the Issuer on the Securities, or by the Guarantor under the Guarantees, as the case may be, becomes due and payable, or is duly provided for and notice thereof is duly published, whichever occurs later; (e) any tax or other governmental charge required to be withheld by any Paying Agent from a payment on the Securities, if such payment can be made without such deduction or withholding by any other Paying Agent; or (f) any combination of items (a), (b), (c), (d) and (e) above. The foregoing provisions shall apply mutatis mutandis to any withholding or deduction for or on account of any present or future taxes or governmental charges of whatever nature of any jurisdiction in which any successor Person to the Issuer or the Guarantor, as the case may be, is organized, or any political subdivision or taxing authority thereof or therein. As used in (a), (b) and (c) above, references to Holder shall include a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation. Subject to the foregoing provisions, whenever in this Agreement there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, the Securities or the net proceeds received on the sale or exchange of the Securities, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Section to the extent that, in such context, additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of additional amounts (if applicable) in any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

Section 3.06. Holders' Lists. If and so long as the Fiscal Agent shall not be the Registrar of the Securities, the Issuer will furnish or cause to be furnished to the Fiscal Agent a list in such form as the Fiscal Agent may reasonably require of the names and addresses of the Holders of the Securities (a) semi-annually not more than 10 days after each Record Date for the payment of semi-annual interest on the Securities, as hereinabove specified, as of such Record Date, and (b) at such other times as the Fiscal Agent may request in writing, within thirty days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished.

Section 3.07. Limitation on Liens. So long as any of the Securities are Outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, neither the Issuer nor the Guarantor shall grant or permit to subsist any Encumbrance over any or all of its present or future assets, to secure any present or future Capital Market Indebtedness issued or guaranteed by the Issuer, the Guarantor or by any other Person without making effective provision whereby the Securities shall be secured equally and ratably with such Capital Market Indebtedness, so long as such Capital Market Indebtedness shall be so secured. For the avoidance of doubt, this section shall not apply to any security which is provided by the Issuer or any other subsidiary of the Guarantor over any claims of the

Issuer or such other subsidiary of the Guarantor, as the case may be, against the Guarantor or any of its subsidiaries, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the sale by the Issuer or another subsidiary of the Guarantor, as the case may be, of any bonds, provided that any such security serves to secure obligations under such bonds of the Issuer or the other subsidiary of the Guarantor, as the case may be. Any security to be provided pursuant to the preceding sentence may also be provided to a person acting as trustee for the holders of such bonds.

Section 3.08. Rule 144A Information. For so long as the Issuer or the Guarantor is not subject to Section 13 or 15(d) of the Exchange Act, and is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, and for long as any of the Securities remain "restricted securities" within the meaning of Rule 144 under the Securities Act, upon the request of a Holder or Beneficial Owner of a Security, the Issuer or the Guarantor, as the case may be, shall furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or Beneficial Owner, to a prospective purchaser of such Security designated by such Holder or Beneficial Owner or to the Fiscal Agent for delivery to such Holder or Beneficial Owner or a prospective purchaser designated by such Holder or Beneficial Owner, as the case may be, in order to permit compliance by such Holder or Beneficial Owner with Rule 144A in connection with the resale of such Security by such Holder or Beneficial Owner. "Rule 144A Information" shall be such information as is at the time of such proposed purchase specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

ARTICLE 4
REMEDIES OF HOLDERS UPON AN EVENT OF DEFAULT

Section 4.01. Event of Default Defined; Acceleration of Maturity; Waiver of Default. "Event of Default", wherever used herein with respect to the Securities, means any one of the following events with respect to the Issuer or the Guarantor, as the case may be (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the Issuer fails to pay principal or interest upon any Security within 30 days from the relevant due date; or

(b) the Issuer fails duly to perform any other obligation arising from any Security or the Guarantor fails to perform any obligation arising from the Guarantee which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 days after any Holder of the Securities Outstanding affected thereby has given written notice thereof to the Issuer, Guarantor and the Fiscal Agent; or

(c) (i) any Capital Market Indebtedness of the Issuer or the Guarantor becomes prematurely repayable as a result of a default in respect of the terms thereof; or

(ii) the Issuer or the Guarantor fails to fulfill any payment obligation in excess of EUR 25,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantee or suretyship given for any Capital Market Indebtedness of any other

Person within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer or the Guarantor shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked; or

(iii) if a security granted in respect of any Capital Market Indebtedness or any guarantee or suretyship therefor is enforced on behalf of or by the creditor(s) entitled thereto; or

(d) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments; or

(e) a court opens insolvency proceedings against the Issuer or the Guarantor, or the Issuer or the Guarantor applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or the Issuer applies for a "*surseance van betaling*" (within the meaning of the Bankruptcy Act (*Faillissementswet*) of The Netherlands); or

(f) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this issue; or

(g) any governmental order, decree or enactment shall be made in or by The Netherlands or the Federal Republic of Germany whereby the Issuer or the Guarantor is prevented from observing and performing in full its obligations as set forth in this Agreement and in the Guarantee, respectively, and this situation is not cured within 90 days; or

(h) the Guarantee ceases to be valid and legally binding for any reason whatsoever.

If an Event of Default with respect to Outstanding Securities of the Issuer occurs and is continuing, then in every such case the Holders of not less than 25% in principal amount of the Outstanding Securities of the Issuer may declare the principal amount of the Securities to be due and payable immediately, by a notice in writing to the Issuer and the Guarantor with a copy to the Fiscal Agent, specifying such principal amount and upon any such declaration such specified amount shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to the Securities has been made and before a judgment or decree for payment of the money due has been obtained by the Fiscal Agent as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Issuer, the Guarantor and the Fiscal Agent, may rescind and annul such declaration and its consequences if:

(1) the Issuer or the Guarantor has paid or deposited with the Fiscal Agent a sum sufficient to pay:

(A) all overdue interest on the Securities,

(B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in the Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in the Securities, and

(D) all sums paid or advanced by the Fiscal Agent hereunder and the reasonable compensation, expenses, disbursements and advances of the Fiscal Agent, its agents and counsel;

and

(2) all Events of Default with respect to the Securities, other than the non-payment of the principal of the Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in this Section.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

The Holders of a majority in aggregate principal amount of the Securities then Outstanding may, by written notice to the Issuer and to the Fiscal Agent, waive all defaults and rescind and annul such declaration and its consequences, except a default

(1) in the payment of the principal of or any premium or interest on any Security of such series of the Issuer, or

(2) in respect of a covenant or provision hereof which under Article Seven cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected;

and no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or impair any right consequent thereon.

Section 4.02. Restoration of Rights on Abandonment of Proceedings. In case any Holder shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Holder, then and in every such case the Issuer, the Guarantor, the Fiscal Agent and the Holder shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions and rights hereunder, and thereafter all rights, remedies and powers of the Issuer, the Guarantor, the Fiscal Agent and the Holders shall continue as though no such proceedings had been taken.

Section 4.03. Rights and Remedies Cumulative; Delay or Omission Not Waiver of Default. Except as provided in Section 2.05, no right or remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of any Holder of any of the Securities to exercise any right or remedy accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every right and remedy given by this Agreement or by law to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Holders.

Section 4.04. Enforcement of Claims and Limitation on Suits.

(a) All rights of action or claims under this Agreement or the Securities may be prosecuted and enforced by the Fiscal Agent without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceedings instituted by such Fiscal Agent as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of such Fiscal Agent its agents and counsel and all other amounts due to such Fiscal Agent under this Agreement, be for the ratable benefit of the Holders of the Securities of such series in respect of which such judgment has been recovered

(b) No Holder of the Securities shall have any right to institute any proceeding, judicial or otherwise, with respect to this Agreement, the Guarantees, the Securities or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Fiscal Agent to institute proceedings in respect of such Event of Default in its own name as Fiscal Agent hereunder;

(2) such Holder or Holders have offered to the Fiscal Agent reasonable indemnity and/or security satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(3) the Fiscal Agent for 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding; and

(4) no direction inconsistent with such written request has been given to the Fiscal Agent during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Agreement to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Agreement, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 4.05.Unconditional Right of Holders to Institute Certain Actions. Notwithstanding any other provision of this Agreement and any provision of any Security, the right of any Holder to receive payment of the principal of and interest on such Security on or after the respective due dates expressed in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 4.06. Waiver of Stay or Extension Laws. Each of the Issuer and the Guarantor covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever acted, now or at any time hereafter in force, which may affect the covenants or the performance of this Agreement; and each of the Issuer and the Guarantor (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Holders, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 5
THE AGENTS

Section 5.01. Duties and Responsibilities of the Fiscal Agent. The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. The Fiscal Agent acts under this Agreement solely as agent of the Issuer and does not assume any obligation or relationship of agency or trust for or with the Holders of the Securities, except as provided in Section 5.05 below.

No provision of this Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) the duties and obligations of the Fiscal Agent shall be determined solely by the express provisions of this Agreement, and the Fiscal Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent;

(b) in the absence of bad faith or negligence on the part of the Fiscal Agent, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement;

(c) the Fiscal Agent shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Fiscal Agent, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts; and

(d) no provisions of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 5.02. Certain Rights of the Fiscal Agent. Subject to Section 5.01:

(a) the Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be required to investigate any fact or matter stated in such document;

(b) any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate or Issuer Order (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors of the Issuer or the Guarantor may be evidenced to the Fiscal Agent by a copy thereof certified by an officer of the Issuer or the Guarantor, as the case may be;

(c) the Fiscal Agent shall not be liable for any action taken or omitted by it in good faith without negligence and reasonably believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Agreement;

(d) the Fiscal Agent shall not be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, government action, including any laws, ordinances, regulations, governmental action or the like which delay, restrict or prohibit the providing of the services contemplated by this Agreement;

(e) the parties hereto acknowledge that in accordance with Section 326 of the USA Patriot Act, the Fiscal Agent is required to obtain, verify and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Fiscal Agent. To the extent permitted by Dutch law and otherwise upon reasonable written request, the parties to this Agreement agree that they will provide the Fiscal Agent with such information as it may request in order for it to satisfy the requirements of the USA Patriot Act;

(f) the Fiscal Agent may consult with counsel reasonably acceptable to the Fiscal Agent, which may be counsel to the Issuer or the Guarantor, and the advice of such counsel as to matters of law shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith without negligence and in accordance with the advice or opinion of such counsel;

(g) the Fiscal Agent shall not be bound and shall have no duty to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or the Guarantor under this Agreement; but the Fiscal Agent may require of the Issuer or the Guarantor full information and advice as to the performance or the covenants, conditions and agreements aforesaid;

(h) the Fiscal Agent shall not be required to give any bond or surety in respect of the execution of its trusts and powers or in respect of this Agreement;

(i) the Fiscal Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and except with respect to affiliates of the Fiscal Agent, the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it hereunder with due care; and

(j) the Fiscal Agent shall be under no liability to the Issuer or the Guarantor for interest on any money received by it hereunder except as otherwise agreed in writing with the Issuer or the Guarantor, as applicable.

Section 5.03. Fiscal Agent Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof. The recitals contained herein and in the Securities and the Guarantees, except the Fiscal Agent's certificates of authentication, shall be taken as the statements of the Issuer and the Guarantor, and the Fiscal Agent assumes no responsibility for the correctness of the same. The Fiscal Agent makes no representation as to the validity or sufficiency of this Agreement or of the Securities. The Fiscal Agent shall not be accountable for the use or application by the Issuer of any of the Securities or of the proceeds thereof.

Section 5.04. Fiscal Agent and Agents May Hold Securities; Collections, Etc. The Fiscal Agent or any agent of the Issuer, the Guarantor or the Fiscal Agent, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Fiscal Agent or such agent and may otherwise deal with the Issuer or the Guarantor and receive, collect, hold and retain collections from the Issuer or the Guarantor with the same rights it would have if it were not the Fiscal Agent or such agent.

Section 5.05. Monies Held by Fiscal Agent. Subject to the provisions of Section 9.05 hereof, all monies received by the Fiscal Agent shall, until used or applied as provided herein or in the Securities, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law and as agreed upon separately by the Issuer, Guarantor and the Fiscal Agent. Neither the Fiscal Agent nor any agent of the Issuer, the Guarantor or the Fiscal Agent shall be under any liability for interest on any monies received by it hereunder except to the extent required by the mandatory provisions of law or judicial order.

Section 5.06. Compensation and Indemnification of Fiscal Agent and Its Prior Claim. The Issuer and the Guarantor jointly covenant and agree to pay to the Fiscal Agent (which for purposes of this Section 5.06 shall include its directors, officers, employees and agents) from time to time, and the Fiscal Agent shall be entitled to, reasonable compensation and the Issuer and the Guarantor jointly covenant and agree to pay or reimburse the Fiscal Agent and each predecessor Fiscal Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Agreement (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and of all agents and other Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Issuer and the Guarantor also jointly covenant to indemnify the Fiscal Agent (which for purposes of this Section 5.06 shall include its officers, directors, employees and agents) and each predecessor Fiscal Agent for, and to hold each such Person harmless against, any loss, liability, expense, claims, obligations, damages, penalties, stamp or other similar taxes, actions, suits, judgments of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Fiscal Agent, directly or indirectly, relating to, or arising from, claims against the Fiscal Agent incurred without negligence or bad faith on such Person's part, arising out of or in connection with the acceptance or administration of this Agreement and its duties hereunder, including the reasonable costs and expenses of defending itself against or investigating any claim of liability in the premises. The obligations of the Issuer and the Guarantor under this Section 5.06 to compensate and indemnify the Fiscal Agent and each predecessor Fiscal Agent and to pay or reimburse the Fiscal Agent and each predecessor Fiscal Agent for such expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Agreement or the resignation or removal of the Fiscal Agent.

Section 5.07. Persons Eligible for Appointment as Fiscal Agent. There shall at all times be a Fiscal Agent hereunder which shall at all times be a corporation, a bank or trust company organized and doing business under the laws of the United States, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S.$50,000,000, subject to supervision and examination by Federal or State authority and having an established place of business in the Borough of Manhattan, The City of New York. If such corporation, bank or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of a federal, state or District of Columbia supervising or examining authority, then for the purposes of this Section 5.07, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Fiscal Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article 5.

Section 5.08. Resignation and Removal; Appointment of Successor Fiscal Agent. (a) The Fiscal Agent may at any time resign by giving written notice of resignation to the Issuer and the Guarantor. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Fiscal Agent by written instrument in duplicate, executed by authority of the Board of Directors or an Authorized Officer of the Issuer, one copy of which instrument shall be delivered to the resigning Fiscal Agent and one copy to the successor Fiscal Agent. If no successor Fiscal Agent shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, or any Holder who has been a bona fide Holder of a Security or Securities for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Fiscal Agent. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Fiscal Agent.

(b) In case at any time any of the following shall occur:

(i) the Fiscal Agent shall cease to be eligible in accordance with the provisions of Section 5.07 and shall fail to resign after written request therefor by the Issuer or by any Holder who has been a *bona fide* Holder of a Security or Securities for at least six months; or

(ii) the Fiscal Agent shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver or liquidator of the Fiscal Agent or of its property shall be appointed, or any public officer shall take charge or control of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer and the Guarantor may remove the Fiscal Agent and appoint a successor Fiscal Agent by written instrument, in duplicate, executed by authority of the Board of Directors or an Authorized Officer of each of the Issuer and the Guarantor, one copy of which instrument shall be delivered to the Fiscal Agent so removed and one copy to the successor Fiscal Agent, or any Holder who has been a *bona fide* Holder of a Security or Securities for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Fiscal Agent and the appointment of a successor Fiscal Agent. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Fiscal Agent and appoint a successor Fiscal Agent.

(c) Any resignation or removal of the Fiscal Agent and any appointment of a successor Fiscal Agent pursuant to any of the provisions of this Section 5.08 shall become effective upon acceptance of appointment by the successor Fiscal Agent as provided in Section 5.09.

(d) The Issuer shall give notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent by mailing written notice of such event by first class mail, postage prepaid, to the Holders at their addresses as shown in the Register. Each notice shall include the name and address of the principal Corporate Office of the successor Fiscal Agent.

Section 5.09. <u>Acceptance of Appointment by Successor Fiscal Agent</u>. Any successor Fiscal Agent appointed as provided in Section 5.08 shall execute and deliver to the Issuer and the Guarantor and to its predecessor Fiscal Agent an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Fiscal Agent herein; but, nevertheless, on the written request of the Issuer or of the successor Fiscal Agent, upon payment of its charges then unpaid, the Fiscal Agent ceasing to act shall, subject to Section 9.05, pay over to the successor Fiscal Agent all monies at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor Fiscal Agent all such rights, powers, duties and obligations. Upon request of any such successor Fiscal Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such rights and powers. Any Fiscal Agent ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such Fiscal Agent to secure any amounts then due it pursuant to the provisions of Section 5.06.

Upon acceptance of appointment by a successor Fiscal Agent as provided in this Section 5.09, the Issuer shall mail notice thereof by first class mail to the Holders of Securities at their last addresses as they shall appear in the Register. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.08. If the Issuer fails to mail such notice within 10 days after acceptance of appointment by the successor Fiscal Agent, the successor Fiscal Agent shall cause such notice to be mailed at the expense of the Issuer.

Section 5.10. Merger, Conversion, Consolidation or Succession to Business of Fiscal Agent. Any corporation into which the Fiscal Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to the business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided that such corporation shall be eligible under the provisions of Section 5.07, without the execution or filing of any paper or any further act, including, without limitation, providing notices to any Holder of Securities, on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Fiscal Agent shall succeed to the trusts created by this Agreement any of the Securities shall have been authenticated but not delivered, any such successor to the Fiscal Agent may adopt the certificate of authentication of any predecessor Fiscal Agent and deliver such Securities so authenticated; and, in case at that time any of the Securities shall not have been authenticated, any successor to the Fiscal Agent may authenticate such Securities in the name of the successor Fiscal Agent; and in all such cases such certificate shall have the full force which it is anywhere in the Securities or in this Agreement provided that the certificate of the Fiscal Agent shall have; *provided*, that the right to adopt the certificate of authentication of any predecessor Fiscal Agent shall apply only to its successor or successors by merger, conversion or consolidation. The Paying Agent, Registrar, Authenticating Agent and any additional paying agent made a party hereto shall be entitled to the same rights and protections as the Fiscal Agent set forth in this Article 5.

Section 5.11. Appointment of Authenticating Agent. The Fiscal Agent may appoint an Authenticating Agent or Agents with respect to the Securities which shall be authorized to act on behalf of the Fiscal Agent to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial conversion or partial redemption thereof or pursuant to this Agreement, and Securities so authenticated shall be entitled to the benefits of this Agreement and shall be valid and obligatory for all purposes as if authenticated by the Fiscal Agent hereunder. Wherever reference is made in this Agreement to the authentication and delivery of Securities by the Fiscal Agent or the Fiscal Agent's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Fiscal Agent by an Authenticating Agent and a certificate of authentication executed on behalf of the Fiscal Agent by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Issuer.

If an appointment with respect to the Securities is made pursuant to this Section, the Securities may have endorsed thereon, in addition to the Fiscal Agent's certificate of authentication, an alternative certificate of authentication in the following form:

Certificate of Authentication

This is one of the Certificated Securities described in the within-mentioned Agreement.

Dated: _______________, 20__

Deutsche Bank Trust Company Americas, as
Fiscal Agent

By: Deutsche Bank National Trust Company

By:____________________________
As Authenticating Agent

By:____________________________
Authorized Signatory

ARTICLE 6
CONCERNING THE HOLDERS

Section 6.01. Evidence of Action Taken by Holders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Fiscal Agent. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to Sections 5.01 and 5.02) conclusive in favor of the Fiscal Agent, the Issuer or the Guarantor, if made in the manner provided in this Article.

Section 6.02. Proof of Execution of Instruments and of Holding of Securities; Record Date. Subject to Sections 5.01 and 5.02, the execution of any instrument by a Holder or his agent or proxy may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Fiscal Agent or in such manner as shall be satisfactory to the Fiscal Agent. The holding of Securities shall be proved by the Register or by a certificate of the Registrar. The Issuer may set a record date for purposes of determining the identity of Holders of Securities entitled to vote or consent to any action referred to in Section 6.01, which record date may be set at any time or from time to time by notice to the Fiscal Agent, for any date or dates (in the case of any adjournment or re-solicitation) not more than 60 days nor less than ten days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other provisions hereof, only Holders of Securities of record on such record date shall be entitled to so vote or give such consent or to withdraw such vote or consent.

Section 6.03. Holders to Be Treated as Owners. The Issuer, the Guarantor, the Fiscal Agent and any authorized agent of the Issuer, the Guarantor or the Fiscal Agent may deem and treat the Person in whose name any Security shall be registered upon the Register as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of, or on account of, the principal of and, subject to the provisions of this Agreement, interest on such Security and for all other purposes; and none of the Issuer, the Guarantor nor the Fiscal Agent nor any authorized agent of the Issuer, the Guarantor or the Fiscal Agent shall be affected by any notice to the contrary. All such payments so made to any such Person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Security.

Section 6.04. Securities Owned by the Issuer or the Guarantor Deemed Not Outstanding. In determining whether the Holders of the requisite aggregate principal amount of Securities then Outstanding have concurred in any direction, consent or waiver under this Agreement, Securities which are owned by the Issuer, the Guarantor or any other obligor on the Securities or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer, the Guarantor or any other obligor on the Securities shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Fiscal Agent shall be protected in relying on any such direction, consent or waiver only Securities which the Fiscal Agent actually knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Fiscal Agent the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer, the Guarantor or any other obligor upon the Securities or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer, the Guarantor or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Fiscal Agent in accordance with such advice. Upon request of the Fiscal Agent, the Guarantor shall furnish to the Fiscal Agent promptly an Officer's Certificate listing and identifying all Securities, if any, known by the Guarantor to be owned or held by or for the account of any of the above described Persons; and, subject to Sections 5.01 and 5.02, the Fiscal Agent shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

Section 6.05. Right of Revocation of Action Taken. Subject to the provisions of Section 6.02, at any time prior to (but not after) the evidencing to the Fiscal Agent, as provided in Section 6.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities specified in this Agreement in connection with such action, any Holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities the Holders of which have consented to such action may, by filing written notice at the Corporate Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange or substitution therefor, whether or not any notation in regard thereto is made upon any such

Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities specified in this Agreement in connection with such action shall be conclusively binding upon the Issuer, the Fiscal Agent and the Holders of all the Securities.

ARTICLE 7
SUPPLEMENTAL AGREEMENTS

Section 7.01. Supplemental Agreements without Consent of Holders. The Issuer, the Guarantor and the Fiscal Agent may from time to time and at any time, without the consent of the Holders, enter into an agreement or agreements supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Fiscal Agent or another person as security for the Securities any property or assets;

(b) to evidence the succession of another Person to the Issuer or the Guarantor, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Guarantor pursuant to this Agreement;

(c) to evidence and provide for the acceptance of appointment of a successor or successors to the Fiscal Agent in any of its capacities;

(d) to add to the covenants of the Issuer or the Guarantor, such further covenants, restrictions, conditions or provisions as the Issuer or the Guarantor, as the case may be, shall reasonably consider to be for the protection of the Holders and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the Securities permitting the enforcement of all or any of the several remedies provided in this Agreement as herein set forth; *provided*, that in respect of any such additional covenant, restriction, condition or provision such supplemental agreement may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Securities to waive such an Event of Default;

(e) to modify the restrictions on, and procedures for, resale and other transfers of the Securities pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;

(f) to cure any ambiguity or to correct or supplement any provision contained herein, in the Securities or the Guarantees, or in any supplemental agreement which may be defective or inconsistent with any other provision contained herein or in any supplemental agreement; or to make such other provisions in regard to matters or questions arising under this Agreement or under any supplemental agreement as the Issuer may deem necessary or desirable and which shall not adversely affect in any material respect the interests of the Holders of the Securities to which such provisions relate; and

(g) to "reopen" the Securities of any series and create and issue additional Securities of that series having identical terms and conditions as the existing Securities of such series (or in all respects except for the issue date, issue price, the CUSIP number and first interest payment date) so that the additional Securities are consolidated and form a single series with the Outstanding such Securities.

The Fiscal Agent is hereby authorized to join in the execution of any such supplemental agreement, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Fiscal Agent shall not be obligated to enter into any such supplemental agreement which affects the Fiscal Agent's own rights, duties or immunities under this Agreement or otherwise.

Any supplemental agreement authorized by the provisions of this Section may be executed without the consent of the Holders of any of the Securities then Outstanding, notwithstanding any of the provisions of Section 7.02.

Section 7.02. Supplemental Agreements with Consent of Holders. The Issuer, the Guarantor and the Fiscal Agent may, from time to time and at any time, with the consent (evidenced as provided in Article 6) of the Holders of not less than a majority in aggregate principal amount of the Securities then Outstanding, enter into an agreement or agreements supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of any supplemental agreement or modifying in any manner the rights of the Holders under the Securities or the Guarantees; *provided*, that no such agreement shall (a) change the maturity of the principal of any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any installment of interest thereon, or change the place or currency of payment of principal of, or interest on, any Security, or change the Issuer's or the Guarantor's respective obligations to pay Additional Amounts, or impair or affect the right of any Holder to institute suit for the enforcement of any such payment on or after the due date thereof (or in the case of redemption, on or after the redemption date) or change in any manner adverse to the interests of the Holders the terms and provisions of the Guarantees in respect of the due and punctual payment of principal amount of the Securities then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any) without the consent of the Holder of each Security so affected, or (b) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such agreement, without the consent of the Holders of all Securities then Outstanding.

Upon the request of the Issuer and the Guarantor, and upon the filing with the Fiscal Agent of evidence of the consent of Holders and other documents, if any, required by Section 6.01, the Fiscal Agent shall join with the Issuer and the Guarantor in the execution of such supplemental agreement unless such supplemental agreement affects the Fiscal Agent's own rights, duties or immunities under this Agreement or otherwise, in which case the Fiscal Agent may in its discretion, but shall not be obligated to, enter into such supplemental agreement.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed supplemental agreement, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer, the Guarantor and the Fiscal Agent of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall, or shall direct the Fiscal Agent to, mail a notice thereof by first class mail at the expense of the Issuer to the Holders at their addresses as they shall appear on the Register, setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer or the Fiscal Agent, as the case may be, to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 7.03. Effect of Supplemental Agreements. Upon the execution of any supplemental agreement pursuant to the provisions hereof, this Agreement shall be, and be deemed to be, modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Agreement of the Fiscal Agent, the Issuer, the Guarantor and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental agreement shall be and be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 7.04. Documents to be Given to Fiscal Agent. The Fiscal Agent, subject to the provisions of Sections 5.01 and 5.02, may receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such supplemental agreement complies with the applicable provisions of this Agreement.

Section 7.05. Notation on Securities in Respect of Supplemental Agreements. Securities authenticated and delivered after the execution of any supplemental agreement pursuant to the provisions of this Article may bear a notation in form approved by the Issuer and the Guarantor as to any matter provided for by such supplemental agreement. If the Issuer and the Guarantor shall so determine, new Securities and Guarantees so modified as to conform, in the opinion of the Issuer and the Guarantor, to any modification of this Agreement contained in any such supplemental agreement may be prepared and executed by the Issuer and the Guarantor authenticated by the Fiscal Agent and delivered in exchange for the Securities and Guarantees then Outstanding.

ARTICLE 8
SUBSTITUTION OF ISSUER; CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 8.01. Covenant Not to Substitute the Issuer, Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions. Neither the Issuer nor the Guarantor shall consolidate with or merge (which term shall include for the avoidance of doubt a scheme of arrangement) into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(a) in case the Issuer or the Guarantor shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Issuer or the Guarantor substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing, under the laws of the jurisdiction of its organization shall expressly assume, by an agreement supplemental hereto executed and delivered to the Fiscal Agent in form reasonably satisfactory to the Fiscal Agent, the due and punctual payment of the principal of and any premium and interest (including all Additional Amounts and any additional amounts payable pursuant to subsection (c) below) on all the Securities and the performance or observance of every covenant of this Agreement on the part of the Issuer to be performed or observed, and, in the case of the Guarantor, the due and punctual performance of the Guarantees (including all Additional Amounts and any additional amounts payable pursuant to subsection (c) below) and the performance of every covenant of this Agreement on the part of the Guarantor to be performed or observed;

(b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer or the Guarantor as a result of such transaction as having been incurred by the Issuer or the Guarantor at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(c) the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets (if such Person is organized and validly existing under the laws of a jurisdiction other than the United States, any State thereof, or the District of Columbia) agrees to indemnify the Holder of each Security against (a) any tax, assessment or governmental charge imposed on any such Holder or required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and (b) any costs or expenses of the act of such consolidation, merger, conveyance, transfer or lease; and

(d) the Issuer or the Guarantor, as the case may be, has delivered to the Fiscal Agent an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 8.02. Successor Corporation Substituted. In case of any such consolidation, merger, sale, transfer, lease or conveyance, or substitution, and following such an assumption by a successor corporation, such successor corporation shall succeed to and be substituted for the Issuer or the Guarantor, as the case may be, with the same effect as if it had been named herein.

Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Issuer or the Guarantor, as the case may be, prior to such succession, any or all of the Securities and Guarantees issuable hereunder which theretofore shall not have been signed by the Issuer or the Guarantor and delivered to the Fiscal Agent; and, upon the order of such successor corporation, instead of the Issuer or the Guarantor, as the case may be, and subject to all the terms, conditions and limitations in this Agreement prescribed, the Fiscal Agent shall authenticate and shall deliver any Securities (with signed Guarantees endorsed thereon) which previously shall have been signed and delivered by the officers of the Issuer or the Guarantor to the Fiscal Agent for authentication, and any Securities (with signed Guarantees endorsed thereon) which such successor corporation thereafter shall cause to be signed and delivered to the Fiscal Agent for that purpose. All of the Securities and Guarantees so issued shall in all respects have the same legal rank and benefit under this Agreement as the Securities and Guarantees heretofore or thereafter issued in accordance with the terms of this Agreement as though all of such Securities and Guarantees had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, transfer, lease or conveyance, such changes in phraseology and form (but not in substance) may be made in the Securities and the Guarantees thereafter to be issued as may be appropriate.

In the event of any such sale, transfer or conveyance (other than a conveyance by way of lease) by the Issuer, the Guarantor or any successor corporation which shall theretofore have become such successor corporation in the manner described in this Article, the Issuer, the Guarantor or such corporation, as the case may be, shall be discharged from all obligations and covenants under this Agreement, the Securities and the Guarantees and may be liquidated and dissolved.

ARTICLE 9
DISCHARGE; UNCLAIMED MONIES

Section 9.01. Discharge. If at any time (a) the Issuer shall have paid or caused to be paid in full the principal of and interest on all Securities Outstanding hereunder, or (b) the Issuer shall have delivered to the Fiscal Agent for cancellation all Securities Outstanding theretofore authenticated (other than any Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.05) or (c) all Securities not theretofore delivered to the Fiscal Agent for cancellation (i) have become due and payable, (ii) will become due and payable in accordance with their terms within one year or (iii) are to be, or have been, called for redemption pursuant to Article 10 within one year under arrangements satisfactory to the Fiscal Agent for the giving of notice of redemption and, in any such case, the Issuer shall have irrevocably deposited or caused to be deposited with the Fiscal Agent as trust funds in irrevocable trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (A) cash in United States Dollars (other than monies repaid by the Fiscal Agent or any Paying Agent to the Issuer in accordance with Section 9.05) in an amount, or (B) U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide not later than the due date of any payment, cash in United States Dollars in an amount, or (C) any combination of (A) and (B), sufficient to pay all of the principal of, and interest (and Additional Amounts, if any) on, all such Securities not theretofore delivered to the Fiscal Agent for cancellation, on the dates such payments are due in accordance with the terms of the Securities and all other amounts payable hereunder by the Issuer; then this Agreement shall cease to be of further effect with respect to the Securities and the Issuer and the Guarantor shall be discharged from any and all obligations hereunder, *in each case except as to* (A) rights of registration of transfer and exchange, (B) substitution of apparently mutilated, defaced, destroyed, lost or stolen Securities, (C) rights of Holders to receive payments of principal thereof and interest thereon (including the right to receive from or on behalf of the Issuer payments of any Additional Amounts due pursuant to Section 3.04), (D) the rights, obligations and immunities of the Agents hereunder, (E) the rights of the Holders as beneficiaries hereof with respect to the property so deposited with the Fiscal Agent payable to all or any of them and (F) the obligations of the Issuer under Section 3.02; and the Issuer shall cause the Fiscal Agent, on demand of the Issuer accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, to execute proper instruments acknowledging such satisfaction of and discharging this Agreement. The Issuer and the Guarantor shall agree to reimburse the Fiscal Agent for any costs or expenses thereafter reasonably and properly incurred and to compensate the Fiscal Agent for any services thereafter reasonably and properly rendered by the Fiscal Agent in connection with this Agreement or the Securities.

Section 9.02. Covenant Defeasance. At the Issuer's or the Guarantor's option, the Issuer, or the Guarantor, as the case may be, shall cease to be under any obligation to comply with any term, provision or condition set forth in Sections 3.07 and 4.01(c), and the Guarantor shall cease to be under any obligation under the Guarantees, and noncompliance with such Sections or the Guarantor's obligations under the Guarantees shall not give rise to any Event of Default under Section 4.01(b) ("Covenant Defeasance"), with respect to the Securities at any time after the applicable conditions set forth below have been satisfied:

(a) the Issuer or the Guarantor, as the case may be, shall have irrevocably deposited or caused to be deposited with the Fiscal Agent as trust funds in irrevocable trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders, (i) cash in United States Dollars in an amount, or (ii) U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide not later than the due date of any payment cash in United States Dollars in an amount, or (iii) any combination of (i) and (ii), sufficient to pay all of the principal of, and interest and Additional Amounts on, the Securities then Outstanding on the dates such payments are due in accordance with the terms of such Securities;

(b) no Event of Default under, or event which, with notice, or lapse of time or both, would become an Event of Default under Section 4.01(e), 4.01(f), 4.01(g) or 4.01(h) shall have occurred and be continuing on the date of such deposit;

(c) the Issuer or the Guarantor, as the case may be, shall have delivered to the Fiscal Agent an Opinion of Tax Counsel with respect to U.S. federal income tax matters to the effect that the Beneficial Owners of Securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would be the case if such Covenant Defeasance had not occurred;

(d) the Issuer or the Guarantor, as the case may be, shall have delivered to the Fiscal Agent an Opinion of Tax Counsel in its jurisdiction of incorporation with respect to tax matters in such jurisdictions of incorporation to the effect that such deposit and related Covenant Defeasance will not cause the Holders, other than Holders who are or who are deemed to be residents of such jurisdiction of incorporation or use or hold or are deemed to use or hold their Securities in carrying on a business in such jurisdiction of incorporation, to recognize income, gain or loss for income tax purposes in such jurisdiction of incorporation, and to the effect that payments out of the trust fund will be free and exempt from any and all withholding and other income taxes of whatever nature of such jurisdiction of incorporation or any political subdivision thereof or therein having power to tax, except in the case of Securities beneficially owned (x) by a Person who is or is deemed to be a resident of such jurisdiction of incorporation or (y) by a Person who uses or holds or is deemed to use or hold such Securities in carrying on a business in such jurisdiction of incorporation; and

(e) the Issuer or the Guarantor, as the case may be, shall have delivered to the Fiscal Agent an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to such Covenant Defeasance have been complied with.

Section 9.03. Application by Defeasance Agent of Funds Deposited for Payment of Securities. Subject to Section 9.05, the Issuer and the Guarantor shall cause all monies and U.S. Government Obligations deposited with the Fiscal Agent pursuant to Section 9.01 or 9.02 to be held in trust and applied by the Fiscal Agent to the payment, either directly or through any Paying Agent (excluding the Issuer acting as its own Paying Agent), to the Holders for the payment or redemption of which such monies and U.S. Government Obligations have been deposited with the Fiscal Agent, of all sums due and to become due thereon for principal and interest; but such money need not be segregated from other funds except to the extent required by law.

Anything in this Article 9 to the contrary notwithstanding, the Issuer or the Guarantor, as the case may be, shall cause the Fiscal Agent to deliver or pay to the Issuer or the Guarantor, respectively, from time to time upon an Officer's Certificate so requesting any money or U.S. Government Obligations (or other property and any proceeds therefrom) held by it as provided in Section 9.02 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Fiscal Agent, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Covenant Defeasance in accordance with this Article 9.

Section 9.04. Repayment of Monies Held by Paying Agent. In connection with the satisfaction and discharge of this Agreement all monies then held by any Paying Agent under the provisions of this Agreement shall, upon demand of the Issuer, be repaid to it or paid to the Fiscal Agent and thereupon such Paying Agent shall be released from all further liability with respect to such monies.

Section 9.05. Return of Unclaimed Monies Held by Defeasance Agent and Paying Agent. Any monies deposited with or paid to the Fiscal Agent or any Paying Agent for the payment of the principal of or interest on any Security and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable (such two-year period the "Residual Period"), shall, upon Issuer Order and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be paid to the Issuer by the Fiscal Agent or such Paying Agent, and the Holder of such Security shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Holder may be entitled to collect, and all liability of the Fiscal Agent or any Paying Agent with respect to such monies shall thereupon cease. No later than 30 days before the date upon which such principal or interest shall become due and payable (for purposes of the section, the "Relevant Date"), the Issuer may instruct the Fiscal Agent in writing that any monies deposited with or paid to the Fiscal Agent or any Paying Agent for the purposes of defeasance or discharge under this Article 9 that remain unclaimed during the two-year period following the Relevant Date but prior to the last date of the Residual Period shall be deposited by the Fiscal Agent or any Paying Agent to an interest-bearing deposit account with a regulated deposit-taking financial institution in the United States and shall bear interest for the benefit of the Issuer.

ARTICLE 10
REDEMPTION AND OPTIONAL REPAYMENT OF SECURITIES

Section 10.01. Optional Redemption Due to Changes in Tax Treatment. The Securities may be redeemed at the option of the Issuer or the Guarantor, in whole or in part, at any time at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption if, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of the jurisdiction (or of any political subdivision or taxing authority thereof or therein) in which the Issuer or the Guarantor is incorporated (or, in the case of a successor Person to the Issuer or the Guarantor, of the jurisdiction in which such successor Person is organized or any political subdivision or taxing authority thereof or therein) or any change in the official application or interpretation of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which such jurisdiction or such political subdivision or taxing authority (or such other jurisdiction or political subdivision or taxing authority) is a party, which change, execution or amendment becomes effective on or after the date specified pursuant to the terms of the Securities (or in the case of a successor Person to the Issuer or the Guarantor, the date on which such successor Person became such pursuant to Sections 8.01 and 8.02, the date of such assumption), (i) the Issuer or the Guarantor (or such successor Person or such Subsidiary) is or would be required to pay additional amounts with respect to the Securities or the Guarantees, as the case may be, on the next succeeding Interest Payment Date as described in Section 3.05 or (ii) the Guarantor or any Subsidiary of the Guarantor is or would be required to deduct or withhold tax on any payment to the Issuer to enable the Issuer to make any payment of principal, premium, if any, or interest and, in each case, the payment of such additional amounts in the case of (i) above or such deductions or withholding in the case of (ii) above cannot be avoided by the use of any reasonable measures available to the Issuer, the Guarantor or the Subsidiary. Prior to the giving of notice of redemption of such Securities pursuant to this Agreement, the Issuer or the Guarantor will deliver to the Fiscal Agent an Officer's Certificate, stating that the Issuer or the Guarantor is entitled to effect such redemption and setting forth in reasonable detail a statement of circumstances showing that the conditions precedent to the right of the Issuer or the Guarantor to redeem the Securities pursuant to this Section have been satisfied.

Further, if, pursuant to Section 8.01(3)(a) of this Agreement, a Person into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets has been or would be required to pay any additional amounts as therein provided, the Securities may be redeemed at the option of such Person in whole, or in part, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Prior to the giving of notice of redemption of the Securities pursuant to this Agreement, such Person shall deliver to the Fiscal Agent an Officer's Certificate, stating that such Person is entitled to effect such redemption and setting forth in reasonable detail a statement of circumstances showing that the conditions precedent to the right of such Person to redeem such Securities pursuant to this Section have been satisfied.

Section 10.02. Optional Redemption. The Issuer may, at its option, redeem the Securities as a whole or in part at any time, upon due notice as described in Section 10.03 hereof, at a redemption price equal to the greater of (1) 100% of the principal amount of the Securities plus accrued interest and Additional Amounts, if any, to the Redemption Date; or (2) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the Securities (not including any portion of such payments of interest accrued as of the Redemption Date), plus accrued but unpaid interest and additional amounts, if any. Such present values shall be determined by discounting the remaining principal and interest payments to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), using the Adjusted Treasury Yield. The following terms shall have the meanings ascribed below:

> "Adjusted Treasury Yield" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date plus [__] basis points.
>
> "Comparable Treasury Issue" means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.
>
> "Comparable Treasury Price" means, with respect to any redemption date, the average of the Quotation Agent's Quotations for the redemption date.
>
> "Independent Investment Banker" means an independent investment banking institution of national standing in the United States appointed by the Issuer.
>
> "Quotation Agent" means a reference treasury dealer that is a primary U.S. government securities dealer in New York City. The Independent Investment Banker will appoint the Quotation Agent after first consulting with the Guarantor.

"Quotation Agent's Quotations" means with respect to any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Quotation Agent at 5:00 p.m. on the third Business Day before the redemption date.

Whenever in this Agreement there is mentioned, in any context, the payment of the principal of any Security, such mention shall be deemed to mean the payment of the redemption price provided for in this Section 10.02 to the extent that, in such context, such redemption price is, was or would be payable in respect thereof pursuant to the provisions of this Section 10.02.

Section 10.03. Notice of Redemption. Notice of redemption to the Holders shall be given by mailing notice of such redemption by first class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Holders at their last addresses as they shall appear in the Register with a copy to the Fiscal Agent at the address specified in Section 11.04 hereof. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder received the notice. Failure to give notice by mail, or any defect in the notice to the Holder of any Security, shall not affect the validity of the proceedings for the redemption of any other Security.

The notice of redemption to each Holder shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Securities, the CUSIP number of the relevant Securities, that interest accrued to the date fixed for redemption will be paid as specified in said notice and that from and after said date interest thereon will cease to accrue.

Any notice of redemption of the Securities shall be given by the Issuer or, at the Issuer's request, by the Fiscal Agent in the name and at the expense of the Issuer.

On the redemption date specified in the notice of redemption given as provided in this Section 10.03, the Issuer will deposit with the Fiscal Agent or with one or more Paying Agents (or, if the Issuer is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 5.14) money sufficient to pay the redemption price of and accrued interest (and Additional Amounts, if any) on the Securities to be redeemed on such date.

If fewer than all of the Securities are to be redeemed, the Fiscal Agent shall select, not more than 60 days prior to the date fixed for redemption, the particular Securities or portions thereof for redemption from the Outstanding Securities not previously called for redemption, on a pro rata basis, by lot or by such method as the Fiscal Agent deems fair and appropriate and in accordance with the procedures of the Depositary in the case of Global Securities.

Section 10.04. Payment of Securities Called for Redemption. If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption (and Additional Amounts, if any), and from and after said date (unless the Issuer and/or the Guarantor shall default in the payment of the Securities at the redemption price, together with interest accrued to said date (and Additional Amounts, if any)) interest on the Securities or portions of Securities so called for redemption shall cease to accrue and, except as provided in Sections 5.05 and 9.05, the Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Agreement, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest (and Additional Amounts, if any) to the date fixed for redemption. On presentation and surrender of such Securities at a place of payment specified in said notice, said Securities or the specified portions thereof shall be paid and redeemed by the Issuer at the applicable redemption price, together with interest accrued thereon (and Additional Amounts, if any) to the date fixed for redemption; provided that any semi-annual payment of interest becoming due on the date fixed for redemption shall be payable to the Holders of such Securities registered as such on the relevant Record Date subject to the terms and provisions of Section 3.01 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate borne by the Security.

Upon presentation and surrender of any Security redeemed in part only, the Issuer shall execute and the Fiscal Agent shall authenticate and deliver to or on the order of the Holder thereof, at the expense of the Issuer, a new Security or Securities, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

ARTICLE 11
MISCELLANEOUS PROVISIONS

Section 11.01. Incorporators, Stockholders, Officers and Directors of Issuer and Guarantor Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Agreement, or in any Security, or because of any Indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future stockholder, officer or director, as such, of the Issuer, of the Guarantor or of any successor, either directly or through the Issuer, the Guarantor or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders and as part of the consideration for the issue of the Securities.

Section 11.02. Provisions of Agreement for the Sole Benefit of Parties and Holders. Nothing in this Agreement or in the Securities, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders, any legal or equitable right, remedy or claim under this Agreement or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders.

Section 11.03. Successors and Assigns of Issuer Bound by Agreement. All the covenants, stipulations, promises and agreements in this Agreement contained by or on behalf of the Issuer and the Guarantor shall bind their successors and assigns, whether so expressed or not.

Section 11.04. Notices and Demands on Issuer, Fiscal Agent and Holders. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent or by the Holders of Securities to or on the Issuer or the Guarantor shall be in writing, in English (or accompanied by a certified translation), and may be given or served by being deposited postage prepaid, first class mail (except as otherwise specifically provided herein) addressed, in the case of the Issuer and until another address of the Issuer is filed by the Issuer with the Fiscal Agent, to Deutsche Telekom International Finance B.V., Herengracht 124-128, 1015 BT Amsterdam, The Netherlands and, in the case of the Guarantor and until another address of the Guarantor is filed by the Guarantor with the Fiscal Agent, to Deutsche Telekom AG, Treasury Department, Head of Capital Markets, Friedrich-Ebert-Allee 140, D-53113 Bonn, Federal Republic of Germany. Any notice, direction, request or demand by the Issuer, the Guarantor or any Holder to or upon the Fiscal Agent shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing and in English at the Corporate Office, which is currently located at:

Deutsche Bank Trust Company Americas
Trust & Securities Services
60 Wall Street, MS NYC60-2710
New York, New York 10005
Attn: Corporates Team Deal Manager - Deutsche Telekom Int'l. Fin. B.V.

Tel: 212-250-4565
Fax: 732-578-4635

With a copy to:

Deutsche Bank Trust Company Americas
c/o Deutsche Bank National Trust Company
Trust & Securities Services
100 Plaza One, Mailstop JCY03-0699
Jersey City, New Jersey 07311
Attn: Corporates Team Deal Manager - Deutsche Telekom Int'l. Fin. B.V.

Tel: 212-250-4565
Fax: 732-578-4635

Any such notice or demand to be given or served by the Fiscal Agent to or on the Issuer, and any such notice, direction, request or demand by the Issuer to or upon the Fiscal Agent, may be transmitted by facsimile transmission and confirmed by overnight courier.

Where this Agreement provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and in English and mailed, first class postage prepaid, to each Holder entitled thereto, at his or her last address as it appears in the Register. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Fiscal Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Issuer, the Guarantor or Holders when such notice is required to be given pursuant to any provision of this Agreement, then any manner of giving such notice as shall be reasonably satisfactory to the Issuer shall be deemed to be a sufficient giving of such notice.

As long as the Securities are Global Securities, notice to Holders may be provided by delivery of such notice to the Depositary for delivery to the Holders in accordance with the Depositary's applicable procedures

Section 11.05. Officer's Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by the Issuer and/or the Guarantor to the Fiscal Agent to take any action under any of the provisions of this Agreement, the Issuer, and/or the Guarantor, if applicable, shall furnish to the Fiscal Agent an Officer's Certificate stating that all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or demand, no additional certificate need be furnished.

All such Officer's Certificates and Opinions of Counsel shall be in English or accompanied by a certified translation.

Each certificate or opinion provided for in this Agreement and delivered to the Fiscal Agent with respect to compliance with a condition or covenant provided for in this Agreement shall include: (a) a statement that the Person making such certificate or opinion has read such covenant or condition and any related definitions, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an Authorized Officer of the Issuer or the Guarantor may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such Authorized Officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement, Opinion of Counsel or Opinion of Tax Counsel may be based, insofar as it relates to factual matters, on information which is in the possession of the Issuer or the Guarantor, upon the certificate, statement or opinion of or representations by a director or officers of the Issuer or the Guarantor, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous.

Section 11.06. Payments Due on Saturdays, Sundays and Holidays. If the date of payment of interest on or principal of the Securities or the date fixed for redemption or repayment of any Security shall not be a Business Day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date for payment of principal of, or interest on, the Securities or the date fixed for redemption or repayment, and no interest shall accrue for the period after such date.

Section 11.07. New York Law to Govern. This Agreement, each Security and each Guarantee shall be deemed to be a contract under and governed by the laws of the State of New York, and for all purposes shall be construed in, and governed by, the laws of said state, without regard to conflict of laws principles.

Section 11.08. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 11.09. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.10. Submission to Jurisdiction. Each of the Issuer and the Guarantor (a) agrees that any legal suit, action or proceeding arising out of or based upon the Agreement, the Securities or the Guarantees may be instituted in any United States state or federal court in the Borough of Manhattan in the City of New York, New York, (b) waives, to the extent it may effectively do so, any objection which it may have now or hereafter to the laying of the venue of any such suit, action or proceeding, and (c) irrevocably submits to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding. Each of the Issuer and the Guarantor hereby designates Deutsche Telekom Inc. as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any such court and agrees that service of process upon said agent at its office at 14 Wall Street, Suite 6B, New York, New York 10005 (or at such other address in the Borough of Manhattan, The City of New York, as such agent may designate by written notice to the Issuer, the Guarantor and the Fiscal Agent), and written notice of said service to either the Issuer or the Guarantor, mailed or delivered to it, at its address for notices as provided in Section 11.04, shall be deemed in every respect effective service of process upon the Issuer or the Guarantor, as the case may be, in any such suit, action or proceeding and shall be taken and held to be valid personal service upon the Issuer or the Guarantor, as the case may be, whether or not the Issuer or the Guarantor, as the case may be, shall then be doing, or at any time shall have done, business within the State of New York, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in such state, and waives all claim of error by reason of any such service. Said designation and appointment shall be irrevocable until this Agreement shall have been satisfied and discharged in accordance with Article 9.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

DEUTSCHE TELEKOM
INTERNATIONAL FINANCE B.V.

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

DEUTSCHE TELEKOM AG

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

Deutsche Bank Trust Company Americas,
as Fiscal Agent, Paying Agent and
Registrar

By: Deutsche Bank National Trust Company

By:____________________________
Name:
Title:

By: ___________________________
Name:
Title:

EXHIBIT A

FORM OF FACE OF RULE 144A GLOBAL SECURITY

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (THE "ISSUER"), (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (5) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK LIMITED PURPOSE TRUST COMPANY ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED THEREUPON IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

	U.S.$
No. Rule144A-	
CUSIP No. [____]	or such other amount
ISIN: [____]	as is specified in the
Common Code: [____]	Security Register

<u>DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.</u>
RULE 144A GLOBAL SECURITY

<u>[Rate]% Notes due [Year]</u>

Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands (the "<u>Issuer</u>"), for value received, hereby promises to pay on [Month][Day], [Year] to Cede & Co. or registered assigns the principal sum of **______________________**U.S. Dollars, or such other amount as is evidenced in the Security Register on such date, at the Issuer's office or agency for said purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually in arrears, on [Month][Day] and [Month][Day] of each year, on the principal amount of this Security outstanding from time to time, in like coin or currency at the rate per annum set forth above at said office or agency from the [Month][Day] or [Month][Day], as the case may be, next preceding the date of this Security to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security, or unless no interest has been paid or duly provided for on the Securities, in which case from [<u>INSERT ORIGINAL ISSUE DATE</u>] until payment of said principal sum has been made or duly provided for.

The interest so payable on any [Month][Day] or [Month][Day] will, except as otherwise provided in the Agreement referred to on the reverse hereof, be paid to the person in whose name this Security is registered on the [Month][Day] or [Month][Day] (each, a "<u>Record Date</u>") preceding such [Month][Day] or [Month][Day], whether or not such day is a Business Day.

This Security is being deposited with DTC acting as depositary, and registered in the name of Cede & Co., a nominee of DTC. Cede & Co., as Holder of record of this Security, shall be entitled to receive payments of principal and interest, other than principal and interest due at the maturity date. Payment of interest on this Security will be made in the manner specified in the Agreement referred to on the reverse hereof.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be valid or obligatory until the Certificate of Authentication hereon shall have been duly signed by the Fiscal Agent acting under the Agreement.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

DEUTSCHE TELEKOM
INTERNATIONAL FINANCE B.V.

By: ____________________________
Name:
Title:

By: ____________________________
Name:
Title:

Certificate of Authentication

This is one of the Global Securities described in the within-mentioned Agreement.

Dated: _____________, 20__

Deutsche Bank Trust Company Americas, as Fiscal Agent

By: Deutsche Bank National Trust Company

By:____________________________
Name:
Title:

GUARANTEE

For value received and in accordance with the Fiscal and Paying Agency Agreement (the “Agreement”) dated [Date] among Deutsche Telekom International Finance B.V. (the “Issuer”), Deutsche Telekom AG, (the “Guarantor”) and Deutsche Bank Trust Company Americas, a New York banking corporation, as fiscal agent, paying agent and registrar (the “Fiscal Agent”) the undersigned Guarantor hereby unconditionally and irrevocably guarantees, on an unsecured and unsubordinated basis (such guarantee being referred to herein as the “Guarantee”) the due and punctual payment of principal and interest and any Additional Amounts on this Security, whether at maturity or upon redemption or acceleration or otherwise, the due and punctual payment of interest on any overdue principal of or interest or Additional Amounts, if any, on this Security, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders, all in accordance with the terms set forth in the Agreement.

This Guarantee shall not be valid or obligatory for any purpose until the Certificate of Authentication on the Security upon which this Guarantee is endorsed shall have been executed by the Fiscal Agent under the Agreement by the manual signature of one of its authorized signatories.

IN WITNESS WHEREOF, the Guarantor has caused this instrument to be duly executed.

Dated: ____________, 20__

DEUTSCHE TELEKOM AG

By:___________________________
Name:
Title:

By:___________________________
Name:
Title:

EXHIBIT B

FORM OF FACE OF REGULATION S GLOBAL SECURITY

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (THE "ISSUER") HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK LIMITED PURPOSE TRUST COMPANY ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED THEREUPON IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

No. Reg S- CUSIP No. [____] ISIN: [____] Common Code: [____]	U.S.$ or such other amount as is specified in the Security Register

DEUTSCHE TEELKOM INTERNATIONAL FINANCE B.V.
REGULATION S GLOBAL SECURITY

[Rate]% Notes due [Year]

Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands (the "Issuer"), for value received, hereby promises to pay on [Month][Day], [Year] to Cede & Co. or registered assigns the principal sum of _________________ U.S. Dollars, or such other amount as is evidenced in the Security Register on such date, at the Issuer's office or agency for said purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually in arrears, on [Month][Day] and [Month][Day] of each year, on the principal amount of this Security outstanding from time to time, in like coin or currency at the rate per annum set forth above at said office or agency from [Month][Day] or [Month][Day], as the case may be, next preceding the date of this Security to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security, or unless no interest has been paid or duly provided for on the Securities, in which case from [INSERT ORIGINAL ISSUE DATE] until payment of said principal sum has been made or duly provided for. The interest so payable on any [Month][Day] or [Month][Day] will, except as otherwise provided in the Agreement referred to on the reverse hereof, be paid to the person in whose name this Security is registered on the [Month][Day] or [Month][Day] (each, a "Record Date") preceding such [Month][Day] or [Month][Day], whether or not such day is a Business Day.

This Security is being deposited with DTC acting as depositary, and registered in the name of Cede & Co., a nominee of DTC. Cede & Co., as Holder of record of this Security, shall be entitled to receive payments of principal and interest, other than principal and interest due at the maturity date. Payment of interest on this Security will be made in the manner specified in the Agreement referred to on the reverse hereof.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be valid or obligatory until the Certificate of Authentication hereon shall have been duly signed by the Fiscal Agent acting under the Agreement.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

DEUTSCHE TELEKOM
INTERNATIONAL FINANCE B.V.

By:____________________________
Name:
Title:

By:____________________________
Name:
Title:

Certificate of Authentication

This is one of the Global Securities described in the within-mentioned Agreement.

Dated: ____________, 20__

Deutsche Bank Trust Company Americas, as
Fiscal Agent

By: Deutsche Bank National Trust Company

By:____________________________
Name:
Title:

GUARANTEE

For value received and in accordance with the Fiscal and Paying Agency Agreement (the "Agreement") dated [Date] among Deutsche Telekom International Finance B.V. (the "Issuer"), Deutsche Telekom AG, (the "Guarantor") and Deutsche Bank Trust Company Americas, a New York banking corporation, as fiscal agent, paying agent and registrar (the "Fiscal Agent") the undersigned Guarantor hereby unconditionally and irrevocably guarantees, on an unsecured and unsubordinated basis (such guarantee being referred to herein as the "Guarantee") the due and punctual payment of principal and interest and any Additional Amounts on this Security, whether at maturity or upon redemption or acceleration or otherwise, the due and punctual payment of interest on any overdue principal of or interest or Additional Amounts, if any, on this Security, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders, all in accordance with the terms set forth in the Agreement.

This Guarantee shall not be valid or obligatory for any purpose until the Certificate of Authentication on the Security upon which this Guarantee is endorsed shall have been executed by the Fiscal Agent under the Agreement by the manual signature of one of its authorized signatories.

IN WITNESS WHEREOF, the Guarantor has caused this instrument to be duly executed.

Dated: ____________, 20__

DEUTSCHE TELEKOM AG

By:___________________________
Name:
Title:

By:___________________________
Name:
Title:

EXHIBIT C

FORM OF FACE OF CERTIFICATED SECURITY

[Insert the following Legend for a Regulation S Certificated Security]

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (THE "ISSUER") HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

[Insert the following Legend for a Rule 144A Certificated Security]

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (THE "ISSUER"), (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (5) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT

WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

No. U.S.$

DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V.

[Rate]% Notes due [Year]

CERTIFICATED SECURITY

Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands (the "Issuer"), for value received, hereby promises to pay on [Month][Day], [Year] to [Holder of Certificated Security] or registered assigns the principal sum of _________________ U.S. Dollars at the Issuer's office or agency for said purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually in arrears, on [Month][Day] and [Month][Day] of each year, on said principal sum in like coin or currency at the rate per annum set forth above at said office or agency from the [Month][Day] or [Month][Day], as the case may be, next preceding the date of this Security to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security, or unless no interest has been paid or duly provided for on the Securities, in which case from [INSERT ORIGINAL ISSUE DATE] until payment of said principal sum has been made or duly provided for. The interest so payable on any [Month][Day] or [Month][Day] will, except as otherwise provided in the Agreement referred to on the reverse hereof, be paid to the person in whose name this Security is registered on the [Month][Day] or [Month][Day] (each, a "Record Date") preceding such [Month][Day] or [Month][Day], whether or not such day is a Business Day; *provided* that, unless this Security is a Global Security, interest may be paid, at the option of the Issuer, by mailing a check therefor payable to the registered Holder entitled thereto at his last address as it appears on the Register.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be valid or obligatory until the Certificate of Authentication hereon shall have been duly signed by the Fiscal Agent acting under the Agreement.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

Dated: _______________, 20__

DEUTSCHE TELEKOM
INTERNATIONAL FINANCE B.V.

By:____________________________
Name:
Title:

By:____________________________
Name:
Title:

Certificate of Authentication

This is one of the Certificated Securities described in the within-mentioned Agreement.

Dated: _______________, 20__

Deutsche Bank Trust Company Americas, as
Fiscal Agent

By: Deutsche Bank National Trust Company

By:____________________________
Authorized Signatory

GUARANTEE

For value received and in accordance with the Fiscal and Paying Agency Agreement (the "Agreement") dated [Date] among Deutsche Telekom International Finance B.V. (the "Issuer"), Deutsche Telekom AG, (the "Guarantor") and Deutsche Bank Trust Company Americas, a New York banking corporation, as fiscal agent, paying agent and registrar (the "Fiscal Agent") the undersigned Guarantor hereby unconditionally and irrevocably guarantees, on an unsecured and unsubordinated basis (such guarantee being referred to herein as the "Guarantee") the due and punctual payment of principal and interest and any Additional Amounts on this Security, whether at maturity or upon redemption or acceleration or otherwise, the due and punctual payment of interest on any overdue principal of or interest or Additional Amounts, if any, on this Security, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders, all in accordance with the terms set forth in the Agreement.

This Guarantee shall not be valid or obligatory for any purpose until the Certificate of Authentication on the Security upon which this Guarantee is endorsed shall have been executed by the Fiscal Agent under the Agreement by the manual signature of one of its authorized signatories

IN WITNESS WHEREOF, the Guarantor has caused this instrument to be duly executed.

Dated: ____________, 20__

DEUTSCHE TELEKOM AG

By:___________________________
Name:
Title:

By:___________________________
Name:
Title:

EXHIBIT D

[FORM OF REVERSE OF SECURITY]

1. General.

(a) This Security is one of a duly authorized issue of debt securities of the Issuer, issued or to be issued pursuant to the Fiscal and Paying Agency Agreement (the "Agreement") dated as of April [__], 2011 among Deutsche Telekom International Finance B.V., a limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands, as the Issuer, Deutsche Telekom AG, a corporation (*Aktiengesellschaft*) organized under the laws of the Federal Republic of Germany, as Guarantor and Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Agreement. Reference is hereby made to the Agreement and all agreements supplemental thereto for a description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Fiscal Agent, the Issuer, the Guarantor and the Holder (the term "Holder" meaning the registered holders or registered holder) of the Securities.

(b) The Securities are the direct, unconditional, unsecured and unsubordinated general obligations of the Issuer. The Securities will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Issuer.

(c) The Guarantees are the unconditional and irrevocable, unsecured and unsubordinated general obligations of the Guarantor. The Guarantees will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Guarantor.

(d) No reference herein to the Agreement and no provision of this Security or of the Agreement shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Security at the place, times, and rate, and in the currency, herein prescribed.

2. Additional Amounts.

If any deduction or withholding for any present or future taxes or other governmental charges of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the Issuer or the Guarantor is incorporated, shall at any time be required by such jurisdiction (or any such political subdivision or taxing authority) (each a "Relevant Jurisdiction") in respect of any amounts to be paid by the Issuer of principal of or interest on this Security, or by the Guarantor under the Guarantees, the Issuer or the Guarantor, as the case may be, will pay to the Holder of this Security such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts paid to such Holder of this Security shall be not less than the amounts specified in this Security or coupon to which such Holder is entitled; provided, however, that the Issuer or the Guarantor, as the case may be, shall not be required to make any payment of additional amounts for or on account of: (a) any tax or other governmental charge which would not have been imposed but for the existence of any present or former connection between such Holder and the Relevant Jurisdiction (other than the mere holding of this Security and the receipt of payments thereon), including, without limitation, such Holder being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein; (b) any tax or other governmental charge which would not have been imposed but for the status of such Holder as an individual resident of a member state of the European Union; (c) any tax or other governmental charge that would not have been imposed but for a failure by the Holder or the beneficial owner of this Security to comply with any applicable certification, information, identification, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the Relevant Jurisdiction if such compliance is required as a precondition to relief or exemption from such tax or other governmental charge (including without limitation a certification that such Holder is not resident in the Relevant Jurisdiction); (d) any tax or other governmental charge which would not have been imposed but for a change in law that becomes effective more than 30 days after a payment by the Issuer on this Security, or by the Guarantor under the Guarantees, as the case may be, becomes due and payable, or is duly provided for and notice thereof is duly published, whichever occurs later; (e) any tax or other governmental charge required to be withheld by any Paying Agent from a payment on the Securities, if such payment can be made without such deduction or withholding by any other Paying Agent; or (f) any combination of items (a), (b), (c), (d) and (e) above. The foregoing provisions shall apply mutatis mutandis to any withholding or deduction for or on account of any present or future taxes or governmental charges of whatever nature of any jurisdiction in which any successor Person to the Issuer or the Guarantor, as the case may be, is organized, or any political subdivision or taxing authority thereof or therein. As used in (a), (b) and (c) above, references to Holder shall include a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation. Subject to the foregoing provisions, whenever in the Agreement there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, the Securities or the net proceeds received on the sale or exchange of the Securities, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Section 2 to the extent that, in such context, additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section 2 and express mention of the payment of additional amounts (if applicable) in any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

3. Discharge.

If at any time (a) the Issuer shall have paid or caused to be paid in full the principal of and interest on all Securities Outstanding under the Agreement, or (b) the Issuer shall have delivered to the Fiscal Agent for cancellation all Securities Outstanding theretofore authenticated (other than any Securities which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.05 of the Agreement) or (c) all Securities not theretofore delivered to the Fiscal Agent for cancellation (i) have become due and payable, (ii) will become due and payable in accordance with their terms within one year or (iii) are to be, or have been, called for redemption pursuant to Article 10 of the Agreement within one year under arrangements satisfactory to the Fiscal Agent for the giving of notice of redemption and, in any such case, the Issuer shall have irrevocably deposited or caused to be deposited with the Fiscal Agent as trust funds in irrevocable trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (A) cash in United States Dollars (other than monies repaid by the Fiscal Agent or any Paying Agent to the Issuer in accordance with Section 9.05 of the Agreement) in an amount, or (B) U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide not later than the due date of any payment, cash in United States Dollars in an amount, or (C) any combination of (A) and (B), sufficient to pay all of the principal of, and interest (and Additional Amounts, if any) on, all such Securities not theretofore delivered to the Fiscal Agent for cancellation, on the dates such payments are due in accordance with the terms of the Securities and all other amounts payable under the Agreement by the Issuer; then the Agreement shall cease to be of further effect with respect to the Securities and the Issuer and the Guarantor shall be discharged from any and all obligations hereunder, *in each case except as to* (A) rights of registration of transfer and exchange, (B) substitution of apparently mutilated, defaced, destroyed, lost or stolen Securities, (C) rights of Holders to receive payments of principal thereof and interest thereon (including the right to receive from or on behalf of the Issuer payments of any Additional Amounts due pursuant to Section 3.04 of the Agreement), (D) the rights, obligations and immunities of the Agents under the Agreement, (E) the rights of the Holders as beneficiaries hereof with respect to the property so deposited with the Fiscal Agent payable to all or any of them and (F) the obligations of the Issuer under Section 3.02 of the Agreement; and the Issuer shall cause the Fiscal Agent, on demand of the Issuer accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, to execute proper instruments acknowledging such satisfaction of and discharging the Agreement. The Issuer and the Guarantor shall agree to reimburse the Fiscal Agent for any costs or expenses thereafter reasonably and properly incurred and to compensate the Fiscal Agent for any services thereafter reasonably and properly rendered by the Fiscal Agent in connection with the Agreement or the Securities.

4. Covenant Defeasance.

At the Issuer's or the Guarantor's option, the Issuer, or the Guarantor, as the case may be, shall cease to be under any obligation to comply with any term, provision or condition set forth in Sections 3.07 and 4.01(c) of the Agreement, and the Guarantor shall cease to be under any obligation under the Guarantees, and noncompliance with such Sections or the Guarantor's obligations under the Guarantees shall not give rise to any Event of Default under Section 4.01(b) of the Agreement ("Covenant Defeasance"), with respect to the Securities at any time after the applicable conditions set forth below have been satisfied:

(a) the Issuer or the Guarantor, as the case may be, shall have irrevocably deposited or caused to be deposited with the Fiscal Agent as trust funds in irrevocable trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders, (i) cash in United States Dollars in an amount, or (ii) U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide not later than the due date of any payment cash in United States Dollars in an amount, or (iii) any combination of (i) and (ii), sufficient to pay all of the principal of, and interest and Additional Amounts on, the Securities then Outstanding on the dates such payments are due in accordance with the terms of such Securities;

(b) no Event of Default under, or event which, with notice, or lapse of time or both, would become an Event of Default under Section 4.01(e), 4.01(f), 4.01(g) or 4.01(h) of the Agreement shall have occurred and be continuing on the date of such deposit;

(c) the Issuer or the Guarantor, as the case may be, shall have delivered to the Fiscal Agent an Opinion of Tax Counsel with respect to U.S. federal income tax matters to the effect that the Beneficial Owners of Securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would be the case if such Covenant Defeasance had not occurred;

(d) the Issuer or the Guarantor, as the case may be, shall have delivered to the Fiscal Agent an Opinion of Tax Counsel in its jurisdiction of incorporation with respect to tax matters in such jurisdictions of incorporation to the effect that such deposit and related Covenant Defeasance will not cause the Holders, other than Holders who are or who are deemed to be residents of such jurisdiction of incorporation or use or hold or are deemed to use or hold their Securities in carrying on a business in such jurisdiction of incorporation, to recognize income, gain or loss for income tax purposes in such jurisdiction of incorporation, and to the effect that payments out of the trust fund will be free and exempt from any and all withholding and other income taxes of whatever nature of such jurisdiction of incorporation or any political subdivision thereof or therein having power to tax, except in the case of Securities beneficially owned (x) by a Person who is or is deemed to be a resident of such jurisdiction of incorporation or (y) by a Person who uses or holds or is deemed to use or hold such Securities in carrying on a business in such jurisdiction of incorporation; and

(e) the Issuer or the Guarantor, as the case may be, shall have delivered to the Fiscal Agent an Officer’s Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to such Covenant Defeasance have been complied with.

5. Optional Tax Redemption.

This Security may be redeemed at the option of the Issuer or the Guarantor, in whole or in part, at any time at a Redemption Price equal to the principal amount hereof plus accrued interest to the date fixed for redemption if, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of the jurisdiction (or of any political subdivision or taxing authority thereof or therein) in which the Issuer or the Guarantor is incorporated (or, in the case of a successor Person to the Issuer or the Guarantor, of the jurisdiction in which such successor Person is organized or any political subdivision or taxing authority thereof or therein) or any change in the official application or interpretation of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which such jurisdiction or such political subdivision or taxing authority (or such other jurisdiction or political subdivision or taxing authority) is a party, which change, execution or amendment becomes effective on or after the date specified pursuant to the terms of this Security (or in the case of a successor Person to the Issuer or the Guarantor, the date on which such successor Person became such pursuant to Sections 8.01 and 8.02, the date of such assumption), (i) the Issuer or the Guarantor (or such successor Person or such Subsidiary) is or would be required to pay additional amounts with respect to the Securities or the Guarantees, as the case may be, on the next succeeding Interest Payment Date as described in Section 3.05 of the Agreement or (ii) the Guarantor or any Subsidiary of the Guarantor is or would be required to deduct or withhold tax on any payment to the Issuer to enable the Issuer to make any payment of principal, premium, if any, or interest and, in each case, the payment of such additional amounts in the case of (i) above or such deductions or withholding in the case of (ii) above cannot be avoided by the use of any reasonable measures available to the Issuer, the Guarantor or the Subsidiary. Prior to the giving of notice of redemption of this Security pursuant to this section, the Issuer or the Guarantor will deliver to the Fiscal Agent an Officer's Certificate, stating that the Issuer or the Guarantor is entitled to effect such redemption and setting forth in reasonable detail a statement of circumstances showing that the conditions precedent to the right of the Issuer or the Guarantor to redeem the Securities pursuant to this Section have been satisfied.

Further, if, pursuant to Section 8.01(3)(a) of the Agreement, a Person into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets has been or would be required to pay any additional amounts as therein provided, this Security may be redeemed at the option of such Person in whole, or in part, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Prior to the giving of notice of redemption of the Securities pursuant to the Agreement, such Person shall deliver to the Fiscal Agent an Officer's Certificate, stating that such Person is entitled to effect such redemption and setting forth in reasonable detail a statement of circumstances showing that the conditions precedent to the right of such Person to redeem this Security pursuant to this Section have been satisfied.

6. Optional Redemption.

The Issuer may, at its option, redeem this Security as a whole or in part at any time, upon due notice as described in Section 10.03 of the Agreement, at a redemption price equal to the greater of (1) 100% of the principal amount of this Security plus accrued interest and Additional Amounts, if any, to the Redemption Date; or (2) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on this Security (not including any portion of such payments of interest accrued as of the Redemption Date), plus accrued but unpaid interest and Additional Amounts, if any. Such present values shall be determined by discounting the remaining principal and interest payments to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), using the Adjusted Treasury Yield. The following terms shall have the meanings ascribed below:

> "Adjusted Treasury Yield" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date plus [__] basis points.
>
> "Comparable Treasury Issue" means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with

customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Quotation Agent's Quotations for the redemption date.

"Independent Investment Banker" means an independent investment banking institution of national standing in the United States appointed by the Issuer.

"Quotation Agent" means a reference treasury dealer that is a primary U.S. government securities dealer in New York City. The Independent Investment Banker will appoint the Quotation Agent after first consulting with the Guarantor.

"Quotation Agent's Quotations" means with respect to any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Quotation Agent at 5:00 p.m. on the third Business Day before the redemption date.

Whenever in this Section there is mentioned, in any context, the payment of the principal of this Security, such mention shall be deemed to mean the payment of the redemption price provided for in Section 10.02 of the Agreement to the extent that, in such context, such redemption price is, was or would be payable in respect thereof pursuant to the provisions of Section 10.02 of the Agreement.

7. Limitation on Liens.

So long as any of the Securities are Outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, neither the Issuer nor the Guarantor shall grant or permit to subsist any Encumbrance over any or all of its present or future assets, to secure any present or future Capital Market Indebtedness issued or guaranteed by the Issuer, the Guarantor or by any other Person without making effective provision whereby the Securities shall be secured equally and ratably with such Capital Market Indebtedness, so long as such Capital Market Indebtedness shall be so secured. For the avoidance of doubt, this section shall not apply to any security which is provided by the Issuer or any other subsidiary of the Guarantor over any claims of the Issuer or such other subsidiary of the Guarantor, as the case may be, against the Guarantor or any of its subsidiaries, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the sale by the Issuer or another subsidiary of the Guarantor, as the case may be, of any bonds, provided that any such security serves to secure obligations under such bonds of the Issuer or the other subsidiary of the Guarantor, as the case may be. Any security to be provided pursuant to the preceding sentence may also be provided to a person acting as trustee for the holders of such bonds.

8. Event of Default; Acceleration of Maturity; Waiver of Default.

"Event of Default", wherever used herein with respect to the Securities, means any one of the following events with respect to the Issuer or the Guarantor, as the case may be (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the Issuer fails to pay principal or interest upon any Security within 30 days from the relevant due date; or

(b) the Issuer fails duly to perform any other obligation arising from any Security or the Guarantor fails to perform any obligation arising from the Guarantee which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 days after any Holder of the Securities Outstanding affected thereby has given written notice thereof to the Issuer, Guarantor and the Fiscal Agent; or

(c) (i) any Capital Market Indebtedness of the Issuer or the Guarantor becomes prematurely repayable as a result of a default in respect of the terms thereof; or

(ii) the Issuer or the Guarantor fails to fulfill any payment obligation in excess of EUR 25,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantee or suretyship given for any Capital Market Indebtedness of any other Person within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer or the Guarantor shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked; or

(iii) if a security granted in respect of any Capital Market Indebtedness or any guarantee or suretyship therefor is enforced on behalf of or by the creditor(s) entitled thereto;

(d) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments; or

(e) a court opens insolvency proceedings against the Issuer or the Guarantor, or the Issuer or the Guarantor applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or the Issuer applies for a "*surseance van betaling*" (within the meaning of the Bankruptcy Act (*Faillissementswet*) of The Netherlands); or

(f) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this issue; or

(g) any governmental order, decree or enactment shall be made in or by The Netherlands or the Federal Republic of Germany whereby the Issuer or the Guarantor is prevented from observing and performing in full its obligations as set forth in this Agreement and in the Guarantee, respectively, and this situation is not cured within 90 days; or

(h) the Guarantee ceases to be valid and legally binding for any reason whatsoever.

If an Event of Default with respect to Outstanding Securities of the Issuer occurs and is continuing, then in every such case the Holders of not less than 25% in principal amount of the

Outstanding Securities of the Issuer may declare the principal amount of the Securities to be due and payable immediately, by a notice in writing to the Issuer and the Guarantor with a copy to the Fiscal Agent, specifying such principal amount and upon any such declaration such specified amount shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to the Securities has been made and before a judgment or decree for payment of the money due has been obtained by the Fiscal Agent as hereinafter in this Section provided, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Issuer, the Guarantor and the Fiscal Agent, may rescind and annul such declaration and its consequences if:

(1) the Issuer or the Guarantor has paid or deposited with the Fiscal Agent a sum sufficient to pay:

(A) all overdue interest on the Securities,

(B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in the Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in the Securities, and

(D) all sums paid or advanced by the Fiscal Agent hereunder and the reasonable compensation, expenses, disbursements and advances of the Fiscal Agent, its agents and counsel;

and

(2) all Events of Default with respect to the Securities, other than the non-payment of the principal of the Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in this Section.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

The Holders of a majority in aggregate principal amount of the Securities then Outstanding may, by written notice to the Issuer and to the Fiscal Agent, waive all defaults and rescind and annul such declaration and its consequences, except a default

(1) in the payment of the principal of or any premium or interest on any Security of such series of the Issuer, or

(2) in respect of a covenant or provision hereof which under Article Seven cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected;

and no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or impair any right consequent thereon.

9. Rights and Remedies Cumulative; Delay or Omission Not Waiver of Default.

Except as provided in Section 2.05 of the Agreement, no right or remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of any Holder of any of the Securities to exercise any right or remedy accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every right and remedy given by the Agreement or by law to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Holders.

10. Limitation on Suits; Unconditional Right of Holders to Institute Certain Actions.

No Holder of the Securities shall have any right to institute any proceeding, judicial or otherwise, with respect to this Agreement, the Guarantees, the Securities or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Fiscal Agent to institute proceedings in respect of such Event of Default in its own name as Fiscal Agent hereunder;

(2) such Holder or Holders have offered to the Fiscal Agent reasonable indemnity and/or security satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(3) the Fiscal Agent for 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding; and

(4) no direction inconsistent with such written request has been given to the Fiscal Agent during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Agreement to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Agreement, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Notwithstanding any other provision of the Agreement and any provision of any Security, the right of any Holder to receive payment of the principal of and interest on such Security on or after the respective due dates expressed in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

11. Supplemental Agreements.

The Agreement permits the Issuer, the Guarantor and the Fiscal Agent, from time to time and at any time, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities then Outstanding, evidenced as in the Agreement provided, to execute supplemental agreements for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of any supplemental agreement or modifying in any manner the rights of the Holders under the Securities or the Guarantees; *provided*, that no such supplemental agreement shall (a) change the maturity of the principal of any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any installment of interest thereon, or change the place or currency of payment of principal of, or interest on, any Security, or change the Issuer's or the Guarantor's respective obligations to pay Additional Amounts, or impair or affect the right of any Holder to institute suit for the enforcement of any such payment on or after the due date thereof (or in the case of redemption, on or after the redemption date) or change in any manner adverse to the interests of the Holders the terms and provisions of the Guarantees in respect of the due and punctual payment of principal amount of the Securities then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any) without the consent of the Holder of each Security so affected, or (b) reduce the aforesaid percentage of Securities, the consent of the Holders of which is required for any such supplemental agreement, without the consent of the Holders of all Securities then Outstanding.

12. Denominations; Exchange; Transfer.

This Security is in fully registered form without interest coupons. The Securities are issuable in denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof.

The Holder of this Security may only transfer or exchange this Security in accordance with the Agreement. The Registrar may require the Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Agreement.

The Registrar shall not be required to exchange or register a transfer of this Security during the period of 15 days preceding the due date for the payment of any principal of or interest on the Securities.

13. Holders to Be Treated as Owners.

The Issuer, the Guarantor, the Fiscal Agent and any authorized agent of the Issuer, the Guarantor or the Fiscal Agent may treat the registered Holder hereof as the owners of this Security (whether or not this Security shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment of, or on account of, the principal hereof and, subject to the provisions on the face hereof and the Agreement, interest hereon and for all other purposes; and none of the Issuer, the Guarantor nor the Fiscal Agent nor any authorized agent of the Issuer, the Guarantor or the Fiscal Agent shall be affected by any notice to the contrary.

14. <u>Incorporators, Stockholders, Officers and Directors of Issuer Exempt from Individual Liability.</u>

No recourse under or upon any obligation, covenant or agreement contained in the Agreement, or in this Security, or because of any Indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future stockholder, officer or director, as such, of the Issuer, of the Guarantor or of any successor, either directly or through the Issuer, the Guarantor or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders hereof and as part of the consideration for the issue of this Security.

15. <u>Covenant Not to Substitute the Issuer, Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions.</u>

Neither the Issuer nor the Guarantor shall consolidate with or merge (which term shall include for the avoidance of doubt a scheme of arrangement) into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(a) in case the Issuer or the Guarantor shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Issuer or the Guarantor substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing, under the laws of the jurisdiction of its organization shall expressly assume, by an agreement supplemental hereto executed and delivered to the Fiscal Agent in form reasonably satisfactory to the Fiscal Agent, the due and punctual payment of the principal of and any premium and interest (including all Additional Amounts and any additional amounts payable pursuant to subsection (c) below) on all the Securities and the performance or observance of every covenant of the Agreement on the part of the Issuer to be performed or observed, and, in the case of the Guarantor, the due and punctual performance of the Guarantees (including all Additional Amounts and any additional amounts payable pursuant to subsection (c) below) and the performance of every covenant of the Agreement on the part of the Guarantor to be performed or observed;

(b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer or the Guarantor as a result of such transaction as having been incurred by the Issuer or the Guarantor at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(c) the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased its properties or assets (if such Person is organized and validly existing under the laws of a jurisdiction other than the United States, any State thereof, or the District of Columbia) agrees to indemnify the Holder of each Security against (a) any tax, assessment or governmental charge imposed on any such Holder or required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and (b) any costs or expenses of the act of such consolidation, merger, conveyance, transfer or lease; and

(d) the Issuer or the Guarantor, as the case may be, has delivered to the Fiscal Agent an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with this Section and that all conditions precedent herein provided for relating to such transaction have been complied with.

16. Successor Corporation Substituted.

In case of any such consolidation, merger, sale, transfer, lease or conveyance, or substitution, and following such an assumption by a successor corporation, such successor corporation shall succeed to and be substituted for the Issuer or the Guarantor, as the case may be, with the same effect as if it had been named herein.

In the event of any such sale, transfer or conveyance (other than a conveyance by way of lease) by the Issuer, the Guarantor or any successor corporation which shall theretofore have become such successor corporation in the manner described in this Article, the Issuer, the Guarantor or such corporation, as the case may be, shall be discharged from all obligations and covenants under this Agreement, the Securities and the Guarantees and may be liquidated and dissolved.

17. Governing Law.

This Security, the Agreement and the Guarantee endorsed hereon shall be deemed to be a contract made under, governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law rules.

18. Submission to Jurisdiction.

Each of the Issuer and the Guarantor (a) agrees that any legal suit, action or proceeding arising out of or based upon the Agreement, the Securities or the Guarantees may be instituted in any United States state or federal court in the Borough of Manhattan in the City of New York, New York, (b) waives, to the extent it may effectively do so, any objection which it may have now or hereafter to the laying of the venue of any such suit, action or proceeding, and (c) irrevocably submits to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding.

[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL CERTIFICATED SECURITIES ONLY.]

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of an effective registration statement under the Securities Act of 1933, as amended or (ii) six months after the later of the original issuance of this Security or the last date on which this Security was held by the Issuer or an Affiliate of the Issuer, the undersigned confirms that without utilizing any general solicitation or general advertising:

[*Check one*]

☐ (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder;

or

☐ (b) this Security is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Security and the Agreement.

If neither of the foregoing boxes is checked, the Fiscal Agent or other Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer or registration set forth herein and in Section 2.06 of the Agreement shall have been satisfied.

Date: ______________________________ ______________________________

EXHIBIT E

FORM OF TRANSFER

FOR VALUE RECEIVED, the undersigned hereby transfers to

____

____

____

(PRINT NAME AND ADDRESS OF TRANSFEREE)

U.S.$________________ principal amount of this Security, and all rights with respect thereto, and irrevocably constitutes and appoints __________________ as attorney to transfer this Security on the books kept for registration thereof, with full power of substitution.

Dated_______________________________ ___________________________________

Certifying Signature

Signed______________________________

SIGNATURE GUARANTEE: _____________________________

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Notes:

(i) The signature on this transfer form must correspond to the name as it appears on the face of this Security in every particular.

(ii) A representative of the Holder should state the capacity in which he or she signs (*e.g.*, executor).

(iii) The signature of the person effecting the transfer shall conform to any list of duly authorized specimen signatures supplied by the registered Holder or in such other manner as the Fiscal Agent, acting in its capacity as transfer agent or registrar, or the relevant transfer agent, may require.

EXHIBIT F

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM RULE 144A GLOBAL SECURITY TO REGULATION S GLOBAL SECURITY*

(Transfers pursuant to Section 2.04(a) of the Agreement)

Deutsche Bank
Trust Company
Americas,
as Fiscal Agent
[Address]

Re: Deutsche Telekom International Finance
B.V.
[Rate]% Notes due [Year]

Reference is hereby made to the Fiscal and Paying Agency Agreement (the "Agreement") dated as of [Date] among Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands, as Issuer, Deutsche Telekom AG, a corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany, as Guarantor and Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar. Capitalized terms used but not defined herein shall have the meanings given them in the Agreement.

This letter relates to U.S.$____________ aggregate principal amount of Securities that are held as a beneficial interest in the Rule 144A Global Security (CUSIP [CUSIP]; ISIN [ISIN]) with the Depositary in the name of ____________ (the "Transferor") The Transferor has requested an exchange or transfer of such beneficial interest for an equivalent beneficial interest in the Regulation S Global Security (CUSIP [CUSIP]; ISIN [ISIN]).

In connection with such request, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Securities and:

(a) with respect to transfers made in reliance on Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), does certify that:

(i) the offer of the Securities was not made to a U.S. Person within the meaning of Regulation S;

(ii) either (i) at the time the buy order is originated the transferee is outside the United States or the Transferor and any person acting on its behalf reasonably believe that the transferee is outside the

* If the Security is a Certificated Security, appropriate changes need to be made to the form of this transfer certificate.

United States or; (ii) the transaction was executed in, on or through the facilities of a designated offshore securities market described in paragraph (b) of Rule 902 of Regulation S and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(iii) no directed selling efforts have been made in the United States by the Transferor, an affiliate thereof or any person their behalf in contravention of the requirements of Rule 903 or 904 of Regulation S, as applicable;

(iv) the transaction is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act; and

(v) the Transferor is not the Issuer, a distributor of the Securities, an affiliate of the Issuer or any such distributor (except any officer or director who is an affiliate solely by virtue of holding such position) or a person acting on behalf of any of the foregoing.

(b) with respect to transfers made in reliance on Rule 144 the Transferor certifies that the Securities are being transferred in a transaction permitted by Rule 144 under the U.S. Securities Act.

You, the Issuer and the Guarantor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate not otherwise defined have the meanings set forth in Regulation S.

____

By: _________________________________
Name:
Title:
Date:

SIGNATURE GUARANTEE: ___________________________

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT G-1

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM REGULATION S GLOBAL SECURITY TO RULE 144A GLOBAL SECURITY (TRANSFEREE)*

(Transfers pursuant to Section 2.04(b) of the Agreement)

Deutsche Bank
Trust Company
Americas,
as Fiscal Agent
[Address]

Re: Deutsche Telekom International Finance B.V. (the "Issuer")
[Rate]% Notes due [Year] (the "Securities")

Dear Sirs:

In connection with our proposed purchase of U.S.$___________ aggregate principal amount of the Securities, we confirm that:

We and, if applicable, each account for which we are acting, are "qualified institutional buyers" within the meaning of Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act") and we are purchasing the Securities for our own account or for accounts as to which we exercise sole investment discretion. We are aware that the transfer of Securities to us is being made in reliance on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. We agree to comply with the restrictions on transfer set forth under "Transfer Restrictions" in the Offering Memorandum related to the Securities dated [Date]. Prior to the date of this letter we have been given the opportunity to obtain from the Issuer the information referred to in Rule 144A(d)(4) under the Securities Act, and have either declined such opportunity or have received such information. We are aware that the transferor of the Securities to us is relying upon the foregoing representations in order to claim the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

* If the Security is a Certificated Security, appropriate changes need to be made to the form of this transfer certificate.

This certificate is being delivered to you in accordance with Section 2.04(b) of the Fiscal and Paying Agency Agreement dated [Date] related to the Securities. You are entitled to rely upon this letter and you are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

____

By: ____________________________________
Name:
Title:
Date:

SIGNATURE GUARANTEE: ____________________________

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT G-2

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM REGULATION S GLOBAL SECURITY TO RULE 144A GLOBAL SECURITY (TRANSFEROR)*

(Transfers pursuant to Section 2.04(b) of the Agreement)

Deutsche Bank
Trust Company
Americas,
as Fiscal Agent
[Address]

Re: Deutsche Telekom International Finance B.V.
[Rate]% Notes due [Year]

Reference is hereby made to the Fiscal and Paying Agency Agreement (the "Agreement") dated as of [Date] among Deutsche Telekom International Finance B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of The Netherlands, as Issuer, Deutsche Telekom AG, a corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany, as Guarantor and Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar. Capitalized terms used but not defined herein shall have the meanings given them in the Agreement.

This letter relates to U.S.$_____________ aggregate principal amount of Securities that are held as a beneficial interest in the Regulation S Global Security (CUSIP [CUSIP]; ISIN [ISIN]) with the Depositary in the name of _____________ (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest for an equivalent beneficial interest in the Rule 144A Global Security (CUSIP [CUSIP]; ISIN [ISIN]).

In connection with such request, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Securities and that:

CHECK ONE BOX BELOW:

☐ the Transferor is relying on Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), for exemption from the registration requirements of the U.S. Securities Act; it is transferring such Securities to a person it reasonably believes is a Qualified Institutional Buyer as defined in Rule 144A that purchases for its own account, or for the account of a Qualified Institutional Buyer, and to whom the Transferor has given notice that the transfer is made in reliance on Rule

* If the Security is a Certificated Security, appropriate changes need to be made to the form of this transfer certificate.

144A and the transfer is being made in accordance with any applicable securities laws of any state of the United States; or

☐ the Transferor is relying on an exemption other than Rule 144A from the registration requirements of the U.S. Securities Act, subject to the Issuer's and the Fiscal Agent's right prior to any such offer, sale or transfer to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them.

You, the Issuer and the Guarantor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

____

By: __________________________________
Name:
Title:
Date:

SIGNATURE GUARANTEE: __________________________

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Schedule B

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

by and between

DEUTSCHE TELEKOM AG

and

AT&T INC.

Dated as of March 20, 2011

TABLE OF CONTENTS

Exhibits

Annexes

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of March 20, 2011, by and between DEUTSCHE TELEKOM AG, an *Aktiengesellschaft* organized and existing under the laws of the Federal Republic of Germany ("Seller"), and AT&T INC., a Delaware corporation ("Purchaser").

RECITALS

WHEREAS, Seller owns all of the issued and outstanding shares of capital stock of T-Mobile Global Zwischenholding GmbH, a *Gesellschaft mit beschränkter Haftung* organized and existing under the laws of Germany ("Global"), which owns all of the issued and outstanding shares of capital stock of T-Mobile Global Holding GmbH, a *Gesellschaft mit beschränkter Haftung* organized and existing under the laws of Germany ("Holding"), which owns all of the issued and outstanding shares of capital stock of T-Mobile USA, Inc. (the "Company"), a Delaware corporation;

WHEREAS, Seller desires to cause Holding to sell to Purchaser and Purchaser desires to purchase from Holding all of the issued and outstanding shares of capital stock of the Company upon the terms and subject to the conditions set forth herein; and

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to Purchaser's willingness to enter into this Agreement, Seller and Purchaser are entering into a stockholder's agreement, in respect of the Purchaser Shares, dated as of the date hereof, and attached as Exhibit A (the "Stockholder's Agreement").

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
Definitions and Terms

1.1. Definitions. As used in this Agreement the following terms shall have the following respective meanings:

"Affiliate" shall mean with respect to any Person, a Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with such Person.

"Agreement" shall have the meaning set forth in the Preamble.

"Applicable Accounting Principles" shall have the meaning set forth in Section 2.3(a).

"Assumed Employees" shall have the meaning set forth in Section 4.14(a).

"Average Adjusted Closing Price" means a dollar amount equal to (i) if the Average Trading Price is greater than $26.0165 and less than $30.2354, then the Average Trading Price; (ii) if the Average Trading Price is greater than or equal to $30.2354, then $30.2354; or (iii) if the Average Trading Price is equal to or less than $26.0165, then $26.0165.

"Average Trading Price" means the volume-weighted average of the per share trading prices of Purchaser Common Stock as reported through Bloomberg (based on all trades in Purchaser Common Stock and not an average of daily averages) for the 30 consecutive full trading days ending on the third Business Day prior to the Closing.

"Beneficially Own" shall mean, with respect to any securities, (i) having "beneficial ownership" of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act (or any successor statute or regulation), (ii) having the right to become the Beneficial Owner of such securities (whether such right is exercisable immediately or only after the passage of time or the occurrence of conditions) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise or (iii) having an exercise or conversion privilege or a settlement payment or mechanism with respect to any option, warrant, convertible security, stock appreciation, swap agreement or other security, contract right or derivative position, whether or not currently exercisable, at a price related to the value of the securities for which Beneficial Ownership is being determined or a value determined in whole or part with reference to, or derived in whole or in part from, the value of the securities for which Beneficial Ownership is being determined that increases in value as the value of the securities for which Beneficial Ownership is being determined increases or that provides to the holder an opportunity, directly or indirectly, to profit or share in any profit derived from any increase in the value of the securities for which Beneficial Ownership is being determined (excluding any interests, rights, options or other securities set forth in Rule 16a-1(c)(1)-(5) or (7) promulgated pursuant to the Exchange Act).

"Benefit Plans" shall have the meaning set forth in Section 3.2(g)(i).

"Business" shall mean the business of marketing, selling and providing wireless telecommunication services (including voice and data services), and all services ancillary thereto, in the United States.

"Business Day" shall mean any day other than a Saturday, a Sunday, a federal holiday or a day on which banks in the City of New York or in Frankfurt, Germany are authorized or obligated by Law to close.

"Business Marks" means the Trademarks owned by or licensed to Seller or its Subsidiaries (other than the Company and its Subsidiaries) that are used by the Company or any of its Subsidiaries in connection with the Business, including the Trademarks set forth on the list delivered pursuant to Section 4.2(a)(iii).

"Cash Consideration" shall have the meaning set forth in Section 2.2(a).

"Cash Election" shall have the meaning set forth in Section 2.2(c).

"Chosen Courts" shall have the meaning set forth in Section 8.3.

"CMA" shall have the meaning set forth in Annex B.

"Closing" shall have the meaning set forth in Section 2.4.

"Closing Date" shall have the meaning set forth in Section 2.4.

"Closing Discharged Indebtedness" shall have the meaning set forth in Section 2.3(a).

"Closing Statement" shall have the meaning set forth in Section 2.3(b).

"Closing Statement Dispute Notice" shall have the meaning set forth in Section 2.3(c).

"Code" shall have the meaning set forth in Section 3.2(g)(ii).

"Communications Act" shall have the meaning set forth in Section 3.2(d)(i).

"Communications Licenses" shall have the meaning set forth in Section 3.2(h)(ii).

"Company" shall have the meaning set forth in the Recitals.

"Company Common Stock" shall have the meaning set forth in Section 3.2(b)(i).

"Company Contracts" shall mean agreements, leases, licenses, contracts, notes, mortgages, indentures, arrangements or other obligations binding upon the Company or any of its Subsidiaries.

"Company Material Adverse Effect" shall mean (i) an effect that would prevent the ability of Seller to consummate the Transaction or (ii) a material adverse effect on the financial condition, properties, assets, liabilities, business or results of operations of the Company and its Subsidiaries, taken as a whole, excluding any such effect to the extent resulting from (A) changes or conditions (including political and legal conditions) generally affecting (x) the U.S. or global economy or financial, debt, credit or securities markets or (y) the United States mobile wireless voice and data industry; (B) declared or undeclared acts of war, terrorism, outbreaks or escalations of hostilities, sabotage or civil strife; (C) weather-related conditions; (D) any change in GAAP or applicable Laws or regulatory or enforcement developments except to the extent such change disproportionately affects the Company and its Subsidiaries, taken as a whole, relative to other companies in the U.S. mobile wireless voice and data industry; (E) the failure by the Company to meet any estimates of revenues or earnings for any period ending on or after the date hereof; provided, that the exception in this clause (E) shall not prevent or otherwise affect a determination that any change, effect, circumstance or development underlying such decline has resulted in or contributed to a Company Material Adverse Effect; or (F) matters that were primarily the result of the pendency, announcement, or public disclosure of this Agreement and the transactions contemplated hereby, but excluding any such effect arising through breach of this Agreement or misconduct by Seller or the Company or any of their Affiliates. Any determination of "Company Material Adverse Effect" shall exclude the effects of (i) the matters disclosed in the Seller Disclosure Letter or the Financial Statements and (ii) the effects of any restrictions, limitations or conditions that by the terms of this Agreement are taken into account in determining the existence of a Regulatory Material Adverse Condition.

"Company Shares" shall mean all of the issued and outstanding shares of capital stock or Equity Interests of the Company.

"Confidentiality Agreement" shall mean the confidentiality agreements, dated December 2010, between AT&T Services, Inc. and the Company.

"Control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Damages" shall have the meaning set forth in Section 6.2(a).

"De Minimis Amount" shall have the meaning set forth in Section 6.4(a)(ii).

"Direct Claim" shall have the meaning set forth in Section 6.3(c).

"Direct Claim Notice" shall have the meaning set forth in Section 6.3(c).

"Disputed Item" shall have the meaning set forth in Section 2.3(c).

"Divested Market Amount" shall mean an amount equal to the product of (i) the aggregate number of Subscribers for Market Divestitures as set forth with respect to each applicable Market on the Subscriber List and (ii) the amount set forth on Annex A.

"Divested Spectrum Amount" shall mean the sum of (i) all First Tier Divested Spectrum Amounts, plus (ii) all Second Tier Divested Spectrum Amounts.

"Divestiture Disputes" shall have the meaning set forth in Section 2.3(h)(i).

"Divestiture Adjustment Amount" shall mean an amount equal to (i) the Divestitures Amount minus (ii) $3,900,000,000.00; provided, that (x) if the result of (i) minus (ii) is a negative number, the Divestiture Adjustment Amount shall be deemed to be $0, and (y) in no event will the Divestiture Adjustment Amount exceed $3,900,000,000.00.

"Divestiture Sale" shall mean a Market Divestiture or Spectrum Divestiture.

"Divestitures Amount" shall mean an amount equal to (i) the Divested Market Amount plus (ii) the Divested Spectrum Amount.

"EC Merger Regulation" shall have the meaning set forth in Section 3.2(d).

"Encumbrance" (including, with correlative meaning, the term "Encumber") shall mean any lien, pledge, charge, claim, encumbrance, security interest, option, lease, license, mortgage, easement or other restriction or third-party right of any kind, including any right of first refusal or restriction on voting, in each case other than pursuant to the Stockholder's Agreement.

"Environmental Law" shall mean any applicable Law relating to (i) the protection of the environment (including air, water, soil and natural resources) or (ii) the use, storage, handling, release or disposal of any Hazardous Substance or waste, in each case as presently in effect.

"Equity Interests" shall mean (i) any capital stock of a corporation, any partnership interest, any limited liability company interest or any other equity interest; (ii) any security or right convertible into, exchangeable for, or evidencing the right to subscribe for, any such stock, equity interest or security referred to in clause (i); (iii) any stock appreciation right, contingent value right or similar security or right that is derivative of any such stock, equity interest or security referred to in clause (i) or (ii); and (iv) any contract to grant, issue, award, convey or sell any of the foregoing.

"ERISA" shall have the meaning set forth in Section 3.2(g)(i).

"ERISA Affiliate" means any entity that would be considered a single employer with the Company under Section 4001(b) of ERISA or a member of a group of entities which includes the Company for purposes of Section 414(b), (c), (m) or (o) of the Code.

"Estimated Closing Free Cash Flow Adjustment Amount" shall have the meaning set forth in Section 2.3(a)(i).

"Estimated Closing Discharged Indebtedness" shall have the meaning set forth in Section 2.3(a)(i).

"Estimated Divestiture Adjustment Amount" shall have the meaning set forth in Section 2.3(a)(ii).

"Estimated Purchaser Closing Statement" shall have the meaning set forth in Section 2.3(a)(ii).

"Estimated Seller Closing Statement" shall have the meaning set forth in Section 2.3(a)(i).

"<u>Exchange Act</u>" shall mean the Securities Exchange Act of 1934, as amended.

"<u>Excluded Liabilities</u>" shall mean the Liabilities of the Company and its Subsidiaries as of the Closing Date that (i) did not arise, directly or indirectly, out of or in connection with the assets used in, or the operations of, the Business (including products, services, assets and operations ancillary thereto) as conducted at any time prior to the Closing Date, (ii) did not become Liabilities prior to June 1, 2001 and (iii) are not reflected in the Financial Statements or in the Seller Disclosure Letter.

"<u>FAA</u>" shall have the meaning set forth in Section 3.2(h)(ii).

"<u>FAA Rules</u>" shall have the meaning set forth in Section 3.2(h)(v).

"<u>FCC</u>" shall have the meaning set forth in Section 3.2(d)(i).

"<u>FCC Licenses</u>" shall have the meaning set forth in Section 3.2(h)(ii).

"<u>FCC Rules</u>" shall have the meaning set forth in Section 4.9(a).

"<u>Final Order</u>" shall have the meaning set forth in Section 5.2(c).

"<u>Financial Statements</u>" shall have the meaning set forth in Section 3.2(e)(i).

"<u>First Tier Divested Spectrum Amount</u>" shall mean, for each Spectrum Divestiture, an amount equal to the product of (i) the number of MHz POPs to be divested in such Spectrum Divestiture, (ii) the corresponding dollar value per MHz POP for the applicable CMA of the divested MHz POPs as set forth in Column 2 of Annex B, and (iii) the First Tier Divestiture Ratio.

"<u>First Tier Divestiture Ratio</u>" shall mean the quotient obtained by dividing 2.5 billion by the total number of MHz POPs to be divested in all Spectrum Divestitures; <u>provided</u>, that if such quotient is greater than 1.0, the First Tier Divestiture Ratio shall be 1.0.

"<u>Free Cash Flow</u>" in respect of a period means the consolidated net income of the Company and its Subsidiaries for such period, <u>plus</u> (i) any depreciation and amortization and (ii) any other non-cash charges deducted in determining such consolidated net income, <u>less</u>, but in each case only to the extent not already deducted in the computation of such consolidated net income, (A) to the extent included in such consolidated net income, amounts in respect of sales of assets outside the ordinary course of business, (B) all capital expenditures and amounts paid for spectrum made during such period, (C) payments made with respect to any Indebtedness during such period, and (D) other cash payments made, but not taken into account in determining the consolidated net income of the Company and its Subsidiaries for such period, all determined in accordance with the Applicable Accounting Principles, and using the line items set forth on Schedule 2.3(a)(I) of the Seller Disclosure Letter.

"Free Cash Flow Adjustment Amount" shall mean an amount equal to (i) the lesser of (A) the sum of (I) the product of the number of full calendar months elapsed from the date hereof through the Closing and $150,000,000.00, plus (II) the product of the number of days in any partial month between the date hereof and the day prior to the Closing, divided by 30.5 (which amount may not be greater than 2), multiplied by $150,000,000.00, reduced, but not below zero, by (III) the Spending Deficiency, and (B) the Free Cash Flow from the date hereof until the day prior to the Closing Date, reduced, but not below zero, by the Spending Deficiency, minus an amount equal to (ii) the excess, if any, of (A) the value of all cash and other distributions by the Company to Seller and its Subsidiaries from the date hereof until the Closing in respect of Free Cash Flow, over (B) all cash contributions by Seller or any of its Affiliates (other than the Company and its Subsidiaries) (other than any contributions that constitute Indebtedness) to the Company or any of its Subsidiaries, and provided that the amount in clause (ii)(A) shall not include any payments or distributions by the Company to Seller and its Subsidiaries from the date hereof until the Closing Date in respect of Intercompany Contracts or Indebtedness, in each case paid in accordance with prior practice and the terms disclosed to Purchaser prior to the date hereof.

"Fundamental Purchaser Representations" shall have the meaning set forth in Section 6.1(a).

"Fundamental Seller Representations" shall have the meaning set forth in Section 6.1(a).

"GAAP" shall mean U.S. generally accepted accounting principles.

"Global" shall have the meaning set forth in the Recitals.

"Governmental Consents" shall mean all notices, reports and other filings required to be made prior to the Closing by Seller or Purchaser or any of their respective Subsidiaries with, and all consents, registrations, approvals, permits, clearances and authorizations required to be obtained prior to the Closing by Seller or Purchaser or any of their respective Subsidiaries from, any Governmental Entity in connection with the execution and delivery of this Agreement and the consummation of the Transaction.

"Governmental Entity" shall have the meaning set forth in Section 3.2(d)(i).

"Hazardous Substance" shall mean any substance that is (i) listed, classified or regulated pursuant to any Environmental Law; (ii) any petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, mold, radioactive material or radon; and (iii) any other substance which may be the subject of regulatory action by any Governmental Entity in connection with any Environmental Law.

"Holding" shall have the meaning set forth in the Recitals.

"HSR Act" shall have the meaning set forth in Section 3.2(d)(i).

"Indebtedness" shall mean (i) all liabilities for borrowed money, whether current or funded, secured or unsecured, all obligations evidenced by bonds, debentures, notes or similar instruments, and all liabilities in respect of mandatorily redeemable or purchasable capital stock or securities convertible into capital stock; (ii) all liabilities for the principal amount of the deferred and unpaid purchase price of real property and equipment that have been delivered; (iii) all liabilities in respect of any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which liabilities are required to be classified and accounted for under GAAP as capital leases; (iv) all liabilities for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction securing obligations of a type described in clauses (i), (ii) or (iii) above to the extent of the obligation secured; and (v) all liabilities as guarantor of obligations of any other Person of a type described in clauses (i), (ii), (iii) or (iv) above, to the extent of the obligation guaranteed.

"Indemnifying Party" shall have the meaning set forth in Section 6.3(a).

"Independent Accountant" shall mean a certified public accountant satisfactory to Purchaser and Seller; provided, that if Purchaser and Seller do not appoint an Independent Accountant within 10 days after either Purchaser or Seller gives notice to the other of a request therefor, either of them may request the American Arbitration Association to appoint as the Independent Accountant a partner in the New York office of a nationally recognized independent registered public accounting firm based on its determination that the partner has had no material relationships with the parties or their respective Affiliates within the preceding two years and taking into account such firm's material relationships during the preceding two years with the parties and their respective Affiliates, and such appointment shall be final, binding and conclusive on Purchaser and Seller.

"Insurance Policies" shall have the meaning set forth in Section 3.2(j).

"Intellectual Property" shall mean all rights in intellectual property of any type throughout the world, including the following: (i) all trademarks, service marks, brand names, product names and slogans, certification marks, collective marks, d/b/a's, assumed names, Internet domain names, logos, symbols, trade dress, trade names and any and every other form of trade identity and other indicia of origin, all applications and registrations therefor and renewals thereof and all goodwill associated therewith and symbolized thereby ("Trademarks"); (ii) all inventions and discoveries, whether or not reduced to practice, patents, including utility patents and design patents, industrial designs and utility models, invention disclosures, all applications and registrations for the foregoing, including reissues, divisionals, continuations, continuations-in-part, supplementary protection certificates, extensions, reexaminations, renewals thereof, and any counterparts (foreign or otherwise) claiming priority therefrom which priority may be claimed, and all inventions disclosed therein and improvements thereto ("Patents"); (iii) proprietary and confidential information, trade secrets and know-how, including processes, schematics, business methods, formulae, drawings, research and development, prototypes, models, designs, customer lists and supplier lists, all other confidential or proprietary technical, business and other information and all rights in any jurisdiction to limit the use or disclosure thereof ("Trade Secrets"); (iv) published and unpublished works of authorship (including databases and other compilations of information, mask works and Software), the copyrights therein and thereto and all registrations and applications therefor and renewals, extensions, restorations and reversions thereof; and (v) all other intellectual property, industrial or similar proprietary rights recognized under any jurisdiction worldwide.

"Intellectual Property Contracts" shall have the meaning set forth in Section 3.2(o)(i)(K).

"Intercompany Contracts" shall mean all Company Contracts between the Company or one or more of its Subsidiaries, on the one hand, and Seller or one or more of its Subsidiaries (other than the Company and its Subsidiaries), on the other hand.

"Intercompany Indebtedness" shall mean any Indebtedness for borrowed money that immediately prior to the Closing would be owed by the Company or one of its Subsidiaries to Seller or one of its Subsidiaries (other than the Company and its Subsidiaries) or by Seller or one of its Subsidiaries (other than the Company and its Subsidiaries) to the Company or one of its Subsidiaries.

"IRS" shall have the meaning set forth in Section 3.2(g)(ii).

"IT Assets" shall mean computers, Software, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines and all other information technology equipment, and all documentation associated therewith.

"Knowledge of the Company" shall mean the actual knowledge of the Persons listed on Schedule 1.1 of the Seller Disclosure Letter.

"Laws" shall have the meaning set forth in Section 3.2(h)(i).

"Leased Real Property" shall mean all real property leased or subleased by the Company and its Subsidiaries.

"Liabilities" means any and all debts, liabilities, commitments and obligations of any kind, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or not accrued, asserted or not asserted, known or unknown, determined, determinable or otherwise, whenever or however arising (including, whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by GAAP to be reflected in financial statements or disclosed in the notes thereto.

"Licensed Parties" shall have the meaning set forth in Section 4.21.

"Licenses" shall have the meaning set forth in Section 3.2(h).

"Market" shall mean each of the counties in the United States as set forth on Annex C.

"Market Divestiture" shall mean the sale, transfer or other divestiture of assets, including Equity Interests, required by, or agreed to with, any Governmental Entity in connection with obtaining a Governmental Consent, which results in the sale, transfer or other disposition of Licenses for wireless spectrum, network assets, systems, customers and/or other assets in the Market or Markets that are the subject of the divestiture of a geographic area designation established by the FCC (e.g., BTA or CMA) in a manner that amounts to an effective exit of the Company from serving its wireless customers in such Market or Markets.

"Market Divestiture Proceeds Percentage" shall mean the percentage that (i) the Divestiture Adjustment Amount represents of (ii) the amount equal to the product of (A) 2.0 and (B) the Divestitures Amount.

"Material Adverse Amount" shall mean $7,800,000,000.00.

"Material Contracts" shall have the meaning set forth in Section 3.2(o)(i).

"Material Licenses" shall have the meaning set forth in Section 3.2(h).

"MHz POPs" with respect to any FCC License shall mean the number of megahertz of wireless spectrum covered by such FCC Licenses multiplied by the population in the geographic area covered by such FCC License, directly derived from the amounts set forth in Annex C.

"Monthly Financial Statements" shall have the meaning set forth in Section 4.2(a)(vi).

"NYSE" shall mean the New York Stock Exchange.

"Order" shall have the meaning set forth in Section 5.1(b).

"Organizational Documents" shall mean, with respect to any Person, such Person's articles or certificate of association, incorporation, formation or organization, by-laws, limited liability company agreement, partnership agreement or other constituent document or documents, each in its currently effective form as amended from time to time.

"Owned Intellectual Property" shall have the meaning set forth in Section 3.2(n)(i).

"Owned Real Property" shall mean all real property owned in fee by the Company and its Subsidiaries.

"Patents" shall have the meaning set forth in the definition of "Intellectual Property."

"Permitted Encumbrances" shall mean (i) Encumbrances specifically reflected or specifically reserved against or otherwise specifically disclosed in the Financial Statements;

(ii) mechanics', materialmen's, warehousemen's, carriers', workers' or repairmen's liens or other common law or statutory Encumbrances arising or incurred in the ordinary course consistent with past practice and that are not material in amount or effect on the business of the Company and its Subsidiaries; (iii) liens for Taxes, assessments and other governmental charges not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings; (iv) with respect to real property, (A) easements, quasi-easements, licenses, covenants, rights-of-way, rights of re-entry or other similar restrictions, including any other agreements, conditions or restrictions that would be shown by a current title report or other similar report or listing, (B) any conditions that may be shown by a current survey or physical inspection, and (C) zoning, building, subdivision or other similar requirements or restrictions; and (v) Encumbrances that would not impair the conduct of the business of the Company and its Subsidiaries, or the use or value of the relevant asset.

"Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

"Potential Sale Interest" shall have the meaning set forth in Section 4.20.

"Pre-Closing Period" means any taxable period (or portions thereof) that, with respect to the Company or any of its Subsidiaries, ends on or before the Closing Date.

"Pre-Closing Taxes" means any Taxes imposed on the Company or any of its Subsidiaries with respect to a Pre-Closing Period. In the case of any taxable period that, with respect to the Company or any of its Subsidiaries, includes but does not end on the Closing Date, (i) property Taxes of the Company and its Subsidiaries allocable to the Pre-Closing Period shall be equal to the amount of such property Taxes for the entire taxable period multiplied by a fraction, the numerator of which is the number of calendar days during the Pre-Closing Period and the denominator of which is the number of calendar days in the entire taxable period, and (ii) Taxes (other than property Taxes) of the Company and its Subsidiaries allocable to the Pre-Closing Period shall be computed as if such taxable period ended as of the end of the day on the Closing Date; provided, that exemptions, allowances or deductions that are calculated on an annual basis shall be allocated to the Pre-Closing Period in the same proportion as the number of calendar days during the Pre-Closing Period bears to the number of calendar days in the entire taxable period.

"PUCs" shall have the meaning set forth in Section 3.2(d)(i).

"Purchase Price" shall have the meaning set forth in Section 2.2(b).

"Purchaser" shall have the meaning set forth in the Preamble.

"Purchaser Cap" shall have the meaning set forth in this Section 6.4(b).

"Purchaser Common Stock" shall have the meaning set forth in Section 2.2(b).

"Purchaser Disclosure Letter" shall have the meaning set forth in Section 3.3.

"Purchaser Indemnitees" shall have the meaning set forth in Section 6.2(a).

"Purchaser Material Adverse Effect" shall mean (i) an effect that would prevent or materially delay the ability of Purchaser to consummate the Transaction or (ii) a material adverse effect on the financial condition, properties, assets, liabilities, business or results of operations of Purchaser and its Subsidiaries, taken as a whole, excluding any such effect to the extent resulting from (A) changes or conditions (including political or legal conditions) generally affecting (x) the United States or global economy or financial, debt, credit or securities markets or (y) any industry in which Purchaser or its Subsidiaries operate; (B) declared or undeclared acts of war, terrorism, outbreaks or escalations of hostilities, sabotage or civil strife; (C) weather-related conditions; (D) any change in GAAP or applicable Laws or regulatory or enforcement developments except to the extent such change disproportionately affects Purchaser relative to other companies in the U.S. mobile wireless voice and data industry; (E) the failure by Purchaser to meet any estimates of revenues or earnings for any period ending on or after the date hereof; provided, that the exception in this clause (E) shall not prevent or otherwise affect a determination that any change, effect, circumstance or development underlying such decline has resulted in or contributed to a Purchaser Material Adverse Effect; or (F) a decline in the price of Purchaser Common Stock on the NYSE; provided, that the exception in this clause (F) shall not prevent or otherwise affect a determination that any change, effect, circumstance or development underlying such decline has resulted in or contributed to a Purchaser Material Adverse Effect. Any determination of "Purchaser Material Adverse Effect" shall exclude the effects of (i) the matters disclosed in the Purchaser Disclosure Letter or the Purchaser SEC Reports and (ii) the effects of any restrictions, limitations or conditions that by the terms of this Agreement are taken into account in determining the existence of a Regulatory Material Adverse Condition.

"Purchaser Preferred Stock" shall have the meaning set forth in Section 3.3(b)(i).

"Purchaser SEC Reports" shall mean such reports, schedules, forms, statements and other documents required to be filed by Purchaser under the Exchange Act or any successor statute, and the rules and regulations promulgated thereunder, including pursuant to Section 13(a) or 15(d) thereof, since January 1, 2009 (including the exhibits thereto and documents incorporated by reference therein).

"Purchaser Shares" shall have the meaning set forth in Section 2.2(b).

"Purchaser Welfare Plan" shall have the meaning set forth in Section 4.14(b).

"Registered" means issued by, registered with, renewed by, or the subject of, a pending application before any Governmental Entity or Internet domain name registrar.

"Regulatory Material Adverse Condition" shall have the meaning set forth in Section 4.6(b).

"Required Governmental Consents" shall have the meaning set forth in Section 5.2(c).

"Resolution Period" shall have the meaning set forth in Section 2.3(d).

"Sarbanes-Oxley Act" shall mean the Sarbanes-Oxley Act of 2002.

"SEC" shall mean the United States Securities and Exchange Commission.

"Second Tier Divested Spectrum Amount" shall mean, for each Spectrum Divestiture, (i) if the total number of MHz POPs to be divested in all Spectrum Divestitures is less than or equal to 2.5 billion, $0, or (ii) if the total number of MHz POPs to be divested in all Spectrum Divestitures is greater than 2.5 billion, an amount equal to the product of (A) the number of MHz POPs to be divested in such Spectrum Divestiture, (B) the corresponding dollar value per MHz POP for the applicable CMA of the divested MHz POPs as set forth in Column 3 of Annex B, and (C) an amount equal to (x) 1.0 minus (y) the First Tier Divestiture Ratio.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Seller" shall have the meaning set forth in the Preamble.

"Seller Cap" shall have the meaning set forth in Section 6.4(a)(i).

"Seller Disclosure Letter" shall have the meaning set forth in Section 3.2.

"Seller Indemnitees" shall have the meaning set forth in Section 6.2(b).

"Software" shall mean computer software, programs and databases in any form, including Internet web sites, web site content, member or user lists and information associated therewith, links, source code, object code, binary code, operating systems and specifications, data, databases, database management code, libraries, scripts, utilities, graphical user interfaces, menus, images, icons, forms, methods of processing, software engines, platforms and data formats, all versions, updates, corrections, enhancements, and modifications thereto, and all related documentation, developer notes, comments and annotations.

"Specified Deductible" shall have the meaning set forth in Section 6.4(a)(iii).

"Spectrum Divestiture" shall mean the sale, transfer or other divestiture of FCC Licenses for wireless spectrum required by, or agreed to with, any Governmental Entity in connection with obtaining a Governmental Consent, but shall not include any FCC Licenses included in any Market Divestiture (or in any Market that is subject to a Market Divestiture).

"Spectrum Divestiture Proceeds Percentage" shall mean the percentage equal to the product of (i) the Market Divestiture Proceeds Percentage (expressed as a decimal) and (ii) an amount equal to (A) 1.0 minus (B) the First Tier Divestiture Ratio.

"Spending Deficiency" shall mean an amount equal to the sum of (i) an amount (if positive) equal to (A) the product of the number of full months elapsed from the date hereof through the Closing and $215,000,000.00, plus (B) the product of the number of days in any partial month between the date hereof and the day prior to the Closing, divided by 30.5 (which amount may not be greater than 2), multiplied by $215,000,000.00, minus (C) the amount of capital expenditures made by the Company and its Subsidiaries in the period between the date hereof and the Closing, plus (ii) an amount (if positive) equal to (A) the product of the number of full months elapsed from the date hereof through the Closing and $460,000,000.00, plus (B) the product of the number of days in any partial month between the date hereof and the day prior to the Closing, divided by 30.5 (which amount may not be greater than 2), multiplied by $460,000,000.00, minus (C) the amount of expenditures made by the Company and its Subsidiaries on marketing and customer care activities in the period between the date hereof and the Closing.

"State Licenses" shall have the meaning set forth in Section 3.2(h)(ii).

"Stockholder's Agreement" shall have the meaning set forth in the Recitals.

"Subscriber" shall mean a mobile telephone number maintained by the Company or any of its Subsidiaries and assigned to an end user of the Company's and its Subsidiaries' mobile wireless voice or data services that is paying the Company or any of its Subsidiaries for such service.

"Subscriber List" shall have the meaning set forth in Section 4.31(a).

"Subscriber List Dispute Notice" shall have the meaning set forth in Section 4.31(b).

"Subsidiary" shall mean, with respect to any Person, any entity, whether incorporated or unincorporated, of which (i) voting power to elect a majority of the board of directors or others performing similar functions with respect to such other Person is held by the first mentioned Person and/or by any one or more of its Subsidiaries or (ii) at least 50% of the Equity Interests of such other Person is, directly or indirectly, owned or Controlled by such first mentioned Person and/or by any one or more of its Subsidiaries; provided, that for purposes of this Agreement, Cook Inlet/VS GSM VII PCS Holdings, LLC shall be deemed to be a Subsidiary of the Company.

"Tax" (including, with correlative meaning, the terms "Taxes" and "Taxable") shall mean all U.S. federal, state and local and non-U.S. income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions.

"Taxing Authority" means a Governmental Entity or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

"Tax Return" shall mean all returns and reports (including elections, declarations, disclosures, schedules, estimates, and information returns) required to be supplied to a Taxing Authority relating to Taxes.

"Termination Date" shall have the meaning set forth in Section 7.2.

"Termination Transfer" shall have the meaning set forth in Section 7.5(b).

"Third-Party Claim" shall have the meaning set forth in Section 6.3(a).

"Third-Party Claim Notice" shall have the meaning set forth in Section 6.3(a).

"Threshold" shall have the meaning set forth in Section 6.4(a).

"Trade Secret" shall have the meaning set forth in the definition of "Intellectual Property."

"Trademarks" shall have the meaning set forth in the definition of "Intellectual Property."

"Transaction" shall have the meaning set forth in Section 2.1.

"Transfer Taxes" shall mean any and all transfer Taxes (excluding Taxes measured in whole or in part by net income or gain), including sales, use, excise, stock, stamp, documentary, filing, real estate transfer, recording, permit, license, authorization and similar Taxes.

"Transition Period" shall have the meaning set forth in Section 4.21.

"Unresolved Items" shall have the meaning set forth in Section 2.3(e).

1.2. Other Definitional Provisions. Unless the express context otherwise requires:

(a) the words "hereof", "herein", and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(c) any references herein to "Dollars" and "$" are to United States Dollars;

(d) any references herein to a specific Section, Schedule, Annex or Exhibit shall refer, respectively, to Sections, Schedules, Annexes or Exhibits of this Agreement;

(e) wherever the word "include," "includes," or "including" is used in this Agreement, it shall be deemed to be followed by the words "without limitation" and

(f) references herein to any gender includes each other gender.

ARTICLE II
Purchase and Sale; Closing

2.1. Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller will cause Holding to sell, convey, assign, transfer and deliver to Purchaser, free and clear of all Encumbrances, and Purchaser will purchase, acquire and accept from Holding, all of Holding's right, title and interest in and to the Company Shares (including, for the avoidance of doubt, the payment of the Cash Consideration and issuance of the Purchaser Shares to Seller, the "Transaction").

2.2. Payment at Closing. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Purchaser shall:

(a) pay to Seller an amount in cash equal to $25,000,000,000.00 (the "Cash Consideration");

(b) issue and deliver to Seller a number of shares of Purchaser's Common Stock, par value $1.00 per share (the "Purchaser Common Stock"), which may be represented by one or more certificates or may be uncertificated, at Purchaser's election, equal to the quotient obtained by dividing (i) $14,000,000,000.00, plus (A) an amount (positive or negative) equal to the Estimated Closing Free Cash Flow Adjustment Amount, minus (B) the Estimated Closing Discharged Indebtedness, minus (C) the Estimated Divestiture Adjustment Amount, by (ii) the Average Adjusted Closing Price (the "Purchaser Shares," and, together with the Cash Consideration, the "Purchase Price"); provided, that in the event of any dividend or distribution (other than Purchaser's customary cash dividend permitted by Section 4.17(a)), stock split, reverse stock split, stock dividend, reorganization, reclassification, merger, combination, recapitalization, or other like change with respect to or affecting shares of Purchaser Common Stock (or in respect of which a record date or effective date, as applicable, has been declared and passed), and including any stock repurchase or redemption effected on a substantially pro rata basis or in which the majority of Purchaser's stockholders participate, prior to the Closing which affects the number of shares of Purchaser Common Stock Seller should equitably receive, such number of Purchaser Shares shall be equitably adjusted to the extent necessary to provide the parties the same economic effect as contemplated by this Agreement prior to such transaction or declaration; and provided, further, that any payment hereunder to be made in the form of shares of Purchaser Common Stock shall be made only in whole shares, and any fractional shares shall be rounded up to the nearest whole share.

(c) At least 15 Business Days prior to the Closing, Purchaser may elect, by delivery of written notice to Purchaser, to increase the Cash Consideration by up to $4,200,000,000.00 and decrease the number of Purchaser Shares (a "Cash Election"). If Purchaser makes a Cash Election, the number of Purchaser Shares shall be decreased by an amount equal to the quotient obtained by dividing (i) the additional cash being paid as Cash Consideration by (ii) the Average Trading Price; provided, that in no event shall the Cash Election result in a number of Purchaser Shares being issued in the Transaction being less than 5% of the issued and outstanding shares of Purchaser Common Stock as of the Closing (after giving effect to the shares of Purchaser Common Stock issued in the Transaction).

2.3. Purchase Price Adjustment.

(a) Statement of Adjustment.

(i) At least four Business Days prior to the expected Closing Date (and in any event not more than 10 Business Days prior to the actual Closing Date), Seller shall prepare and deliver to Purchaser a statement (the "Estimated Seller Closing Statement") consisting of a calculation in reasonable detail of the estimated Free Cash Flow Adjustment Amount (the "Estimated Closing Free Cash Flow Adjustment Amount") and the estimated amount as of the Closing of Indebtedness of the Company and its Subsidiaries of a type included in the line items set forth on Schedule 2.3(a)(II) of the Seller Disclosure Letter (such Indebtedness as of the Closing Date, the "Closing Discharged Indebtedness," and such estimated Closing Discharged Indebtedness, the "Estimated Closing Discharged Indebtedness"). The Estimated Seller Closing Statement shall be prepared in good faith and in accordance with the accounting principles, practices and methodologies used in the Financial Statements (the "Applicable Accounting Principles") and using the line items set forth on Schedule 2.3(a)(I) and (II) of the Seller Disclosure Letter. Purchaser shall have the right to object to the amounts contained in the Estimated Seller Closing Statement within two Business Days after the delivery of the Estimated Seller Closing Statement to Purchaser. Seller shall in good faith consider the objections, if any, of Purchaser to the Estimated Seller Closing Statement and, if Purchaser has made any objections, will re-issue an Estimated Seller Closing Statement containing the Estimated Closing Discharged Indebtedness no later than two Business Days prior to the Closing Date with any such revisions that Seller has determined in good faith are appropriate.

(ii) At least four Business Days prior to the expected Closing Date (and in any case not more than 10 Business Days prior to the actual Closing Date), Purchaser shall prepare in good faith and deliver to Seller a statement (the "Estimated Purchaser Closing Statement") consisting of a calculation in reasonable detail of the estimated Divestiture Adjustment Amount (the "Estimated Divestiture Adjustment Amount"). Seller shall have the right to object to the amounts contained in the Estimated Purchaser Closing Statement within two Business Days after the delivery of the Estimated Purchaser Closing Statement to Seller. Purchaser shall in good faith consider the objections, if any, of Seller to the Estimated Purchaser Closing Statement and, if

Seller has made any reasonable objections, will re-issue an Estimated Purchaser Closing Statement containing the Estimated Divestiture Adjustment Amount no later than two Business Days prior to the Closing Date with any such revisions that Purchaser has determined in good faith are appropriate.

(b) Closing Statement. As promptly as practicable following the Closing Date (but in any event within 90 days thereafter) Purchaser shall prepare, or cause to be prepared, and deliver to Seller a statement (the "Closing Statement") consisting of a calculation in reasonable detail of the Free Cash Flow Adjustment Amount and Closing Discharged Indebtedness and a calculation of the amount, if any, payable pursuant to Section 2.3(g). The Closing Statement shall be signed by a duly authorized officer and prepared in good faith and in accordance with the Applicable Accounting Principles and using the line items set forth on Schedule 2.3(a)(I) and (II) of the Seller Disclosure Letter. Seller shall provide to Purchaser and its representatives full access to the books and records of the Company and its Subsidiaries and to any other information, including work papers of its accountants and access to employees as Purchaser shall reasonably request in connection with Purchaser's preparation of the Closing Statement.

(c) Closing Statement Dispute Notice. The Closing Statement shall become final, binding and conclusive upon Seller and Purchaser on the 30th day following Seller's receipt of the Closing Statement unless on or prior to such 30th day Seller delivers to Purchaser a written notice (a "Closing Statement Dispute Notice") stating that Seller disputes one or more items contained in the Closing Statement (a "Disputed Item") and specifying in reasonable detail each Disputed Item.

(d) Resolution Period. If Seller delivers a Closing Statement Dispute Notice, then Purchaser and Seller shall seek in good faith to resolve the Disputed Items during the 30-day period beginning on the date Purchaser receives the Closing Statement Dispute Notice (the "Resolution Period"). If Purchaser and Seller reach agreement with respect to any Disputed Items, Purchaser shall revise the Closing Statement to reflect such agreement.

(e) Independent Accountant. If Purchaser and Seller are unable to resolve all Disputed Items during the Resolution Period, then, at the request of either party, Purchaser and Seller shall jointly engage and submit the unresolved Disputed Items (the "Unresolved Items") to the Independent Accountant. Purchaser and Seller shall use their reasonable best efforts to cause the Independent Accountant to issue its written determination regarding the Unresolved Items within 30 days after such items are submitted for review. The Independent Accountant shall make a determination with respect to the Unresolved Items only and in a manner consistent with this Section 2.3 and the Applicable Accounting Principles. Each party shall use its reasonable best efforts to furnish to the Independent Accountant such work papers and other documents and information pertaining to the Unresolved Items as the Independent Accountant may request. The determination of the Independent Accountant shall be final, binding and conclusive on Purchaser and Seller absent manifest error. The fees, expenses and costs of the American Arbitration Association and the Independent Accountant shall be borne in the same proportion as the aggregate amount of the Unresolved Items that is unsuccessfully disputed by each (as determined by the Independent Accountant) bears to the total amount of the Unresolved Items submitted to the Independent Accountant.

(f) Access to Information. Purchaser shall provide promptly to Seller and its representatives full access to the books and records of the Company and its Subsidiaries and to any other information and access to employees as Seller shall reasonably request in connection with Seller's review of the Closing Statement, including all work papers of the accountants who audited, compiled or reviewed the Closing Statement or the underlying accounting data.

(g) Final Cash Adjustment.

(i) If the Free Cash Flow Adjustment Amount as of the Closing as set forth on the final Closing Statement or as determined by the Independent Accountant, as applicable, (A) exceeds the Estimated Closing Free Cash Flow Adjustment Amount, then Purchaser shall pay Seller an amount equal to such excess, or (B) is exceeded by the Estimated Closing Free Cash Flow Adjustment Amount, then Seller shall pay Purchaser an amount equal to such excess.

(ii) If the Closing Discharged Indebtedness of the Company and its Subsidiaries as set forth on the final Closing Statement or as determined by the Independent Accountant, as applicable, (A) exceeds the Estimated Closing Discharged Indebtedness, then Seller shall pay Purchaser an amount equal to such excess, or (B) is exceeded by the Estimated Closing Discharged Indebtedness, then Purchaser shall pay Seller an amount equal to such excess.

(iii) The party that is required to make a payment pursuant to this Section 2.3 shall make such payment within five Business Days after the Closing Statement is finalized pursuant to clause (c), (d) or (e) of this Section 2.3.

(iv) Any payment under this Section 2.3(g) shall be made in cash; provided, that payments to be made by one party under this Section 2.3(g) may be set off and netted against payments to be made by the other party under this Section 2.3(g).

(h) Final Divestiture Adjustment.

(i) As promptly as practicable after the Closing Date (but in any event within 90 days thereafter) Seller shall prepare in good faith and deliver to Purchaser a statement setting forth in reasonable detail any continuing disagreements ("Divestiture Disputes") with the Estimated Purchaser Closing Statement, a calculation in reasonable detail of the Divestiture Adjustment Amount and a calculation of the amount, if any, payable pursuant to this Section 2.3(h). Seller and Purchaser shall attempt in good faith for 30 days to resolve such Divestiture Disputes. If a resolution cannot be reached through good faith negotiation within 30 days then, at the request of either Purchaser or Seller, Purchaser and Seller shall jointly engage and submit the unresolved Divestiture Disputes to the Independent Accountant, and such Divestiture Disputes shall be resolved in accordance with Section 2.3(e) (with such Divestiture Disputes deemed to be "Unresolved Items" for this purpose).

(ii) If the Divestiture Adjustment Amount as set forth in the statement delivered pursuant to Section 2.3(h)(i) (as may be amended pursuant to Section 2.3(h)(i)) (A) exceeds the Estimated Divestiture Adjustment Amount, then Seller shall pay Purchaser an amount equal to such excess, or (B) is exceeded by the Estimated Divestiture Adjustment Amount, then Purchaser shall pay Seller an amount equal to such excess.

(iii) The party that is required to make a payment pursuant to this Section 2.3(h) shall make such payment within five Business Days after the later of the delivery of the statement pursuant to Section 2.3(h)(i) and the final determination of all Divestiture Disputes pursuant to Section 2.3(e).

(i) Divestiture Proceeds. If, in accordance with its obligations under Section 4.6, Purchaser shall be required to or have agreed to make any Divestiture Sales, then from time to time upon the receipt of any consideration in respect of assets that are or will be the subject of any Divestiture Sale or any distributions or other proceeds received or retained from such assets, but in no event later than promptly following the completion of such Divestiture Sale (or upon the subsequent receipt of any such consideration, distributions, or proceeds received following the completion of any such Divestiture Sale in respect of such Divestiture Sale), Purchaser shall pay to Seller in U.S. Dollars an amount equal to (i) with respect to a Market Divestiture, the product of (A) the fair market value of the consideration distributions or other proceeds received by Purchaser, the Company or their Subsidiaries in such Market Divestiture net of all reasonable costs and expenses, including applicable taxes (calculated using an assumed combined U.S. federal and state tax rate of 35% with respect to taxable income or gain recognized in such Divestiture Sale) and fees paid or required to be paid with respect to such Divestiture Sale, and (B) the Market Divestiture Proceeds Percentage and (ii) with respect to Spectrum Divestitures, the product of (A) the fair market value of the consideration or other proceeds received by Purchaser, the Company or their Subsidiaries in such Spectrum Divestiture net of all reasonable costs and expenses, including applicable taxes (calculated using an assumed combined U.S. federal and state tax rate of 35% with respect to taxable income or gain recognized in such Divestiture Sale) and fees paid or required to be paid with respect to such Divestiture Sale, and (B) the Spectrum Divestiture Proceeds Percentage. If any Divestiture Sale provides for potential post-closing indemnity or other payments by the Company or any of its Affiliates (including, after the Closing, Purchaser and its Affiliates) and such payments are actually made, Seller agrees to reimburse Purchaser from time to time for any difference in the amount that would have been paid to Seller pursuant to this Section 2.3(i) if the proceeds of the Divestiture Sale had been reduced by the amount of post-Closing indemnity or other payments. The provisions of this Section 2.3(i) shall not apply unless the Divestiture Adjustment Amount is greater than $0.

(j) Method of Payment, Interest, etc. Any amount paid pursuant to Section 2.3(g) or 2.3(h) shall be (i) increased by interest on such amount, compounded daily, at an annual interest rate equal to 3%, from the Closing Date to and including the date of payment based on a 365 day year, and (ii) made by wire transfer of immediately available cash funds to an account designated by the receiving party. Except to the extent otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, payments pursuant to Section 2.3(g), 2.3(h) or 2.3(i) shall be treated as an adjustment to the Purchase Price for income Tax purposes.

2.4. Closing. The closing of the Transaction (the "Closing") shall take place at the offices of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004, at 9:00 A.M., local time, on the fifth Business Day following the satisfaction or waiver of the conditions set forth in Article V (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) or at such other time and place as the parties may agree in writing. The "Closing Date" shall be the date upon which the Closing occurs.

ARTICLE III
Representations and Warranties

3.1. Representations and Warranties Regarding Seller, Global and Holding. Seller hereby represents and warrants to Purchaser, as of the date hereof and as of the Closing, as follows:

(a) Organization and Good Standing. Each of Seller, Global and Holding has been duly organized, is validly existing and is in good standing under the Laws of Germany. Prior to the date hereof, Purchaser has been provided with complete and correct copies of Global's and Holding's Organizational Documents.

(b) Authorization. Seller has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Transaction. Holding has all requisite power and authority to sell the Company Shares. The execution and delivery by Seller of this Agreement, the performance of its obligations hereunder and the consummation by Seller of the Transaction have been duly authorized by all necessary action of Seller, Global and Holding. This Agreement has been duly executed and delivered by Seller and, assuming the due authorization, execution and delivery of this Agreement by Purchaser, constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equitable principles. No authorization by the stockholders of Seller is required to consummate the Transaction.

(c) No Conflicts. The execution and delivery of this Agreement by Seller, the performance of its obligations hereunder and the consummation of the Transaction, will not constitute or result in (i) a breach or violation of, or a default under, the Organizational Documents of Seller, Global or Holding or (ii) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, the change of any rights of Seller, Global or Holding under, or the creation of an Encumbrance on, any of the assets of Seller, Global or Holding (with or without notice, lapse of time or both) pursuant to any contract of Seller, Global or Holding, except, in the case of clause (ii) for any such breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to prevent, materially delay or materially impair the ability of Seller to consummate the Transaction.

(d) Ownership of Global, Holding and Company Shares.

(i) Seller is the record and beneficial owner of, and has good and valid title to, all of the issued and outstanding shares of capital stock of Global and Global is the record and beneficial owner of, and has good and valid title to, all of the issued and outstanding shares of capital stock of Holding. Holding is the record and beneficial owner of, and has good and valid title to, the Company Shares, free and clear of any Encumbrances, and consummation of the Transaction will vest good and valid title to the Company Shares in Purchaser, free and clear of any Encumbrances.

(ii) There are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character under which Seller, Global or Holding is or may become obligated to sell, or giving any Person a right to acquire, or in any way dispose of, any of the Company Shares or any securities or obligations exercisable or exchangeable for, or convertible into, any of the Company Shares, and no securities or obligations evidencing such rights are authorized, issued or outstanding. The Company Shares are not subject to any voting trust agreement or other contract, agreement or arrangement restricting or otherwise relating to the voting, dividend rights or disposition of the Company Shares.

(e) Brokers and Finders. Neither Seller, on its own behalf or on behalf of Global, Holding or the Company, nor any of Seller's, Global's, Holding's or the Company's respective officers, directors or employees has employed any broker or finder for which Seller (or a Subsidiary of Seller other than the Company and its Subsidiaries) is not responsible for such broker's or finder's fees or incurred any Liability for any brokerage fees, commissions or finder's fees in connection with the Transaction for which Seller (or a Subsidiary of Seller other than the Company and its Subsidiaries) is not responsible.

(f) Licenses. Schedule 3.1(f) of the Seller Disclosure Letter sets forth a true and complete list, as of the date hereof, of all Licenses from the FCC or any PUC held by Seller and its Subsidiaries (other than the Company and its Subsidiaries).

(g) Ownership of Purchaser Common Stock. As of the date hereof, Seller does not Beneficially Own any shares of Purchaser Common Stock.

3.2. Representations and Warranties Regarding the Company and its Subsidiaries. Except as set forth in the corresponding sections of the disclosure letter delivered to Purchaser on or prior to entering into this Agreement (the "Seller Disclosure Letter") (it being agreed that disclosure of any item in any part of the Seller Disclosure Letter shall be deemed disclosure with respect to any other part to which the relevance of such item is reasonably apparent) or as set forth in the Financial Statements, Seller hereby represents and warrants to Purchaser that as of the date hereof and as of the Closing:

(a) Organization, Good Standing and Qualification. Each of the Company and its Subsidiaries is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite power and authority to own and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing in each jurisdiction where the ownership or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in good standing or to have such power or authority would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. Prior to the date hereof, Purchaser has been provided with complete and correct copies of each of the Company's and its Subsidiaries' Organizational Documents, and each as so delivered is in full force and effect.

(b) Capitalization.

(i) The authorized capital stock of the Company consists solely of 500,000,000 shares of common stock, $0.000001 par value per share ("Company Common Stock"), of which 292,669,971 shares are issued and outstanding and 10,000,000 shares of preferred stock, par value $0.001 par value per share, of which no shares are issued and outstanding. The Company Shares represent all shares of Company Common Stock issued and outstanding. All of the shares of Company Common Stock (A) have been duly authorized and validly issued, (B) are fully paid and nonassessable, and (C) were issued in compliance with all applicable Laws concerning the issuance of securities. There are no other Equity Interests of the Company issued, authorized or outstanding.

(ii) There are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character under which the Company is or may become obligated to issue or sell, or giving any Person a right to subscribe for or acquire, or in any way dispose of, any Equity Interests of the Company or any securities or obligations exercisable or exchangeable for, or convertible into, any Equity Interests of the Company, and no securities or obligations evidencing such rights are authorized, issued or outstanding. The outstanding shares of Company Common Stock are not subject to any voting trust agreement or other contract, agreement or arrangement restricting or otherwise relating to the voting, dividend rights or disposition of such Equity Interests. There are no phantom stock or similar rights providing economic benefits based, directly or indirectly, on the value or price of the Equity Interests of the Company.

(c) Subsidiaries.

(i) A true and complete list of the Subsidiaries of the Company as of the date hereof is set forth on Schedule 3.2(c)(i) of the Seller Disclosure Letter, and such list sets forth, with respect to each such Subsidiary, as of the date hereof (A) its jurisdiction of organization or formation, (B) the direct or indirect ownership interest of the Company in each Subsidiary, as well as the ownership interest of any other Person in each Subsidiary that is not wholly owned, directly or indirectly, by the Company, and (C) the Company's or its Subsidiaries' direct or indirect Equity Interests in any other Person.

(ii) All of the Equity Interests of each Subsidiary of the Company owned by the Company are owned free and clear of any Encumbrances. There are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character under which any Subsidiary of the Company is or may become obligated to issue or sell, or giving any Person a right to subscribe for or acquire, or in any way dispose of, any Equity Interests of any Subsidiary of the Company or any securities or obligations exercisable or exchangeable for, or convertible into, any Equity Interests of any Subsidiary of the Company, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(iii) All of the outstanding Equity Interests of the Subsidiaries of the Company have been duly authorized and are validly issued, fully paid and nonassessable. The outstanding Equity Interests of each Subsidiary of the Company are not subject to any voting trust agreement or other contract, agreement or arrangement restricting or otherwise relating to the voting, dividend rights or disposition of such Equity Interests. There are no phantom stock or similar rights providing economic benefits based, directly or indirectly, on the value or price of the Equity Interests of any Subsidiary of the Company. The Company does not own, directly or indirectly, any Equity Interests in any Person that is not a Subsidiary of the Company.

(d) Governmental Filings; No Conflicts.

(i) Other than the reports, filings, registrations, consents, approvals, permits, authorizations and/or notices (A) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (B) European Union Council Regulation (EC) No. 139/2004 of January 20, 2004 (the "EC Merger Regulation"), (C) with or to the Federal Communications Commission (the "FCC") pursuant to the Communications Act of 1934, as amended (the "Communications Act"), or (D) pursuant to any applicable state or territorial public utility Laws and rules, regulations and orders of any state or territorial public utility commissions ("PUCs") or similar foreign public utility Laws and rules, regulations and orders of any regulatory bodies regulating telecommunications businesses, in respect of the jurisdictions set forth on Schedule 3.2(d) of the Seller Disclosure Letter, no notices, reports or other filings are required to be made or effected by Seller, Global, Holding, the Company or its Subsidiaries with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Seller, Global, Holding, the Company or its Subsidiaries from, any domestic or foreign governmental or regulatory authority, agency, commission, body or other governmental entity ("Governmental Entity") in connection with the execution and delivery of this Agreement by Seller or the performance of its obligations hereunder, except those that the failure to make, effect, or obtain would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(ii) The execution and delivery of this Agreement by Seller, the performance of its obligations hereunder and the consummation of the Transaction will not constitute or result in (A) a breach or violation of, or a default under, the Organizational Documents of the Company or of any of its Subsidiaries; (B) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, the change of any rights of the Company or any of its Subsidiaries under, or the creation of an Encumbrance (other than an Encumbrance set forth in clauses (i) through (iv) of the definition of Permitted Encumbrance) on, any of the assets of the Company or any of its Subsidiaries (with or without notice, lapse of time or both) pursuant to, any contract; or (C) conflict with, breach or violate any Law applicable to Seller, Global, Holding or the Company or any of their respective Subsidiaries or by which its or by which any of their properties are bound or affected, except, in the case of clause (B) or (C), for any such breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(e) Financial Statements; Undisclosed Liabilities.

(i) Prior to the date hereof, Purchaser has been provided with complete and correct copies of the audited consolidated statements of operations and comprehensive income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries for the fiscal years ended December 31, 2008, 2009 and 2010 and consolidated balance sheets of the Company and its Subsidiaries as at such dates (the "Financial Statements"). The Financial Statements (A) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be noted therein or in the notes thereto; (B) present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as at the dates thereof and the consolidated results of operations and comprehensive income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries for the periods then ended; and (C) accurately reflect in all material respects the books of account and other financial records of the Company and its Subsidiaries.

(ii) Neither the Company nor any of its Subsidiaries has any Liabilities except for (A) Liabilities reflected or reserved against on the balance sheet included in, or otherwise disclosed in, the Financial Statements and not heretofore paid or discharged; (B) Liabilities incurred since December 31, 2010 in the ordinary course of business consistent with past practice; or (C) Liabilities that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(f) Litigation. There is no civil, criminal or administrative action, suit, demand, claim or hearing, or, to the Knowledge of the Company, proceeding or investigation pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries, except those that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect and those first arising after the date hereof in the ordinary course of business. Neither the Company nor any of its Subsidiaries is a party to, or subject to the provisions of, any judgment, order, writ, injunction, decree or award of any Governmental Entity that was issued by the FCC that would, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. No representation or warranty is made in this Section 3.2(f) with respect to Tax matters, which shall be governed exclusively by Section 3.2(g) (Employee Benefits) and 3.2(l) (Taxes), or environmental matters, which shall be governed exclusively by Section 3.2(k) (Environmental Matters).

(g) Employee Benefits.

(i) All benefit and compensation plans, contracts, agreements, policies or arrangements sponsored or contributed to by the Company or any of its Subsidiaries (or for which the Company or any of its Subsidiaries could have any liability), including "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and employment agreements, deferred compensation, change of control, retention, stock option, stock purchase, stock appreciation, stock based, incentive, severance and bonus plans (other than any immaterial benefit plans) (the "Benefit Plans") in effect as of the date hereof are listed on Schedule 3.2(g) of the Seller Disclosure Letter. True and complete copies of all Benefit Plans listed on Schedule 3.2(g) of the Seller Disclosure Letter, and of all related material funding documents, have been provided or made available to Purchaser prior to the date hereof.

(ii) Each Benefit Plan was established and, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, has been maintained and administered in compliance in all respects with the terms thereof and the applicable requirements of ERISA, the Internal Revenue Code of 1986, as amended (the "Code"), and any other applicable Law. Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the Internal Revenue Service (the "IRS") with respect to its qualified status under Section 401(a) of the Code or has pending or has time remaining in which to file an application for such determination from the IRS (or the Company and its Subsidiaries are entitled to rely on a favorable opinion or advisory letter issued by the IRS in accordance with Revenue Procedure 2005-16 with respect to the qualified status of the plan document), and, to the Knowledge of the Company, there is no fact or circumstance that exists that would, individually or in the aggregate, reasonably be likely to give rise to the revocation of such qualified status. All contributions required to be made under the terms of any Benefit Plan (including all employer contributions and employee salary reduction contributions) have been timely made or are reflected in the Financial Statements as at the dates thereof. No event has occurred and no condition exists that would, individually or in the aggregate, reasonably be likely to subject the Company or any of its Subsidiaries to any material Tax, fine, lien, penalty or other liability imposed by ERISA or the Code in respect of any Benefit Plan.

(iii) Neither the Company nor any ERISA Affiliate maintains or contributes to or has within the past six complete calendar years maintained or contributed to, or been required to contribute to, an "employee pension benefit plan" (within the meaning of Section 3(2) of ERISA) that is subject to Title IV of ERISA, is a "multiemployer plan" (within the meaning of Section 3(37) of ERISA) or is a multiple employer plan (within the meaning of Section 4063 of ERISA or Section 413(c) of the Code) or, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, has any liability, directly or indirectly, with respect to such plans. Except as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or similar state or local law or as is reflected on the Financial Statements, neither the Company nor any ERISA Affiliate is obligated to provide any retiree health or life insurance benefits to any employee or former employees of the Company or any ERISA Affiliate.

(iv) Excluding claims for benefits under any Benefit Plan and except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, (A) there is no action, suit, audit or claim or, to the Knowledge of the Company, proceeding or investigation pending against or involving or threatened against or involving any Benefit Plan before any court or arbitrator or any Governmental Entity, or federal, state or local official that would, individually or in the aggregate, reasonably be likely to subject the Company or any of its Subsidiaries to a material liability, except those first arising after the date hereof in the ordinary course of business and (B) to the Knowledge of the Company, there are no facts or circumstances existing that would, individually or in the aggregate, reasonably be likely to give rise to such actions, suits, audits, claims or proceedings.

(v) There has been no amendment to or announcement by, the Company or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Benefit Plan that would increase materially the expense of maintaining such plan above the level of the expense incurred therefor for the most recent fiscal year.

(vi) Neither the execution of this Agreement nor the consummation of the Transaction will (whether alone or in connection with any other event(s)): (A) entitle any employee of the Company or any of its Subsidiaries to severance pay or any increase in severance pay (or other compensation or benefits) upon any termination of employment; (B) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of any compensation or benefits under, or increase the amount payable pursuant to, any of the Benefit Plans; (C) limit or restrict the right of the Company or any of its Subsidiaries or, after the consummation of the Transaction, Purchaser or any of its Subsidiaries, to merge, amend or terminate any of the Benefit Plans (other than solely pursuant to applicable Law); or (D) result in payments under any of the Benefit Plans that would not be deductible under Section 280G of the Code.

(vii) No Benefit Plan provides any person with any amount of additional compensation if such individual is provided amounts subject to excise or additional taxes imposed under Sections 409A or 4999 of the Code.

(viii) Each Benefit Plan that is a "nonqualified deferred compensation plan" (as defined under Section 409A(d)(1) of the Code) is, except as would not result in a material liability, in documentary compliance with Section 409A of the Code and the guidance provided thereunder and has been operated and administered in compliance in all material respects with Section 409A of the Code and the guidance provided thereunder.

(h) Compliance with Laws; Licenses.

(i) The business of the Company and its Subsidiaries has not been, and is not being, conducted in violation of any federal, state, local or foreign law, statute or ordinance, common law or any rule, regulation, guideline, standard, judgment, order, writ, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (collectively, "Laws"), except for violations that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. No investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is, to the Knowledge of the Company, pending or threatened, nor has any Governmental Entity indicated an intention to conduct the same, except for such investigations or reviews that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect; provided, that such exception shall not apply to such investigations or reviews by the FCC or the Department of Justice. The Company and its Subsidiaries each has obtained and is in compliance with all permits, licenses, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by a Governmental Entity ("Licenses") necessary to conduct its business as presently conducted, except those the absence of which would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect (the "Material Licenses").

(ii) Schedule 3.2(h)(ii) of the Seller Disclosure Letter sets forth a true and complete list, as of the date hereof, of (A) all Material Licenses and, to the extent not otherwise constituting Material Licenses, all Licenses issued or granted to the Company or any of its Subsidiaries by the FCC and all leases for the use of wireless spectrum licensed to other FCC licensees (such licenses and leases, "FCC Licenses") (other than point to point microwave licenses, business radio licenses, experimental licenses and

Section 214 certificates), all Licenses issued or granted to the Company or any of its Subsidiaries by PUCs regulating telecommunications businesses ("State Licenses"), and all Licenses issued or granted to the Company or any of its Subsidiaries by foreign Governmental Entities regulating telecommunications businesses (collectively with the Material Licenses, FCC Licenses and State Licenses, the "Communications Licenses"); (B) all pending applications for Licenses that would be Communications Licenses if issued or granted; and (C) all pending applications by the Company or any of its Subsidiaries for modification, extension or renewal of any Communications License. Each of the Company and its Subsidiaries is in compliance with its obligations under each of the FCC Licenses and the rules and regulations of the FCC, and with its obligations under each of the FCC Licenses and State Licenses, in each case, except for such failures to be in compliance with Licenses that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. To the Knowledge of the Company, there is not pending or threatened before the FCC, the Federal Aviation Administration (the "FAA") or any other Governmental Entity any proceeding, notice of violation, order of forfeiture or complaint or investigation against the Company or any of its Subsidiaries relating to any of the Communications Licenses, in each case, except that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. The FCC actions granting all FCC Licenses, together with all underlying construction permits, have not been reversed, stayed, enjoined, annulled or suspended, and there is not pending or, to the Knowledge of the Company, threatened any application, petition, objection or other pleading with the FCC, the FAA or any other Governmental Entity that challenges or questions the validity of or any rights of the holder under any such FCC License, in each case, except that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(iii) Except for immaterial matters, Seller validly holds the FCC Licenses and the FCC Licenses are validly issued in the name of the Company or one of its Subsidiaries. The FCC Licenses are in full force and effect and are free and clear of all Encumbrances or any restrictions which might, individually or in the aggregate, limit the full operation of the FCC Licenses in any material respect.

(iv) All of the currently operating cell sites and microwave paths of the Company and its Subsidiaries in respect of which a filing with the FCC was required have been constructed and are currently operated as represented to the FCC in currently effective filings, and modifications to such cell sites and microwave paths have been preceded by the submission to the FCC of all required filings, in each case, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(v) All transmission towers owned or leased by the Company and its Subsidiaries are obstruction-marked and lighted by the Company or its Subsidiaries to the extent required by, and in accordance with, the rules and regulations of the FAA (the "FAA Rules"), except that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. Appropriate notification to the FAA has been made for each transmission tower owned or leased by the Company and its Subsidiaries to the extent required to be made by the Company or any of its Subsidiaries by, and in accordance with, the FAA Rules, in each case, except that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(vi) Neither the Company nor any of its Subsidiaries holds any FCC Licenses through a partnership, joint venture or other Person that is not a Subsidiary of the Company.

(vii) The Company does not hold any License to offer, and does not offer, any services or features other than wireless voice and data services and features, and any ancillary services or features thereto. The Company and its Subsidiaries do not conduct any business other than the Business.

(viii) No representation or warranty is made in this Section 3.2(h) with respect to Tax matters, which shall be governed exclusively by Sections 3.2(g) (Employee Benefits) and 3.2(l) (Taxes), or environmental matters, which shall be governed exclusively by Section 3.2(k) (Environmental Matters).

(i) Absence of Certain Changes. Since December 31, 2010 and, prior to the date hereof, the Company and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than in accordance with, the ordinary course of such businesses consistent with past practice, and there has not been any:

(i) change in the financial condition, properties, assets, liabilities, business, prospects or results of their operations or any circumstance, occurrence or development (including any adverse change with respect to any circumstance, occurrence or development existing on or prior to December 31, 2010) that, individually or in the aggregate, has had or would reasonably be likely to have a Company Material Adverse Effect;

(ii) merger or consolidation between the Company or any of its Subsidiaries with any other Person, except for any such transactions among wholly-owned Subsidiaries of the Company, or any restructuring, reorganization or complete or partial liquidation or similar transaction or the entry into any agreements or arrangements imposing material changes or restrictions on its assets, operations or businesses;

(iii) acquisition of assets outside of the ordinary course of business consistent with past practice;

(iv) creation or incurrence of (x) any Encumbrance on any FCC licenses or (y) any Encumbrance (other than any Encumbrance set forth in clauses (i) through (iv) of the definition of Permitted Encumbrances) on the other assets of the

Company or its Subsidiaries that are, individually or in the aggregate, material to the Company or any of its Subsidiaries;

(v) loan, advance, guarantee or capital contribution to, or investment in any Person (other than any of the foregoing to or on behalf of the Company or any direct or indirect wholly-owned Subsidiary of the Company and other than loans or advances to employees and contractors in the ordinary course of business consistent with past practices in an amount not to exceed $250,000 individually);

(vi) material damage, destruction or other casualty loss with respect to any material asset, or Owned Real Property, Leased Real Property or property otherwise used by the Company or any of its Subsidiaries, whether or not covered by insurance;

(vii) declaration, setting aside or payment of any non-cash distribution with respect to any Equity Interests of the Company or any of its Subsidiaries (except for distributions by any direct or indirect wholly-owned Subsidiary of the Company);

(viii) incurrence of any Indebtedness for borrowed money other than from Seller or any of its wholly-owned Subsidiaries;

(ix) material change in any method of financial accounting or accounting practice by the Company or any of its Subsidiaries, except for any such change required by changes in GAAP or applicable Law;

(x) increase in the compensation payable or to become payable to its officers or employees (except for increases in the ordinary course of business and consistent with past practice);

(xi) fundamental change to any of the important elements of the network technologies or principal billing systems of the Company and its Subsidiaries (excluding system upgrades, equipment replacement and similar matters, in each case within the same fundamental framework of such network technologies and billing systems); or

(xii) agreement to do any of the foregoing.

(j) Insurance. All material fire and casualty, general liability, business interruption, product liability and sprinkler and water damage insurance policies maintained by the Company or any of its Subsidiaries ("Insurance Policies"), together with adequately capitalized self-insurance arrangements, provide adequate coverage for all normal risks incident to the business of the Company and its Subsidiaries and their respective properties and assets, except for any such failures to maintain such Insurance Policies that would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. As of the date hereof, neither the Company nor any of its Subsidiaries has received any written notice of cancellation of any material Insurance Policy.

(k) Environmental Matters. Except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect:

(i) since the date that is four years prior to the date hereof, the Company and its Subsidiaries have been in compliance with all applicable Environmental Laws and have not incurred any Liabilities concerning any Environmental Laws with respect to the business of the Company and its Subsidiaries;

(ii) there are no writs, injunctions, decrees, awards, orders or judgments outstanding, or any actions, suits, demands, claims or hearings or, to the Knowledge of the Company, proceedings or investigations pending or, to the Knowledge of the Company, threatened, relating to compliance with, or Liability under, any Environmental Law affecting the business of the Company and its Subsidiaries, other than those first arising after the date hereof in the ordinary course of business;

(iii) to the Knowledge of the Company, there has been no release, threatened release, contamination or disposal of Hazardous Substances at any property currently or formerly owned or operated in connection with the business of the Company and its Subsidiaries (including in soils, groundwater, surface water, buildings or other structures) or at any third-party property, or from any waste generated by the Company or any of its Subsidiaries or any legally responsible predecessor corporation thereof, that has given or would, individually or in the aggregate, reasonably be likely to give rise to any Liability under any Environmental Law for which the Company or any of its Subsidiaries would incur or share Liability; and

(iv) there are no consent decrees, orders or similar agreements with any Governmental Entity imposing restrictions on the ownership, use or transfer of any real property relating to, or derived from, any Environmental Law, and there are no indemnification or other agreements with any third party (other than ordinary course provisions in leases of real property or in agreements for the acquisition or disposition of assets or businesses) relating to any Liability or potential Liability under any Environmental Law.

(l) Taxes. Except as would not have and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(i)(A) All Tax Returns required to be filed by, or on behalf of, or with respect to, the Company and each of its Subsidiaries have been timely filed (taking into account extensions) with the appropriate Taxing Authority and all such Tax Returns are true and complete, and (B) the Company has, or has caused each of its Subsidiaries to, duly and timely pay all Taxes due and payable, including Taxes required to be withheld from amounts owing to any employee, creditor, shareholder or other third party, except in each case of clauses (A) and (B), with respect to matters contested in good faith or for which adequate reserves have been established, in accordance with GAAP, in the most recent Financial Statements, as adjusted to reflect operations in the ordinary course of business since the date thereof.

(ii) All deficiencies or assessments made in writing as a result of any audit, examination or investigation by any Taxing Authority of Tax Returns of the Company and its Subsidiaries that are due and payable have been fully paid, and no other audits, examination or investigations by any Taxing Authority relating to any Tax Returns of the Company and its Subsidiaries are in progress. Neither the Company nor any of its Subsidiaries have received written notice from any Taxing Authority of the commencement of any audit, examination or investigation not yet in progress. There is no action, suit, demand, claim or hearing or, to the Knowledge of the Company, proceeding, relating to Taxes pending or, to the Knowledge of the Company, threatened, against the Company or any of its Subsidiaries.

(iii) Neither the Company nor any of its Subsidiaries is a party to any Tax indemnification, Tax allocation or Tax sharing agreement pursuant to which the Company or any of its Subsidiaries, as applicable, will have any obligation to make any payments after the Closing Date, other than (A) any agreements solely among the Company and/or its Subsidiaries and (B) Tax provision in loan agreements, leases, license agreement and other commercial agreements the principal purpose of which does not relate to Taxes. Neither the Company nor any of Subsidiaries is or could be liable for Taxes of any Person (other than of a member of the affiliated group for U.S. federal income tax purposes of which the Company or any of its Subsidiaries is or was the common parent) (A) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign Law), (B) as a transferee or successor, or (C) otherwise, for any taxable period (or portion thereof) ending on or before the Closing Date for which the applicable statute of limitations (including extensions) is not closed.

(iv) In the past five years, the Company has not received any IRS private letter ruling or entered into any closing agreements within the meaning of Section 7121 of the Code relating to or with respect to the income and/or assets of the Company or any of its Subsidiaries. There are no pending requests by the Company or any of its Subsidiaries for an IRS private letter ruling.

(v) There are no Encumbrances for Taxes upon any assets of the Company or any of its Subsidiaries other than Permitted Encumbrances.

(vi) Within the preceding three years, no written claim has been received by the Company or any of its Subsidiaries from a Taxing Authority in any jurisdiction where the Company or any of its Subsidiaries does not file income or franchise Tax Returns asserting that the Company or any of its Subsidiaries is or may be subject to taxation by such jurisdiction.

(vii) Neither the Company nor any of its Subsidiaries has granted any currently effective waiver, extension or comparable consent regarding the application of the statute of limitations with respect to any Taxes or Tax Return, nor has any request for any such waiver, extension or consent been made.

(viii) Within the preceding three years, neither the Company nor any of its Subsidiaries has been a distributing or controlled corporation in a transaction to which Section 355 of the Code applies.

(ix) Neither the Company nor any of its Subsidiaries has participated in a "listed transaction" within the meaning of Section 1.6011-4(b)(2) of the Treasury Regulations.

(m) Labor Matters.

(i) As of the date hereof, none of the Company or its Subsidiaries is party to or otherwise bound by any labor and collective bargaining agreements, contracts or other agreements or understandings with a labor union or labor organization.

(ii) To the Knowledge of the Company and as of the date hereof, neither the Company nor any of its Subsidiaries is the subject of any proceeding asserting that it has committed an unfair labor practice or seeking to compel it to bargain with any labor union or labor organization.

(iii) As of the date hereof, no material labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving the Company or its Subsidiaries is pending or, to the Knowledge of the Company, threatened, nor has there been since December 31, 2008.

(n) Intellectual Property.

(i) All Intellectual Property owned or held exclusively by the Company and its Subsidiaries ("Owned Intellectual Property") is exclusively owned or held (beneficially and of record, where applicable) by the Company or one of its Subsidiaries, free and clear of all Encumbrances (other than Permitted Encumbrances), and is not subject to any open source or similar license agreement or distribution model, or to any commitments to any standards-setting or similar organization, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. The Owned Intellectual Property is valid, subsisting and enforceable, and is not subject to any outstanding order, judgment, decree or agreement adversely affecting the Company's or its Subsidiaries' use of, or their rights to, such Intellectual Property, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(ii) The Company and its Subsidiaries have sufficient rights to use all material Intellectual Property used in, or necessary for the conduct of their business as presently conducted, all of which rights shall survive unchanged the consummation of the Transaction. The Company and its Subsidiaries have taken commercially reasonable measures to protect the Owned Intellectual Property, and to protect the confidentiality of all Trade Secrets that are owned, used or held for use by the Company and its Subsidiaries. The Company and each of its Subsidiaries maintains a policy requiring that upon their hire, employees of the Company and its Subsidiaries execute confidentiality and intellectual property assignment agreements which prohibit such employees from disclosing the Company's and its Subsidiaries' Trade Secrets and confidential information without the written approval of an officer of the Company and which assign to the Company all Intellectual Property rights developed by such employees during the course of their employment with the Company or its Subsidiaries.

(iii) Neither the Company nor any of its Subsidiaries has infringed, misappropriated or otherwise violated the Intellectual Property rights of any third party in the past six years, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. There is no litigation, opposition, cancellation, proceeding, objection or claim pending, asserted or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries concerning the ownership, validity, registrability, enforceability, infringement or use of, or licensed right to use, any Intellectual Property, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. To the Knowledge of the Company, no Person is infringing, misappropriating or otherwise violating any Owned Intellectual Property right of the Company or its Subsidiaries.

(iv) The material IT Assets used by the Company or any of its Subsidiaries operate and perform as needed by the Company and its Subsidiaries to adequately conduct their respective businesses as presently conducted and, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect, the data therein have not been subject to unauthorized access by any Person.

(o) Contracts.

(i) Schedule 3.2(o) of the Seller Disclosure Letter lists all Material Contracts in effect as of the date hereof (other than Intellectual Property Contracts that are to be delivered pursuant to Section 4.2(a)(iv)). The term "Material Contracts" means all of the following types of Company Contracts (other than Organizational Documents of the Company and its Subsidiaries, Benefit Plans or other agreements related to employee benefits and agreements related to labor matters to the extent that such items are provided for in Sections 3.2(g) (Employee Benefits) and 3.2(m) (Labor Matters), respectively):

(A) Company Contracts evidencing Indebtedness for borrowed money with a principal amount greater than $100,000,000.00;

(B) joint venture, partnership, limited partnership or limited liability company agreements relating to the formation, creation, operation, existence, management or control of any joint venture, partnership, limited partnership or limited liability company that is not wholly owned, directly or indirectly by the Company;

(C) each Company Contract for distribution, supply, inventory, purchase, license or advertising or similar agreement that is reasonably likely to involve consideration of more than $300,000,000.00 in the aggregate in any 12-month period, other than any such contract that can be cancelled without penalty or further payment on 90 or fewer days' notice;

(D) stock purchase agreements, asset purchase agreements and other Company Contracts relating to the acquisition, lease or disposition by the Company or any of its Subsidiaries of assets and properties or any Equity Interest of the Company or any of its Subsidiaries for consideration in excess of $100,000,000.00 or under which the Company or any of its Subsidiaries has any indemnification obligations or any other on-going obligations that would reasonably be likely to result in payments in excess of $50,000,000.00;

(E) Company Contracts that are reasonably likely to involve consideration of more than $300,000,000.00 in any 12-month period or involved consideration of more than $300,000,000.00 in the aggregate during calendar year 2010 or $600,000,000.00 in the aggregate over the term of such Company Contract;

(F) any Company Contract that would reasonably be likely to involve consideration of more than $50,000,000.00 in any 12-month period that is an interconnection, bundling or similar agreement in connection with which the equipment, networks and services of the Company or any of its Subsidiaries are connected to those of another service provider in order to allow their respective customers access to each other's services and networks (except for those that are terminable, without penalty, on 12 months or less notice);

(G) any Company Contract that would reasonably be likely to involve consideration of more than $100,000,000.00 in any 12-month period that is an agency, dealer, reseller, franchise or other similar contract (except for those that are terminable, without penalty, on 90 days or less notice);

(H) any Company Contract that would reasonably be likely to involve consideration of more than $50,000,000.00 in any 12-month period that contains any commitment to (1) provide wireless services coverage in a particular geographic area, (2) build out tower sites in a particular geographic area, or (3) pay for a specified number of minutes of roaming usage of a third party's network regardless of the amount of actual usage (except for those that are terminable, without penalty, on 12 months or less notice);

(I) roaming Company Contracts that would reasonably be likely to involve consideration of more than $100,000,000.00 in any 12-month period that cannot be terminated on 30 days or less notice;

(J) Company Contracts that (1) purport to limit in any material respect either the type of business in which the Company or any of its Subsidiaries may engage or the manner or locations in which any of them may so engage in any business or purport to create any material exclusive relationship, (2) could require the disposition of any material assets or line of business of the Company or any of its Subsidiaries as a result of the consummation of the Transaction, (3) grant "most favored nation" status to any third party that paid or received consideration of more than $50,000,000.00 in any 12-month period or, (4) are requirements contracts that would reasonably be likely to involve consideration of more than $50,000,000.00 in any 12-month period, (5) are of the type specified in clause (1) (without regard to the materiality qualifier) and purport to bind Purchaser or any of its Affiliates (in addition to the Company and/or its Subsidiaries) after the Closing (other than any Company Contracts between Purchaser or its Affiliates, on the one hand, and the Company and its Subsidiaries, on the other hand), or (6) are of the type specified in clauses (3) and (4) and purport to bind Purchaser or any of its Affiliates (in addition to the Company and/or its Subsidiaries) after the Closing (other than any Company Contracts between Purchaser or its Affiliates, on the one hand, on the one hand, and the Company and its Subsidiaries, on the other hand); and

(K) Company Contracts that would reasonably be likely to involve consideration of more than $20,000,000.00 in any 12 month period pursuant to which the Company or any of its Subsidiaries licenses Intellectual Property to or from any Person ("Intellectual Property Contracts").

(ii) Prior to the date hereof, Purchaser has been provided with complete and correct copies of each Material Contract (other than Intellectual Property Contracts that are to be delivered pursuant to Section 4.2(a)(iv)) listed on Schedule 3.2(o) of the Seller Disclosure Letter, including amendments thereof and exhibits, annexes and schedules thereto. To the Knowledge of the Company, as of the date hereof, each Material Contract is in full force and effect and valid, binding and enforceable against the other parties thereto in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equity principles. None of the Company, any of its Subsidiaries or, to the Knowledge of the Company, any other Person is in breach or violation of, or default under, any Material Contract, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect. To the Knowledge of the Company, no event has occurred that would result in a breach of or default under, require any consent or other action by any Person under, or give rise to any penalty or right of termination, cancellation or acceleration of any right or obligation of the Company or its Subsidiaries to a loss of any benefit to which the Company or any of its Subsidiaries is entitled under (in each case, with or without notice or lapse of time, or both), any Material Contract, except as would not, individually or in the aggregate, reasonably be likely to have a Company Material Adverse Effect.

(p) Sufficiency and Ownership of Assets; Business.

(i) The assets owned by the Company and its Subsidiaries, together with their respective rights that survive following the Closing in other assets, constitute all the assets, properties and rights (A) necessary to conduct the Business as presently conducted by the Company and its Subsidiaries in all material respects; (B) necessary for Purchaser and its Affiliates to continue to operate and conduct the Business as presently conducted or proposed to be conducted by the Company and its Subsidiaries in all material respects; and (C) used to generate the results of the Company and its Subsidiaries set forth in the Financial Statements, other than assets disposed of in the ordinary course of business.

(ii) All of the wireless telecommunications business of Seller and its Affiliates in the United States is operated by the Company and its Subsidiaries and is included in the Business other than businesses owned by Seller and its Affiliates (other than the Company and its Affiliates) that are excluded from the non-competition provisions in the Stockholder's Agreement. Neither the Company nor any of its Subsidiaries operates any of its business or offers any services outside of the United States.

(q) Subscribers. Schedule 3.2(q) of the Seller Disclosure Letter sets forth as of December 31, 2010 (i) the total number of Subscribers and (ii) the total number of Subscribers in each market.

(r) Related-Party Agreements. As of the date hereof, there are no agreements between the Company or any of its Subsidiaries, on the one hand, and Seller and/or any of its Affiliates (other than the Company and its Subsidiaries), on the other hand, that are material to any significant component of the operations of the Business of the Company and its Subsidiaries or are not on arms-length terms taken as a whole, other than as set forth on Schedule 3.2(r) of the Seller Disclosure Letter, and Seller has provided Purchaser with copies of all such agreements.

(s) Prohibited Payments. To the Knowledge of the Company, none of Seller, the Company, any of its Subsidiaries or any of their respective directors, officers, agents, employees or other Persons associated with them or acting on their behalf has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

3.3. Representations and Warranties of Purchaser. Except as set forth in the Purchaser SEC Reports filed with the SEC after December 31, 2010 and prior to the date hereof (excluding, in each case, any disclosures set forth in any risk factor section or in any other section to the extent they are forward-looking statements or cautionary, predictive or forward-looking in nature) or in the corresponding sections of the disclosure letter delivered to Seller by Purchaser on or prior to entering into this Agreement (the "Purchaser Disclosure Letter") (it being agreed that disclosure of any item in any part of the Purchaser Disclosure Letter shall be deemed disclosure with respect to any other part to which the relevance of such item is reasonably apparent), Purchaser hereby represents and warrants to Seller, as of the date hereof and as of the Closing, as follows:

(a) Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all requisite power and authority to own and operate its properties and assets and to carry on its business as presently conducted. Prior to the date hereof, Seller has been provided with complete and correct copies of Purchaser's Organizational Documents, and each as so delivered is in full force and effect.

(b) Capitalization.

(i) The authorized capital stock of Purchaser consists of 14,000,000,000 shares of Purchaser Common Stock, of which 5,918,046,287 shares were issued and outstanding as of the close of business on March 18, 2011, and 10 million shares of preferred stock ("Purchaser Preferred Stock"), of which no shares were issued and outstanding as of the close of business on March 18, 2011. All of the Purchaser Common Stock and Purchaser Preferred Stock (A) have been duly authorized and validly issued, (B) are fully paid and nonassessable, and (C) were issued in compliance with all applicable Laws concerning the issuance of securities. There are no other Equity Interests of Purchaser issued, authorized or outstanding.

(ii) As of the date hereof there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character under which Purchaser is or may become obligated to issue or sell, or giving any Person a right to subscribe for or acquire, or in any way dispose of, any Equity Interests of Purchaser, or any securities or obligations exercisable or exchangeable for, or convertible into, any Equity Interests of Purchaser, and no securities or obligations evidencing such rights are authorized, issued or outstanding. Upon issuance, the Purchaser Shares will not be subject to any voting trust agreement or other contract, agreement or arrangement restricting or otherwise relating to the voting, dividend rights or disposition of such Equity Interests other than the Stockholder's Agreement.

(c) Authorization. Purchaser has all requisite power and authority and has taken all action necessary in order to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Transaction. The execution and delivery by Purchaser of this Agreement, the performance of its obligations hereunder and the consummation by Purchaser of the Transaction have been duly authorized by all necessary action of Purchaser. This Agreement has been duly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery of this Agreement by Seller, constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equitable principles. No authorization by the stockholders of Purchaser is required to consummate the Transaction.

(d) Governmental Filings; No Conflicts.

(i) Other than the reports, filings, registrations, consents, approvals, permits, authorizations and/or notices (A) under the HSR Act or the EC Merger Regulation, (B) with or to the FCC pursuant to the Communications Act, or (C) any applicable public utility Laws and rules, regulations and orders of any PUCs or similar foreign public utility Laws and rules, regulations and orders of any regulatory bodies regulating telecommunications businesses set forth on Schedule 3.3(d) of the Purchaser Disclosure Letter, no notices, reports or other filings are required to be made by Purchaser with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Purchaser from, any Governmental Entity in connection with the execution and delivery of this Agreement by Purchaser or the performance of its obligations hereunder, except those that the failure to make, effect, or obtain would not, individually or in the aggregate, reasonably be likely to have a Purchaser Material Adverse Effect.

(ii) The execution and delivery of this Agreement by Purchaser, the performance of its obligations hereunder and the consummation of the Transaction will not constitute or result in (A) a breach or violation of, or a default under, the Organizational Documents of Purchaser; (B) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, or the creation of an Encumbrance (other than an Encumbrance set forth in clauses (i) through (iv) of the definition of Permitted Encumbrance) on, any of the assets of Purchaser (with or without notice, lapse of time or both) pursuant to any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation binding upon Purchaser, or (C) conflict with, breach or violate any Law applicable to Purchaser or by which its properties are bound or affected, except, in the case of clause B) or (C) above, for any breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to have a Purchaser Material Adverse Effect.

(e) Purchaser SEC Reports; Financial Statements.

(i) Purchaser has filed or furnished, as applicable, on a timely basis all Purchaser SEC Reports since December 31, 2009. Each of the Purchaser SEC Reports, at the time of its filing or being furnished complied, or if not yet filed or furnished, will comply, in all material respects with the applicable requirements of the Exchange Act, the Securities Act and the Sarbanes-Oxley Act, and any rules and regulations promulgated thereunder applicable to the Purchaser SEC Reports. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Purchaser SEC Reports did not, and any Purchaser SEC Reports filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

(ii) Each of the audited consolidated statements of income, changes in stockholders' equity and cash flows of Purchaser and its consolidated Subsidiaries included in or incorporated by reference into the Purchaser SEC Reports (including any related notes and schedules) (A) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved; (B) present fairly, in all material respects, the consolidated financial position of Purchaser and its consolidated Subsidiaries as at the dates thereof and the consolidated results of income, changes in stockholders' equity and cash flows of Purchaser and its consolidated Subsidiaries for the periods then ended; and (C) accurately reflect in all material respects the books of account and other financial records of Purchaser and its consolidated Subsidiaries.

(iii) Purchaser does not have any Liabilities except for Liabilities reflected or reserved against on Purchaser's consolidated audited balance sheet as of December 31, 2010 (or the notes thereto) and not heretofore paid or discharged or Liabilities that would not, individually or in the aggregate, reasonably be likely to have a Purchaser Material Adverse Effect.

(f) Absence of Certain Changes. Since December 31, 2010 and prior to the date hereof, Purchaser has conducted its business only in, and has not engaged in any material transaction other than in accordance with, the ordinary course of such business consistent with past practice, and there has not been any:

(i) merger or consolidation between Purchaser or any of its Subsidiaries with any other Person, except for any such transactions among wholly-owned Subsidiaries of Purchaser, or any restructuring, reorganization or complete or partial liquidation or similar transaction or the entry into any agreements or arrangements imposing material changes or restrictions on its assets, operations or businesses;

(ii) acquisition of assets outside of the ordinary course of business consistent with past practice;

(iii) creation or incurrence of any Encumbrance (other than any Permitted Encumbrance) on the assets of Purchaser or its Subsidiaries, individually or in the aggregate, material to Purchaser or any of its Subsidiaries;

(iv) material damage, destruction or other casualty loss with respect to any material asset, or property otherwise used by Purchaser or any of its Subsidiaries, whether or not covered by insurance;

(v) material change in any method of financial accounting or accounting practice by the Company or any of its Subsidiaries, except for any such change required by changes in GAAP or applicable Law; or

(vi) agreement to do any of the foregoing.

(g) Purchaser Material Adverse Effect. Since December 31, 2010 and through the date hereof, there has been no Purchaser Material Adverse Effect.

(h) Dividends and Repurchases. Since December 31, 2010 and through the date hereof, Purchaser has not made, other than with respect to dividends on Purchaser Common Stock in the ordinary course consistent with past practice, any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of Purchaser Common Stock or any repurchase or other acquisition by Purchaser of any outstanding shares of Purchaser Common Stock.

(i) Brokers and Finders. Neither Purchaser nor any of its officers, directors or employees has employed any broker or finder for which Purchaser or a Subsidiary of Purchaser is not responsible for such broker's or finder's fees or incurred any Liability for any brokerage fees, commissions or finder's fees in connection with the Transaction for which Purchaser or a Subsidiary of Purchaser is not responsible.

(j) Purchaser Shares.

(i) Upon issuance, the Purchaser Shares will be duly authorized, validly issued, fully paid and nonassessable, and will not be subject to any option, call, preemptive, subscription or similar rights under any provision of applicable Law, the Organizational Documents of Purchaser or any of its Subsidiaries.

(ii) At the Closing, Purchaser will have sufficient authorized but unissued shares or treasury shares of Purchaser Common Stock for Purchaser to meet its obligation to deliver the Purchaser Shares under this Agreement. Upon consummation of the Transaction, Seller shall acquire good and valid title to the Purchaser Shares.

ARTICLE IV
Covenants

4.1. Interim Operations. Except with Purchaser's prior written consent (not to be unreasonably withheld, conditioned or delayed), Seller shall cause each of the Company and its Subsidiaries (i) to conduct its business in the ordinary course and, to the extent consistent therewith, use its commercially reasonable efforts to (A) preserve its business organizations intact, (B) maintain existing relations and goodwill with Governmental Entities, customers, suppliers, distributors, creditors, lessors, employees and business associates, and (C) keep available the services of its present employees and agents; and (ii) not to (other than as set forth in the corresponding section of the Seller Disclosure Letter):

(a) amend its Organizational Documents;

(b) merge or consolidate with any other Person;

(c) acquire assets outside of the ordinary course of business consistent with past practice from any other Person with a value or purchase price in the aggregate in excess of $50,000,000.00 or that would have any possibility of preventing or delaying the Closing beyond the Termination Date;

(d) issue, sell, pledge, dispose of, grant, transfer, Encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer, lease, license, guarantee or other Encumbrance of, any Equity Interests of the Company or any of its Subsidiaries (other than the issuance of Equity Interests (i) by a wholly-owned Subsidiary of the Company to the Company or another wholly-owned Subsidiary or (ii) by the Company to Seller), securities convertible or exchangeable into, or exercisable for, any Equity Interests or any options, warrants or other rights of any kind to acquire any such Equity Interests or such convertible or exchangeable securities;

(e) create or incur any Encumbrance (other than a Permitted Encumbrance) on the assets of the Company or any of its Subsidiaries that, individually or in the aggregate, is material to the Company or any of its Subsidiaries;

(f) make any loans, advances, guarantees or capital contributions to or investments in any Person, other than (x) any of the foregoing to or on behalf of the Company or any direct or indirect wholly-owned Subsidiary of the Company, or (y) in the ordinary course of business consistent with past practice and which do not have any possibility of preventing or delaying the Closing beyond the Termination Date;

(g) declare, set aside, make or pay any (i) cash distributions or dividends in any month that in the aggregate are in excess of the lesser of (A) $150,000,000.00 and (B) the amount of Free Cash Flow generated by the Company and its Subsidiaries for the preceding month, prorated for the month in which this Agreement is entered into, and for the month in which the Closing occurs; provided, that if distributions or dividends in respect of any month shall have been less than $150,000,000.00 as a result of the foregoing limitation or otherwise, Seller shall be entitled to make additional cash distributions at any time or from time to time up to an amount equal to the lesser of (x) Free Cash Flow for the period since the date of this Agreement and (y) the product of (A) $150,000,000.00 and (B) the number of whole and, without duplication, partial months in such period, or (ii) non-cash distributions or dividends, payable in stock, property or otherwise, with respect to any of its Equity Interests (except for non-cash distributions paid by any direct or indirect wholly-owned Subsidiary to the Company or to any other direct or indirect wholly-owned Subsidiary) or enter into any agreement with respect to the voting of its Equity Interests;

(h)(i) incur any Indebtedness for borrowed money, or issue or sell any debt securities or warrants or other rights to acquire any debt security of the Company or any of its Subsidiaries, except for Indebtedness incurred in the ordinary course of business consistent with past practice that is satisfied in full at or prior to the Closing, or (ii) amend, modify, supplement or waive the terms of any existing Indebtedness, debt securities or warrants or other rights to acquire debt securities of the Company or any of its Subsidiaries, except in the ordinary course of business consistent with past practice;

(i) except as contemplated by the capital budget set forth in the business plan set forth on Schedule 4.16 of the Seller Disclosure Letter, make or authorize any payment of, or accrual or commitment for, capital expenditures in excess of $25,000,000.00 in the aggregate in any consecutive six-month period (or $50,000,000.00 in the event of an increase in data demand in the Business significantly in excess of the demand anticipated on the date hereof);

(j) amend, supplement, waive, terminate, assign, convey, encumber or otherwise transfer, in whole or in part, its rights or interests under or in any Material Contract, or enter into any Intercompany Contract or Company Contract that would be a Material Contract if in effect as of the date hereof;

(k) enter into any Intercompany Contract or amend, modify or waive any Intercompany Contract in any manner that would result in the Company or its Subsidiaries paying to the other parties thereto aggregate consideration greater than that provided for in the copies of Intercompany Contracts provided to Purchaser pursuant to Section 4.2(a)(v);

(l) make any changes with respect to material financial accounting policies or procedures, except as required by changes in GAAP;

(m)(i) enter into any line of business in any geographic area other than the current lines of business of the Company and its Subsidiaries and products and services reasonably ancillary thereto (including ancillary Internet services), including any current line of business and products and services reasonably ancillary thereto, in any geographic area for which the Company or any of its Subsidiaries currently holds a FCC License authorizing the conduct of such business, product or service in such geographic area, (ii) except as currently conducted, engage in the conduct of any business in any state that would require the receipt or transfer of a Communications License or any other License issued by any Governmental Entity authorizing operation or provision of any communication services or foreign country that would require the receipt or transfer of, or application for, a License to the extent such License would reasonably be expected to prevent, materially delay or materially impair the consummation of the Transaction, or (iii) enter into any business or operations outside of the United States;

(n) file for any Company License the receipt of which would reasonably be likely to prevent, materially impair or materially delay consummation of the Transaction;

(o) settle any litigation or other proceedings before a Governmental Entity for an amount in excess of $15,000,000.00;

(p) except to the extent otherwise required by Law, make or change any Tax election, change any method of Tax accounting or settle or finally resolve any controversy with respect to Taxes for an amount that materially exceeds the amount reserved with respect thereto in the most recent Financial Statements, in each case, if such action would have an adverse affect on the Company or Purchaser that is more than immaterial;

(q) transfer, sell, lease, license, mortgage, pledge, surrender, encumber, divest, cancel, abandon or allow to lapse or expire or otherwise dispose of (i) any Communications Licenses or wireless spectrum and (ii) except in the ordinary course of business consistent with past practice, any other Licenses, assets, operations, rights, product lines, businesses or interests therein of the Company or its Subsidiaries that are material to the Business, other than pursuant to Company Contracts in effect prior to the date hereof;

(r) other than as may be required by applicable Law or pursuant to the existing terms and conditions of any Benefit Plan as in effect on the date hereof, (i) terminate, establish, adopt or amend any Benefit Plan other than the adoption of annual Benefit Plans in the ordinary course of business consistent with past practice and amendments to health and welfare plans (other than severance plans) that do not increase benefits or result in materially increased administrative costs, (ii) grant any salary or wage increase, other than to increase salary and wages for employees by no more than 4% in the aggregate in the ordinary course of business consistent with past practice, (iii) pay aggregate bonus or incentive compensation other than in the ordinary course consistent with past practice, (iv) (x) grant any new compensation award, other than bonus awards and cash-based long term incentive compensation awards, in each case in amounts and on terms that are in the ordinary course of business consistent with past practice; provided, however, that no new awards shall be granted under the Phantom Share Plan, (y) amend the terms of outstanding compensation awards other than in a manner that does not increase the amounts payable or accelerate the timing of any payment under such awards and in the ordinary course of business consistent with past practice, or (z) change the compensation opportunity under any Benefit Plan, (v) pay any severance other than in the ordinary course of business consistent with past practice in connection with employees' entering into and not revoking a release of claims against the Company in connection with terminations of employment, (vi) take any action to accelerate the vesting or payment, or fund or secure the payment, of any amounts under any Benefit Plan, (vii) change any assumptions used to calculate funding or contribution obligations under any Benefit Plan, other than as required by GAAP, (viii) forgive any loans to directors, officers or employees of the Company or any of its Subsidiaries, or (ix) voluntarily establish or adopt any collective bargaining agreement;

(s) transfer, sell, lease, license, divest or otherwise dispose of any transmission towers owned or leased by the Company or any of its Subsidiaries (it being understood that the foregoing shall not apply to the decommisions of towers in the ordinary course of business consistent with past practice);

(t) purchase, lease or otherwise acquire any wireless spectrum;

(u) make a fundamental change to any of important elements of the network technologies or principal billing systems of the Company and its Subsidiaries (excluding system upgrades, equipment replacement and similar matters, in each case within the same fundamental framework of network technologies and billing systems); or

(v) authorize or enter into an agreement to do any of the foregoing.

4.2. Access; Post-Signing Deliverables.

(a)(i) Prior to the Closing, upon reasonable notice, and except as may otherwise be prohibited by applicable Law, Seller shall, and shall cause Global and its Subsidiaries to, afford Purchaser's representatives reasonable access, during normal business hours throughout the period prior to the Closing, to its properties, books, contracts and records and, during such period, Seller shall, and shall cause Global and its Subsidiaries (including the Company and its Subsidiaries) to, furnish promptly to Purchaser and Purchaser's representatives all information concerning the Company's or any of its Subsidiaries' business, properties and personnel as Purchaser may reasonably request (including such information as Purchaser may reasonably request to determine the anticipated U.S. federal income tax consequences of any Divestiture Sales), including by making available to Purchaser online and/or at office locations substantially all tower files and related information (including substantially all information necessary for Purchaser to confirm compliance with respect to the Business by the Company or, if applicable, Seller with the FCC Rules relating to towers) as soon as reasonably practicable after the date hereof but in no event later than 60 days prior to the Closing; provided, that no investigation pursuant to this Section 4.2 shall affect or be deemed to modify any representation or warranty made by Seller hereunder; provided, further, that the foregoing shall not require Seller, Global or any of its Subsidiaries to permit any inspection or disclose any information that in the reasonable judgment of Seller would result in the disclosure of any Trade Secrets of third parties, violate any applicable Laws or violate any of its obligations with respect to confidentiality if Seller, Global or its Subsidiaries, as applicable, shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure. All requests for information made pursuant to this Section 4.2 shall be directed to an executive officer of Seller or such Person as may be designated by any such executive officer, as the case may be. Notwithstanding the foregoing, none of Seller, Global or any of its Subsidiaries shall be obligated to afford Purchaser or its representatives any access to any properties, books, contracts, commitments, personnel or records relating to, or in respect of, any forward product plans, product specific cost information, pricing information, customer specific information, merchandising information or other similar competitively sensitive information except pursuant to "clean room" procedures approved by counsel to Seller and Purchaser. All information provided or made available pursuant to this Section 4.2 shall be subject to the Confidentiality Agreement, and the Confidentiality Agreement shall remain in full force and effect in accordance with its terms.

(ii) No later than five Business Days following the date hereof, Seller shall deliver to Purchaser a list, as of the date hereof, of all FCC Licenses that are point to point microwave licenses, business radio licenses, experimental licenses or Section 214 certificates and will use its reasonable best efforts to ensure that such list is true and complete.

(iii) No later than 45 days following the date hereof, Seller shall deliver to Purchaser (1) a description of any underground storage tanks, asbestos-containing materials, lead-based products or polychlorinated biphenyls that, to the Company's knowledge, are located on any of the Owned Real Property or the Leased Real Property and will use its reasonable best efforts to ensure that such list is true and complete and (2) copies of all environmental reports, audits, assessments, sampling data, liability analyses, memoranda and studies in the possession of, or conducted by and reasonably obtainable by, the Company or any of its Subsidiaries with respect to compliance under, or Liabilities related to, any Environmental Law with respect to the business of the Company and its Subsidiaries, the Owned Real Property and the Leased Real Property and will use its reasonable best efforts to ensure that all such documents are provided and are correct and complete.

(iv) No later than 60 days following the date hereof, Seller shall deliver to Purchaser (A) a list of all (I) Registered Owned Intellectual Property, (II) Software owned by the Company and its Subsidiaries that is material to their respective businesses, (III) Intellectual Property Contracts and will use its reasonable best efforts to ensure that such list is true and complete, and (IV) Business Marks; (B) the form(s) of employee confidentiality and Intellectual Property assignment agreement used by the Company and its Subsidiaries that prohibit such employees from disclosing the Company's and its Subsidiaries' Trade Secrets and confidential information and require the assignment of rights to the Company or one of its Subsidiaries; and (C) a copy of each Intellectual Property Contract, including amendments thereof and exhibits, annexes and schedules thereto.

(v) No later than 30 days following the date hereof, Seller shall deliver to Purchaser copies of all Intercompany Contracts with obligations remaining on such date.

(vi) Seller will cause the Company to prepare and furnish to Purchaser as soon as they become available, and in any event, not later than 15 days after the end of each month, (A) unaudited consolidated statements of operations and comprehensive income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries for the month then ended and (B) a calculation of Free Cash Flow for the month then ended for each full monthly period prior to the Closing (the "Monthly Financial Statements"). Purchaser shall have five Business Days to review each such Monthly Financial Statement and raise any objections to the calculation of Free Cash Flow contained therein. Seller shall in good faith consider the objections, if any, of Purchaser and, if Purchaser has made any objections, will re-issue such Monthly Financial Statements within five Business Days with any such revisions that Seller has determined in good faith are appropriate. The final Monthly Financial Statements shall be accompanied by a certificate signed by a duly authorized officer that the Monthly Financial Statements were prepared in good faith and in accordance with the Applicable Accounting Principles.

(b) Following the Closing, upon reasonable notice, and except as may otherwise be prohibited by applicable Law, Purchaser shall cause the Company and its Subsidiaries to afford Seller's representatives such reasonable access, during normal business hours during period from the Closing until one year following the expiration of the statute of limitations applicable to Seller's financial and tax reporting, to its books and records relating to the period prior to the Closing and, during such period, Purchaser shall, and shall cause the Company and its Subsidiaries to, furnish promptly to Seller and Seller's representatives such information concerning the Company's or any of its Subsidiaries' historical financial performance, in each case, as Seller may reasonably request for its financial reporting purposes; provided, that the foregoing shall not require Purchaser, the Company or any of its Subsidiaries to permit any inspection or disclose any information that in the reasonable judgment of Purchaser would result in the disclosure of any Trade Secrets of third parties, violate any applicable Laws or violate any of its obligations with respect to confidentiality if Purchaser, the Company or its Subsidiaries, as applicable, shall have used reasonable efforts to obtain the consent of such third party to such inspection or disclosure. Seller shall reimburse the Company and its Subsidiaries for all reasonable, out-of-pocket costs and expenses incurred by them in providing such access. All requests for information made pursuant to this Section 4.2(b) shall be directed to an executive officer of Purchaser or such Person as may be designated by any such executive officer, as the case may be. Notwithstanding the foregoing, none of Purchaser, the Company or any of its Subsidiaries shall be obligated to afford Seller or its representatives any access to any properties, books, contracts, commitments, personnel or records relating to, or in respect of, any forward product plans, product specific cost information, pricing information, customer specific information, merchandising information or other similar competitively sensitive information. All information provided or made available pursuant to this Section 4.2(b) shall be subject to Section 4.25.

(c) The parties agree that they shall comply with the matter set forth on Schedule 4.2(c) of the Purchaser Disclosure Letter as if it were set forth in the Agreement.

4.3. Publicity. Prior to the Closing neither party to this Agreement shall issue or permit to be issued any press releases or otherwise make any public announcements with respect to the Transaction other than in accordance with a mutually agreed communications plan, with the prior written consent of the other party, or as may be required by Law (including any listing requirement) or as otherwise expressly permitted hereunder.

4.4. Expenses. Except as otherwise specifically provided in this Agreement, Seller, on the one hand, and Purchaser, on the other hand, shall bear their respective expenses, costs and fees (including attorneys', auditors' and financing fees, if any) in connection with the Transaction, including the preparation, execution and delivery of this Agreement and compliance herewith, whether or not the Transaction is effected; provided, that Seller shall be responsible for any attorneys', tax advisors' and financial advisors' fees of the Company and its Subsidiaries incurred in connection with the execution and delivery of this Agreement and the consummation of the Transaction and all such expenses, costs and fees (including attorneys', auditors' and financing fees, if any) payable by the Company or any of its Subsidiaries shall be paid and satisfied in full by Seller prior to the Closing; provided, further, that following delivery by Seller of reasonable written documentation of any out-of-pocket expenses incurred in connection with the obligations under Section 4.8, Purchaser shall promptly reimburse Seller for such expenses.

4.5. Resignations. Seller shall use its reasonable best efforts to cause each director of the Company or any officer or director of any of the Company's Subsidiaries to resign in such capacity other than individuals who will continue to act as full time employees of the Company or any of its Subsidiaries after the Closing, such resignations to be effective as of the Closing.

4.6. Filings; Other Actions; Notification.

(a) Subject to Sections 4.6(b) and 4.6(c), Seller and Purchaser shall cooperate with each other and use, and shall cause their respective Subsidiaries to use, their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable Laws to consummate the Transaction as promptly as reasonably practicable (it being understood that nothing contained in this Agreement shall require Purchaser to reach any agreements or understandings in connection with obtaining any consents, approvals, permits or authorizations prior to a time in advance of the Termination Date sufficient to permit satisfaction of the conditions to the Closing by the Termination Date), including (i) preparing and filing as promptly as reasonably practicable all documentation to effect all necessary notices, reports and other filings (including by filing no later than 10 days after the date hereof, the notification and required form under the HSR Act, and by filing no later than 30 days after the date hereof, all applications required to be filed with the FCC; provided, however, that the failure to file within such 10 or 30 day period, as applicable, will not constitute a breach of this Agreement); (ii) subject to the foregoing, obtaining as promptly as reasonably practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Transaction; (iii) furnishing all information required for any application or other filing to be made pursuant to any applicable Laws in connection with the Transaction; (iv) keeping the other parties informed in all material respects of any material communication received by such party from, or given by such party to, any Governmental Entity and of any material communication received or given in connection with any proceeding by a private party, in each case relating to the Transaction; (v) negotiating, proposing and/or agreeing to Divestiture Sales and other actions, restrictions, limitations or conditions required to obtain any consents, registrations, approvals, permits or authorizations in connection with the Transaction; and (vi) defending against the entry of any decree, order, or judgment that would restrain, prevent or delay the Closing, including defending any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the Transaction. Without limiting the foregoing and subject to Sections 4.6(b) and 4.6(c), prior to the Closing, Seller and Purchaser shall not, and Seller shall cause Global and its Subsidiaries not to, knowingly take any action, or knowingly fail to take any action, that would reasonably be likely to materially delay or interfere with the parties' ability to consummate the Transaction.

(b) Except as set forth on Schedule 4.6(b)(i) of the Purchaser Disclosure Letter, nothing in this Agreement shall require, or be construed to require, Purchaser or any of its

Subsidiaries to take or refrain from taking any action or to agree to any restriction, limitation or condition with respect to (i) Purchaser or any of its Subsidiaries or (ii) the Company or any of the Company's Subsidiaries that would, in the case of this clause (ii) only, individually or in the aggregate, reasonably be likely to result in aggregate adverse effects on Purchaser and its Subsidiaries following the Closing (including the Company and its Subsidiaries) being greater than the Material Adverse Amount (the effects of clauses (i) and (ii), a "Regulatory Material Adverse Condition"). For purposes hereof, the adverse effects resulting from (x) Divestiture Sales shall be deemed to be an amount equal to the Divestitures Amount, (y) the matters set forth on Schedule 4.6(b)(i) of the Purchaser Disclosure Letter shall be deemed to be zero, and (z) all other conditions shall be deemed to be 50% of the adverse effects (net of benefits) of such conditions. For the avoidance of doubt, the parties agree that the imposition of any conditions on Purchaser, the Company or any of their Subsidiaries containing any of the terms set forth on Schedule 4.6(b)(ii) of the Purchaser Disclosure Letter shall be deemed to be a Regulatory Material Adverse Condition. In no event shall Seller, Purchaser or any of their respective Subsidiaries be required to agree to any Divestiture Sale or other action, restriction, limitation or condition that is (A) effective prior to immediately before the Closing or (B) effective immediately before the Closing and not conditioned upon the occurrence of the Closing.

(c) Neither Seller nor any of its Subsidiaries shall be permitted to agree to any actions, restrictions or conditions with respect to obtaining any consents, registrations, approvals, permits or authorizations in connection with the Transaction without the prior written consent of Purchaser. Subject to applicable Laws relating to the exchange of information, Seller and Purchaser shall have the right to review in advance, and to the extent practicable each will consult the other on, all of the information relating to Seller or Purchaser, as the case may be, and any of their respective Subsidiaries that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Transaction. To the extent permitted by Law, each party shall provide the other with copies of all correspondence between it (or its advisors) and any Governmental Entity relating to the Transaction and, to the extent reasonably practicable, all telephone calls and meetings with a Governmental Entity regarding the Transaction shall include representatives of Seller and Purchaser. In exercising the foregoing rights, each of Seller and Purchaser shall act and Seller shall cause the Company to act reasonably and as promptly as practicable.

4.7. Financial Working Group. Promptly after the date hereof, Seller and Purchaser shall establish, and Seller shall cause the Company to designate the appropriate employees to participate with employees of Purchaser in, a joint working group to prepare for the integration of the Company and its Subsidiaries after the Closing into Purchaser's internal control structure and procedures for financial reporting compliance with the requirements of Rule 404 of the Sarbanes-Oxley Act and Purchaser's financial reporting structure.

4.8. Seller's Cooperation with Financing. Prior to the Closing, Seller shall, and shall cause the Company and its Subsidiaries and their respective directors, officers, employees and representatives to, reasonably cooperate with Purchaser and its representatives in connection with any financing by Purchaser to be obtained in connection with the Transaction. Without limiting the generality of the foregoing, Seller shall, and shall cause the Company, its other

Subsidiaries and their respective representatives to, upon reasonable request (a) furnish the report of the Company's auditor on the most recent audited consolidated financial statements of the Company and its Subsidiaries and use its reasonable best efforts to obtain the consent of such auditor to the use of such report in accordance with normal custom and practice; (b) furnish any additional financial statements, schedules or other financial data relating to the Company and its Subsidiaries reasonably requested by Purchaser; (c) furnish management and legal representatives of senior officers of the Company to auditors; (d) make available the employees and advisors of the Company and its Subsidiaries to provide reasonable assistance with Purchaser's preparation of business projections, financing documents and offer materials; (e) use reasonable efforts to obtain the cooperation and assistance of counsel to the Company and its Subsidiaries in providing legal opinions and other services; (f) assist in the preparation of one or more confidential information memoranda and other marketing materials reasonably requested by Purchaser; and (g) permit Purchaser's reasonable use of the Company's and its Subsidiaries' logos for syndication of financing.

4.9. Regulatory Compliance.

(a) Seller and Purchaser shall, and Seller shall cause the Company and its other Subsidiaries to, use commercially reasonable efforts to (i) cure no later than the Closing any violations and defaults by any of them under any applicable rules and regulations of the FCC ("FCC Rules") and the FAA Rules, (ii) substantially comply with the terms of the FCC Licenses and the FAA Rules, (iii) file or cause to be filed with the FCC and the FAA all reports and other filings required to be filed under applicable FCC Rules and FAA Rules, and (iv) take all reasonable actions requested in writing by Purchaser on or before the Closing for each of them to be in compliance upon the consummation of the Transaction with the provisions of Sections 271 and 272 of the Communications Act (including any orders issued by the FCC interpreting or implementing such provisions).

(b) During the period from the date hereof to the Closing, Seller shall, and shall cause its Subsidiaries to, use their reasonable best efforts to (i) take such actions as are reasonably necessary to maintain and preserve the Licenses and (ii) refrain from taking any action that would reasonably be expected to cause the FCC or any other Governmental Entity with jurisdiction over Seller, the Company or any of its Subsidiaries to institute proceedings for the suspension, revocation or adverse modification of any Licenses.

(c) Prior to the Closing, Seller shall, and shall cause the Company and its Subsidiaries to, take such steps as are necessary to renew any expiring FCC License, including preparing and filing with the appropriate Governmental Entities all necessary applications in connection therewith as soon as reasonably practicable after the commencement of the period during which such applications may be made.

4.10. Further Action.

(a) Subject to the terms and conditions hereof, Seller and Purchaser shall, and Seller shall cause the Company and its other Subsidiaries to use their reasonable best efforts to, take or cause to be taken all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law and to execute and deliver such documents and other papers, as may be required to carry out the provisions hereof and consummate the Transaction.

(b) From time to time after the Closing, without additional consideration, each party will (or, if appropriate, will cause its Subsidiaries to) execute and deliver such further instruments and take such other action as may be necessary or reasonably requested by another party to make effective the transactions contemplated by this Agreement. Without limiting the foregoing, upon reasonable request of Purchaser, Seller shall, and shall cause the Company or its other Subsidiaries to, execute, acknowledge and deliver all such further assurances, deeds, assignments, consequences, powers of attorney and other instruments and papers as may be required to sell, transfer, assign, convey and deliver to Purchaser all right, title and interest in and to the Company Shares.

4.11. Intercompany Arrangements.

(a) Seller agrees that, not later than the Closing, all Intercompany Indebtedness and all interest rate swap and cross-currency interest rate swaps between the Company and/or any of its Subsidiaries, on the one hand, and Seller and its Affiliates, on the other hand (including those of the type described in note 15 to the most recent Financial Statements) shall be settled, released and/or terminated without any continuing Liability to or obligation of the Company and its Subsidiaries.

(b) Except as set forth on Schedule 4.11(b) of the Seller Disclosure Letter, Purchaser shall have the right to cause the Company and its Subsidiaries to terminate without penalty on the Closing Date any Intercompany Contract; provided, that Purchaser shall provide notice to Seller at least 30 days prior to the Closing Date of which such Intercompany Contracts it will so terminate.

(c) At Purchaser's election exercised by no later than 30 days prior to the Closing, Seller shall, and shall cause its Subsidiaries to, extend for a period of up to 12 months after the Closing any Intercompany Contracts (other than those providing for Indebtedness for borrowed money or to the extent relating to the matters set forth in Sections 4.21 or 4.22) that Purchaser reasonably believes are reasonably necessary in connection with the continued operation of the Business for a transitional period following the Closing. Seller shall not, and shall cause its Subsidiaries not to, terminate any such Intercompany Contracts without Purchaser's written consent.

4.12. Repayment of Indebtedness. Seller shall cause the Company and its Subsidiaries, at the Closing, to have no Closing Discharged Indebtedness. Prior to the Closing, Seller and its Subsidiaries shall not take, or cause to be taken, any action with respect to Indebtedness for borrowed money (including any current portion or on maturity thereof) of the Company and its Subsidiaries other than the payment of interest in accordance with the terms thereof, the extension and continuation of any principal amount thereof that would otherwise be due and payable prior to the Closing, and the discharge or forgiveness thereof without payment thereunder or creation of any Liability of the Company or its Subsidiaries.

4.13. Customer Communications. Seller and Purchaser shall cooperate in developing language for a program of communications or notices relating to the Transaction to be sent to customers of the Company and its Subsidiaries on or after the date hereof and prior to the Closing. Seller shall not, and shall cause its Subsidiaries not to, send any communications or notices relating to the Transaction to customers of the Company and its Subsidiaries on or after the date hereof and prior to the Closing without the prior written approval of Purchaser, not to be unreasonably withheld or delayed.

4.14. Employee Matters.

(a) Purchaser shall cause the Company for at least 12 months after the Closing to provide or cause to be provided to employees of the Company and its Subsidiaries who are employed immediately after the Closing ("Assumed Employees") compensation (other than equity compensation) and employee benefit plans that are substantially comparable, in the aggregate, to the compensation (other than equity compensation) and employee benefits provided by the Company as of the date hereof; provided, however, that, if during this period Purchaser implements any widespread increase or decrease in benefits under compensation and benefit plans or in the cost thereof to participants under compensation and benefit plans applicable to employees of Purchaser and its Subsidiaries (other than the Company and its Subsidiaries), Purchaser may cause the Company to proportionately adjust the benefits under its compensation and benefit plans or the cost thereof to participants; provided, further, that with respect to employees who are subject to a collective bargaining agreement, all benefits shall be provided only in accordance with the applicable collective bargaining agreement. Notwithstanding the foregoing, nothing contained herein shall (i) be treated as an amendment of any particular compensation and benefit plan provided by the Company, (ii) give any third party any right to enforce the provisions of this Section 4.14, or (iii) obligate Purchaser, the Company or any of their Subsidiaries to (A) maintain any particular compensation and benefit plan provided by the Company; or (B) retain the employment of any particular employee.

(b) Following the Closing, each Assumed Employee shall receive service credit to the extent credited under Benefit Plans prior to the Closing for all purposes of determining eligibility to participate, vesting and level of benefits for purposes of vacation, severance and paid time off (but not for benefit accrual purposes, for the purpose of qualifying a subsidized early retirement benefit, or as would result in a duplication of benefits) for the same purposes under comparable employee benefit plans of Purchaser and its Subsidiaries in which such Assumed Employee participates following the Closing. Notwithstanding the foregoing sentence, none of the provisions contained herein shall operate to require coverage of any Assumed Employee under any benefit plan of Purchaser and its Subsidiaries. To the extent an Assumed Employee participates in a welfare plan or arrangement of Purchaser or a Subsidiary of Purchaser following the Closing (a "Purchaser Welfare Plan"), Purchaser and its Subsidiaries will to the extent legally permissible cause all (i) pre-existing condition limitations which otherwise would be applicable to such Assumed Employee and his or her covered dependents to be waived to the extent satisfied under a Benefit Plan comparable to such Purchaser Welfare Plan immediately prior to the Closing or, if later, immediately prior to such Assumed Employee's commencement of participation in such Purchaser Welfare Plan and

(ii) participation waiting periods under each Purchaser Welfare Plan that would otherwise be applicable to such Assumed Employee to be waived to the same extent waived or satisfied under the Benefit Plan comparable to such Purchaser Welfare Plan immediately prior to the Closing or, if later, immediately prior to such Assumed Employee's commencement of participation in such Purchaser Welfare Plan. In addition, Purchaser and its Subsidiaries will to the extent legally permissible honor or cause to be honored any expenditures incurred by Assumed Employees and their covered dependents in satisfying the deductible, co-payment and out-of-pocket maximums under the Benefit Plans during the portion of the applicable plan year that includes the Closing in satisfying any deductibles, co-payments or out-of-pocket maximums under any comparable Purchaser Welfare Plans in which they are eligible to participate after the Closing for the portion of the applicable plan year that includes the Closing.

(c) Prior to making any written or material oral communications to the directors, officers or employees of the Company or any of its Subsidiaries pertaining to the effect of the Transaction on compensation or benefit matters, the Company shall provide Purchaser with a copy of the intended communication, Purchaser shall have a reasonable period of time to review and comment on the communication and Purchaser and the Company shall cooperate in providing any such mutually agreeable communication.

(d) Within 30 days following the date hereof and in consultation with Purchaser, Seller shall cause the Company to enter into a retention arrangement for the benefit of the employees of the Company in accordance with the terms set forth on Annex D.

(e) The Company shall perform (and in the event there is a successor to the Company, such successor shall assume and perform) the obligations under the Executive Continuity Bonus Plan and the obligations that survive termination of the Phantom Share Plan and the 2011 Long-Term Incentive Plan.

4.15. Minimum Cash Balance. Seller shall cause the Company and its Subsidiaries, at the Closing, to have no less than $100,000,000.00 of cash on a consolidated basis.

4.16. Business Plan; Capital Expenditures. Seller shall use its commercially reasonable efforts to cause the Company and its Subsidiaries to (a) operate their business consistent in all material respects with the business plan set forth on Schedule 4.16 of the Seller Disclosure Letter, (b) make capital expenditures consistent in all material respects with the capital budget set forth in such business plan, and (c) make expenditures on marketing and customer care activities consistent in all material respects with such business plan, it being understood and agreed that the foregoing shall not in any event constitute a guaranty or warranty as to future performance, or the achievement of the business plan or any aspect of it or create any obligation on the part of Seller to make new capital contributions or loans to the Company.

4.17. Additional Covenants of Purchaser. During the period from the date hereof to the Closing, Purchaser shall not:

(a) make, other than with respect to dividends on Purchaser Common Stock in the ordinary course consistent with past practice (which, for the avoidance of doubt, shall include any increases to dividends on Purchaser Common Stock consistent with past practice), any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of Purchaser Common Stock (except for dividends or other distributions by any direct or indirect wholly-owned Subsidiary to Purchaser or to any wholly-owned Subsidiary of Purchaser), or, without the prior written consent of Seller (not to be unreasonably withheld, conditioned or delayed), any repurchase or other acquisition by Purchaser of any outstanding shares of Purchaser Common Stock (other than repurchases or other acquisitions by Purchaser of Purchaser Common Stock in open market transactions at market prices or in connection with an accelerated share repurchase transaction at market prices); or

(b) enter into any agreement to acquire another business or effect any transaction that is reasonably likely to result in the failure to satisfy the conditions set forth in Section 5.1(a) or 5.2(c).

4.18. Purchaser Board of Directors. Immediately following the Closing, Purchaser shall cause Seller's Chief Executive Officer (or such other designee of Seller satisfying the requirements of Section 3.1(b) of the Stockholder's Agreement, the governance guidelines of Purchaser, as in effect from time to time, and otherwise reasonably acceptable to the Board and the Corporate Governance and Nominating Committee of the Board of Purchaser), to be appointed to the board of directors of Purchaser.

4.19. Listing of Purchaser Shares. Purchaser shall use its best efforts to cause the Purchaser Shares to be approved for listing on the NYSE, subject only to official notice of issuance, prior to the Closing.

4.20. Potential Sale of Interests. Between the date hereof and the Closing (or earlier termination of this Agreement), to the extent reasonably requested by Purchaser, Seller shall, and shall cause the Company and its other Subsidiaries to, cooperate with Purchaser to facilitate the disposition immediately prior to and conditional upon the Closing or at or after the Closing of those assets or ownership interests held by the Company or any of its Subsidiaries that are identified by Purchaser in writing to Seller as reasonably likely to be the subject of a transfer, sale or divesture required in connection with obtaining a Governmental Consent (such assets or interests referred to as a "Potential Sale Interest"). To the extent reasonably requested by Purchaser, Seller shall and shall cause the Company and its other Subsidiaries to (a) permit Persons who Purchaser identifies to Seller as potential purchasers of a Potential Sale Interest to conduct (and cooperate with such Persons') reasonable investigations with respect to such Potential Sale Interest (provided, that any such Person executes and delivers to Seller a confidentiality agreement containing customary terms), (b) comply with any applicable right of first refusal, right of first offer, right of approval and similar provisions that may be applicable to a proposed transfer of a Potential Sale Interest, and (c) deliver such notices, make such filings and execute such contracts relating to the disposition of Potential Sale Interest as reasonably requested by Purchaser; provided, that none of Seller, the Company or any of their Subsidiaries shall be required to execute any such contract under which Seller, the Company or any of its Subsidiaries may be required to dispose of any Potential Sale Interest other than immediately prior to and conditional upon the Closing or at or after the Closing. Purchaser shall be permitted to identify potential purchasers of Potential Sale Interests and negotiate any contracts with respect to dispositions of Potential Sale Interests; provided, that Seller may (and, to the extent reasonably requested by Purchaser, shall) participate in all such negotiations.

4.21. Use of Trademarks. Purchaser, the Company, its Subsidiaries and their respective Affiliates ("Licensed Parties") shall have the right to use the Business Marks for a period of 18 months following the Closing Date (the "Transition Period") in order to effectuate a smooth and orderly transition and rebranding for the Company and its Subsidiaries. In view of the foregoing, Seller hereby grants to each of the Licensed Parties, to the extent of the rights owned or controlled by Seller or any of its Affiliates, a non-exclusive, royalty-free right and license to use the Business Marks during the Transition Period in connection with their respective businesses, including for the manufacturing, marketing and distribution of products and services. The Licensed Parties may, to the extent of the rights owned or controlled by Seller or any of its Affiliates, permit third parties to use the Business Marks during the Transition Period, but only for and on behalf of the Licensed Parties. Seller agrees that the provisions of this Section 4.21 may be partially assigned for the benefit of a Person that acquires a Market pursuant to a Market Divestiture, and the Transition Period in any such case shall be for a period of 18 months following the closing of such Market Divestiture or such longer period as may be required by a Governmental Entity not to exceed 24 months. Prior to the Closing, Seller and the Company shall cooperate to enter into a transitional trademark license agreement on terms reasonably acceptable to Purchaser and consistent with the license granted in, and the other terms and conditions of, this Section 4.21, upon the effectiveness of which the licenses and rights granted in this Section 4.21 shall terminate. Between the date hereof and the end of the Transition Period, Seller shall, and shall cause its Affiliates to, not take any action, or fail to take any action, that, in each case, would reasonably be expected to materially limit or restrict the rights licensed under this Section 4.21 were such license to be granted in respect of the period beginning on the date hereof.

4.22. Intellectual Property Licenses. Except with respect to the matters provided for in Section 4.21, with respect to any Intellectual Property owned by Seller or any of its Affiliates that is used by the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries otherwise has any rights in, to or under prior to the Closing, which Intellectual Property is not assigned to any of the Licensed Parties prior to or at the Closing, Seller hereby grants to each of the Licensed Parties during the Transition Period and for the territory of the United States, to the extent of the rights owned or controlled by Seller or any of its Affiliates, a non-exclusive, sublicensable, royalty-free and fully paid-up right and license in, to and under all such Intellectual Property, including the right to use, reproduce, create derivative works, distribute, perform, display, exploit and commercialize, and to practice under and to make, have made, use, sell, offer for sale and import products and services. The Licensed Parties may, to the extent of the license granted under this Section 4.22, permit third parties to use such Intellectual Property during the Transition Period, but only for and on behalf of the Licensed Parties. With respect to any Intellectual Property licensed to Seller or any of its Affiliates by a third party, that is used by the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries otherwise has any rights in, to or under prior to the Closing, which licenses are not assigned to any of the Licensed Parties prior to or at the Closing, Seller hereby grants to each of the Licensed Parties, to the fullest extent permitted by the third party licensors, during the Transition Period and for the territory of the United States the continued right and license in, to and under such Intellectual Property, including where so-permitted the right to use, reproduce, create derivative works, distribute, perform, display, exploit and commercialize, and to practice under and to make, have made, use, sell, offer for sale and import products and services. Prior to the Closing, Seller and the Company shall cooperate to enter into a transitional Intellectual Property license agreement on terms reasonably acceptable to Purchaser and consistent with the license granted in, and the other terms and conditions of, this Section 4.22, upon the effectiveness of which the licenses and rights granted in this Section 4.22 shall terminate. Between the date hereof and the end of the Transition Period, Seller shall, and shall cause its Affiliates to, not take any action, or fail to take any action, that would limit or restrict the rights licensed under this Section 4.22 were such license to be granted in respect of the period beginning on the date hereof.

4.23. Covenant Not to Sue. With respect to any Intellectual Property owned by Seller or any of its Affiliates that is used by the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries otherwise has any rights in, to or under prior to the Closing, Seller hereby covenants and agrees not to assert, and to cause each of its Affiliates not to assert, any claim, nor initiate or participate in any suit, action or proceeding, against any of the Licensed Parties for infringement, misappropriation, violation or unauthorized use of such Intellectual Property in respect of any period prior to the end of the Transition Period.

4.24. Other Transition Arrangements. Promptly following the date hereof and subject to applicable Laws, Purchaser and Seller shall cooperate to develop a procedure such that as of no later than the Closing Date, (x) the Company, Purchaser and their respective Subsidiaries will not require in order to conduct the Business, or have access to, any IT Assets, networks or electronic data of Seller and its Subsidiaries (other than the Company and its Subsidiaries) and (y) Seller and its Subsidiaries will not have access to any IT Assets, networks or electronic data of Purchaser and its Subsidiaries (including the Company and its Subsidiaries), in each case other than as provided in Intercompany Contracts with obligations remaining on the Closing Date.

4.25. Confidentiality. For a period of three years following the later of the Closing and the date of disclosure, Seller and each of its Subsidiaries shall treat as confidential and shall safeguard any and all confidential or proprietary information, knowledge and data about the Company, its Subsidiaries and the Business by using the same degree of care, but no less than a reasonable standard of care, to prevent the unauthorized use, dissemination or disclosure of such information, knowledge and data as Seller or its Subsidiaries used with respect thereto prior to the execution of this Agreement.

4.26. Indemnification and Insurance; Release.

(a) Purchaser and the Company agree that all rights to exculpation, indemnification and advancement of expenses for acts or omissions occurring at or prior to the Closing, whether asserted or claimed prior to, at or after the Closing, now existing in favor of the current or former directors, officers or employees, as the case may be, of the Company or its Subsidiaries as provided in their respective Organizational Documents or in any agreement as in effect on the date hereof and which has prior to the date hereof been made available to Purchaser shall survive the Closing and shall continue in full force and effect to the extent provided in the following sentence. Purchaser shall cause the Company to maintain in effect any and all exculpation, indemnification and advancement of expenses provisions of the Company's and any of its Subsidiaries' Organizational Documents or in any indemnification agreements of the Company or its Subsidiaries with any of their respective current or former directors, officers or employees, in each case in effect as of the date hereof and which has been provided to Purchaser prior to the date hereof, for acts or omissions occurring on or prior to the Closing. Each of Seller, Purchaser and the Company, for and on behalf of itself and on behalf of its Affiliates, hereby acquits, releases and discharges each of the current or former directors and officers of the Company from any and all Liabilities that arises out of or are connected with such directors' and officers' position or services to the Company on or prior to the Closing.

(b) In the event the Company or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, and in either such case, proper provision shall be made so that the successors and assigns of the Company shall assume all of the obligations set forth in this Section 4.26.

(c) Effective as of the Closing, Seller, for and on behalf of itself and on behalf of its Subsidiaries, hereby acquits, releases and discharges each of the Company and their Subsidiaries from any and all Liabilities as of the Closing to Seller or any of its Subsidiaries (other than the Company and its Subsidiaries) that arise out of or are in connection with the Company or any of its Subsidiaries, except in respect of obligations under Intercompany Contracts or under this Agreement that are not terminated as of the Closing Date (other than any arising out of or relating to a breach, violation or failure to perform under any such Intercompany Contract). Seller shall cause its other Affiliates to use their reasonable best efforts to take, or cause to be taken, all appropriate action and to execute and deliver such documents and other papers, as may be required to effect the release set forth in this Section 4.26(c).

4.27. Purchaser Common Stock. During the period from the date hereof to the Closing, Seller shall not, and shall cause each of its Affiliates not to, directly or indirectly, alone or in concert with any other Person acquire, offer to acquire or agree to acquire Beneficial Ownership of any shares of Purchaser Common Stock.

4.28. Subscriber List.

(a) Promptly following the date hereof (but in any event within 60 days after the date hereof), Seller shall cause the Company to prepare in good faith, or cause to be prepared in good faith, and deliver to Purchaser a list setting forth the total number of Subscribers in each Market as of December 31, 2010 (the "Subscriber List"), which in the aggregate shall reflect the same number of Subscribers as set forth in Schedule 3.2(q), including and excluding the same

Subscribers as in Schedule 3.2(q). For purposes of the Subscriber List, a Person shall be deemed to be a Subscriber "in" a particular Market if the principal billing address for that Person's account contains a zip code located in such Market. If a Person maintains multiple accounts, the Subscribers billed on each such account shall be allocated into Markets on an account-by-account basis based on the principal billing address zip code of each such account. No Person shall be counted as a Subscriber "in" more than a single Market, and Subscribers in zip codes that span more than one Market shall be apportioned in the manner directed by a Governmental Entity or otherwise equally between the relevant Markets.

(b) The Subscriber List shall become the final, binding and conclusive Subscriber List on the 60th day following Purchaser's receipt of the Subscriber List unless on or prior to such 60th day Purchaser delivers to Seller a written notice (a "Subscriber List Dispute Notice") stating that Purchaser disputes one or more items contained in the Subscriber List and specifying in reasonable detail each such disputed item.

(c) If Purchaser delivers a Subscriber List Dispute Notice, then Seller and Purchaser shall seek in good faith to resolve the disputed items set forth therein during the 60-day period beginning on the date Seller receives the Subscriber List Dispute Notice. If Seller and Purchaser reach agreement with respect to any disputed items, Seller shall revise the Subscriber List to reflect such agreement. If Purchaser and Seller are unable to resolve such disputed items during such 60-day period, then, at the request of either party, Purchaser and Seller shall jointly engage and submit the unresolved disputed items to the Independent Accountant. Purchaser and Seller shall use their reasonable best efforts to cause the Independent Accountant to issue its written determination regarding such unresolved items within 45 days after such items are submitted for review and in any event no later than the 75th day after such submission. The Independent Accountant shall be instructed that the total number of Subscribers shall be equal to the total number of Subscribers set forth in Schedule 3.2(q) of the Seller Disclosure Letter, including and excluding the same Subscribers as in Schedule 3.2(q) and shall make a determination with respect to such unresolved items only and in a manner consistent with this Section 4.31. Each party shall use its reasonable best efforts to furnish to the Independent Accountant such work papers and other documents and information pertaining to such unresolved items as the Independent Accountant may request. The determination of the Independent Accountant shall be final, binding and conclusive on Purchaser and Seller absent manifest error. The fees, expenses and costs of the American Arbitration Association and the Independent Accountant shall be borne in the same proportion as the aggregate amount of such unresolved items that is unsuccessfully disputed by each (as determined by the Independent Accountant) bears to the total amount of such unresolved items submitted to the Independent Accountant.

(d) Seller shall provide promptly to Purchaser and its representatives full access to the books and records of the Company and its Subsidiaries and to any other information and access to employees as Purchaser shall reasonably request in connection with Purchaser's review of the Subscriber List.

ARTICLE V
Conditions

5.1. Conditions to Each Party's Obligation to Effect the Transaction. The respective obligations of each party to effect the Transaction are subject to the satisfaction or waiver at or prior to the Closing of each of the following conditions:

(a) Regulatory Consents. (i) The waiting period (and any extensions thereof) applicable to the consummation of the Transaction under the HSR Act shall have expired or been earlier terminated; (ii) all Governmental Consents required to be obtained from the FCC for the consummation of the Transaction shall have been obtained; and (iii) the European Commission shall have adopted a decision pursuant to the EC Merger Regulation declaring that the Transaction is compatible with the common market (or such compatibility shall have been deemed to exist under Article 10(6) of the EC Merger Regulation), or, in the event that that the European Commission adopts a decision pursuant to Article 9(3)(b) of the EC Merger Regulation (or is deemed to have done so pursuant to Article 9(5) of the EC Merger Regulation) referring the review of all or part of the Transaction to a Governmental Entity of a member state of the European Union, such Governmental Entity (or any other Governmental Entity of such member state) shall have granted approval of the transactions or part thereof that were so referred.

(b) No Order. No Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, statute, ordinance, rule, regulation, judgment, injunction, decree or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the Transaction (collectively, an "Order").

(c) Listing of Purchaser Shares. The Purchaser Shares shall have been approved for listing on the NYSE, subject to official notice of issuance.

5.2. Conditions to Obligations of Purchaser. The obligations of Purchaser to effect the Transaction are also subject to the satisfaction or waiver by Purchaser at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of Seller set forth in Sections 3.1(d) (Ownership of Global, Holding and Company Shares), 3.1(g) (Ownership of Purchaser Common Stock), 3.2(b) (Capitalization) and 3.2(c)(ii) (Subsidiary Equity Interests) shall be true and correct in all material respects (A) on the date hereof and (B) at the Closing (except to the extent that such representation and warranty speaks only as of a particular date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date); (ii) the other representations and warranties of Seller set forth in this Agreement shall be true and correct (A) on the date hereof and (B) at the Closing (except to the extent that any such representation and warranty speaks only as of a particular date, in which case such representation and warranty shall be true and correct as of such earlier date); provided, however, that notwithstanding anything herein to the contrary, the condition set forth in this Section 5.2(a)(ii) shall be deemed to have been satisfied even if any representations and warranties of Seller are not so true and correct unless the failure of such representations and warranties of the Company to be so true and correct (read for purposes of this Section 5.2(a) without any materiality or Company Material Adverse Effect qualification), individually or in the aggregate, has had or would reasonably be likely to have a Company Material Adverse Effect; and (iii) Purchaser shall have received at the Closing a certificate signed on behalf of Seller by an executive officer of Seller to the effect that the condition set forth in this Section 5.2(a) has been satisfied.

(b) Performance of Obligations of Seller. Seller shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing, and Purchaser shall have received a certificate signed on behalf of Seller by an executive officer to such effect with respect to obligations regarding itself, the Company and its Subsidiaries; provided, that this condition shall be deemed satisfied so long as any failures to perform obligations under this Agreement are not, individually or in the aggregate, significant in relation to the magnitude of the Transaction or to the parties' required efforts to obtain Governmental Consents.

(c) Governmental Consents. (i) All Governmental Consents, including those required to be obtained from any PUCs or similar foreign regulatory body regulating telecommunications business, but other than those described in Section 5.1(a)(i) and clause (ii) of this Section 5.2(c), the failure of which to make or obtain would, individually or in the aggregate, reasonably be likely to have a Purchaser Material Adverse Effect, shall have been made or obtained, and (ii) all Governmental Consents set forth on Schedule 5.2(c) of the Purchaser Disclosure Letter (such Governmental Consents, together with those Governmental Consents referenced in Section 5.1(a) and clause (i) of this Section 5.2(c), being the "Required Governmental Consents"). All Governmental Consents that have been obtained shall have been obtained without the imposition of any term, condition, restriction or consequence that would, individually or in the aggregate with all other terms, conditions, restrictions or consequences imposed as a requirement to obtain other Governmental Consents, reasonably be likely to have or result in a Regulatory Material Adverse Condition and all Required Governmental Consents shall have been obtained by Final Order. For the purpose of this Agreement, "Final Order" means an action, decision, or expiration of waiting period that has been granted as to which (A) no request for a stay or any similar request is pending, no stay is in effect, the action or decision has not been vacated, reversed, set aside, annulled or suspended and any deadline for filing such a request that may be designated by statute or regulation has passed; (B) no petition for rehearing or reconsideration or application for review is pending and the time for the filings of any such petition or application has passed; (C) no Governmental Entity has undertaken to reconsider the action on its own motion and the time within which it may effect such reconsideration has passed; and (D) no appeal is pending (including other administrative or judicial review) or in effect and any deadline for filing any such appeal that may be specified by statute or rule has passed, which in any such case (A), (B), (C) or (D) is reasonably likely to result in vacating, reversing, setting aside, annulling, suspending or modifying such action or decision (in the case of any modification in a manner that would impose any term, condition or consequence that would reasonably be expected to have or result in a Regulatory Material Adverse Condition).

(d) No Company Material Adverse Effect. Since the date hereof, there shall not have occurred any change, event, circumstances or development that, individually or in the aggregate, has had, or is reasonably likely to have, a Company Material Adverse Effect.

(e) FIRPTA Certificate. The Company shall have issued to Purchaser a certificate described in Treasury Regulation Section 1.1445-2(c)(3) to the effect that the Company Shares are not "United States real property interests" within the meaning of Section 897(c)(1) of the Code; provided, that if the Company fails to deliver such certificate, Purchaser shall be permitted to withhold from the consideration otherwise payable to Seller pursuant to Section 2.2 any amounts required to be withheld pursuant to Section 1445 of the Code.

5.3. Conditions to Obligations of Seller. The obligations of Seller to effect the Transaction are also subject to the satisfaction or waiver by Seller at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of Purchaser set forth in Section 3.3(j) (Purchaser Shares) shall be true and correct in all material respects (A) on the date hereof and (B) at the Closing (except to the extent that any such representation and warranty expressly speaks as of a particular date, in which case such representation and warranty shall be true and correct in all material respects as of such date); and (ii) the other representations and warranties of Purchaser set forth in this Agreement shall be true and correct on the date hereof (except to the extent that any such representation and warranty expressly speaks as of a particular date, in which case such representation and warranty shall be true and correct as of such date); provided, however, that notwithstanding anything herein to the contrary, the condition set forth in this Section 5.3(a)(ii) shall be deemed to have been satisfied even if any representations and warranties of Purchaser are not so true and correct unless the failure of such representations and warranties of Purchaser to be so true and correct (read for purposes of this Section 5.3(a) without any materiality or Purchaser Material Adverse Effect qualification), individually or in the aggregate, has had or would reasonably be likely to have a Purchaser Material Adverse Effect; and (iii) Seller shall have received at the Closing a certificate signed on behalf of Purchaser by an executive officer of Purchaser to the effect that the condition set forth in this Section 5.3(a) has been satisfied.

(b) Performance of Obligations of Purchaser. Purchaser shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing, and Seller shall have received a certificate signed by an executive officer of Purchaser to such effect; provided, that this condition shall be deemed satisfied so long as any failures to perform obligations under this Agreement are not, individually or in the aggregate, significant in relation to the magnitude of the Transaction or to the parties' required efforts to obtain Governmental Consents.

(c) No Purchaser Material Adverse Effect. Since the date hereof, there shall not have occurred any change, event, circumstances or development that, individually or in the aggregate, has had, or is reasonably likely to have, a Purchaser Material Adverse Effect.

ARTICLE VI
Indemnification

6.1. Survival; Effect of Materiality Qualifiers.

(a) The representations and warranties of Seller and Purchaser contained in Article III shall survive the Closing and will remain in full force and effect until the date that is 12 months after the Closing Date, at which time they will terminate (and no claims with respect to such representations and warranties shall be made by any Person for indemnification thereafter), except that the representations and warranties contained in (i) Section 3.2(k) (Environmental Matters) and 3.2(s) (Prohibited Payments) shall survive the Closing and remain in full force and effect until the date that is three years after the Closing Date, (ii) Section 3.2(l) (Taxes) shall survive the Closing and shall terminate 30 days after the expiration of the applicable statute of limitations and (iii) Sections 3.1(d) (Ownership of Global, Holding and Company Shares), 3.2(b) (Capitalization) and 3.2(c)(ii) (Subsidiary Equity Interests) (collectively, the "Fundamental Seller Representations") and in Section 3.3(j) (Purchaser Shares) (collectively, the "Fundamental Purchaser Representations") shall survive the Closing until the date that is 10 years after the Closing Date. All covenants and other agreements in this Agreement to the extent that by their terms are to be performed prior to the Closing shall survive the Closing until the date that is 12 months after the Closing Date, at which time they shall terminate (and no claims with respect to such covenants and agreements shall be made by any Person for indemnification thereafter) and all other covenants and agreements in this Agreement shall survive the Closing indefinitely.

(b) In determining whether any representation or warranty in this Agreement was true and correct as of any particular date and the amount of any Damages in respect of the failure of any such representation or warranty to be true and correct as of any particular date, any qualification or limitation as to materiality (whether by reference to material adverse effect or otherwise) or knowledge contained in such representation or warranty shall be disregarded (other than in the case of the representation and warranty contained in Section 3.2(o)(i)(J), as to which such qualifications and limitations shall not be disregarded).

6.2. Indemnification.

(a) From and after the Closing, Seller shall indemnify and save and hold harmless Purchaser and its Subsidiaries and their respective officers, directors and Affiliates (collectively, the "Purchaser Indemnitees") from and against any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, diminution in value, costs and expenses, including interest, penalties and reasonable attorneys' fees and expenses, in each case on a basis net of any actual benefit ("Damages"), resulting from, arising out of, or incurred in connection with: (i) any failure of any representation or warranty made by Seller to be true and correct or any nonfulfillment, violation or breach of the covenant set forth in Section 4.16 (Business Plan; Capital Expenditures); (ii) any nonfulfillment, violation or breach of any covenant or agreement made by Seller in this Agreement (other than Section 4.16 (Business Plan; Capital Expenditures)), in each case existing as of the Closing; and (iii) Excluded

Liabilities; provided, that, without derogation of any right to indemnification hereunder with respect to any breach of the representations and warranty contained in Section 3.2(e) (Financial Statements; Undisclosed Liabilities), Damages resulting from, arising out of, or incurred in connection with any failure of any representation or warranty made by Seller in Section 3.2(l) to be true and correct shall be limited to Pre-Closing Taxes resulting from, arising out of or incurred in connection with such breach. The Purchaser Indemnitees shall not be entitled to assert any indemnification pursuant to Section 6.2(a)(i) after the expiration of the applicable survival period referenced in Section 6.1; provided, that if on or prior to such expiration of the applicable survival period a notice of claim shall have been given to Seller pursuant to Section 6.3 for such indemnification, the Purchaser Indemnitees shall continue to have the right to be indemnified with respect to the matter or matters to which such claim relates until such claim for indemnification has been satisfied or otherwise resolved.

(b) From and after the Closing, Purchaser shall indemnify and save and hold harmless Seller and its Subsidiaries and their respective officers, directors and Affiliates (collectively, the "Seller Indemnitees") from and against any and all Damages resulting from, arising out of, or incurred in connection with: (i) any failure of any representation or warranty made by Purchaser to be true and correct; and (ii) any nonfulfillment, violation or breach of any covenant or agreement made by Purchaser in this Agreement, in each case existing as of the Closing. The Seller Indemnitees shall not be entitled to assert any indemnification pursuant to Section 6.2(b)(i) after the expiration of the applicable survival period with respect to inaccuracies in or breaches of the representations and warranties of Purchaser referenced in Section 6.1; provided, that if on or prior to such expiration of the applicable survival period a notice of claim shall have been given to Purchaser pursuant to Section 6.3 for such indemnification, the Seller Indemnitees shall continue to have the right to be indemnified with respect to the matter or matters to which such claim relates until such claim for indemnification has been satisfied or otherwise resolved.

6.3. Indemnification Procedures.

(a) If an indemnified party shall desire to assert any claim for indemnification provided for under this Article VI in respect of, arising out of, or involving a claim or demand made by any Person (other than a party hereto or Affiliate thereof) against the indemnified party (a "Third-Party Claim"), such indemnified party shall notify Purchaser or Seller, as the case may be (the "Indemnifying Party"), in writing of such Third-Party Claim, the amount or the estimated amount of Damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Third-Party Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto (a "Third-Party Claim Notice") promptly after receipt by such indemnified party of written notice of the Third-Party Claim; provided, however, that failure to provide a Third-Party Claim Notice shall not affect the indemnification obligations provided hereunder except to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure. The indemnified party shall deliver to the Indemnifying Party, promptly after the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third-Party Claim; provided, however, that failure to provide any such copies shall not affect the indemnification obligations provided hereunder except to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure.

(b) If a Third-Party Claim is made against an indemnified party, the Indemnifying Party will be entitled to participate in the defense thereof and, if it so chooses and acknowledges without reservation its obligation to indemnify the indemnified party therefore, to assume the defense thereof with counsel selected by the Indemnifying Party and reasonably satisfactory to the indemnified party; provided, that, notwithstanding anything in this Agreement to the contrary, Seller shall not be entitled to assume the defense of any Third-Party Claim by a Taxing Authority to the extent that such defense cannot be severed from a proceeding by the same Taxing Authority relating to the Company or any of its Subsidiaries for any taxable period (or portion thereof) ending on or after the Closing Date. Should the Indemnifying Party so elect to assume the defense of a Third-Party Claim, the Indemnifying Party will not be liable to the indemnified party for legal expenses subsequently incurred by the indemnified party in connection with the defense thereof, unless the Third-Party Claim involves potential conflicts of interest or substantially different defenses for the indemnified party and the Indemnifying Party, in which case the Indemnifying Party will be liable to the indemnified party for the expenses of one counsel and, if necessary, local counsel. If the Indemnifying Party assumes such defense, the indemnified party shall have the right to participate in defense thereof and to employ counsel, at its own expense (except as provided in the immediately preceding sentence), separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall be liable for the fees and expenses of one counsel and, if necessary, local counsel, employed by the indemnified party for any period during which the Indemnifying Party has not assumed the defense thereof and as otherwise contemplated by the two immediately preceding sentences. If the Indemnifying Party chooses to defend any Third-Party Claim, the other party shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third-Party Claim, and the use of reasonable efforts to make employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Third-Party Claim, the indemnified party shall not admit any Liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party's prior written consent (which consent shall not be unreasonably withheld or delayed). The Indemnifying Party may pay, settle or compromise a Third-Party Claim without the written consent of the indemnified party, so long as such settlement includes (i) an unconditional release of the indemnified party from all Liability in respect of such Third-Party Claim; (ii) does not subject the indemnified party to any injunctive relief or other equitable remedy; and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of any indemnified party; provided, that in the case of a Third-Party Claim by a Taxing Authority, Seller shall not pay, settle or compromise such claim without the written consent of Purchaser (which consent shall not be unreasonably delayed, conditioned or withheld) to the extent such Third-Party Claim would reasonably be expected to result in an increase in the Tax liability of the Company or any of its Subsidiaries for any taxable period (or portion thereof) ending on or after the Closing Date. Notwithstanding anything in this agreement to the contrary:

(i) Seller shall not be entitled to assume the defense of any Third-Party Claim by a Taxing Authority to the extent that such defense cannot be severed from a proceeding by the same Taxing Authority relating to the Company or any of its Subsidiaries for a taxable period (or portion thereof) ending on or after the Closing Date; (ii) Purchaser shall use its reasonable best efforts to sever any such Third-Party Claim by a Taxing Authority in such a manner as would permit Seller to control such claim; (iii) in the event that clause (i) of this sentence prohibits Seller from controlling any Third-Party Claim by a Taxing Authority, then (A) Seller may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third-Party Claim (including participation in any relevant meetings and conference calls during which the discussion can be limited to the issue or issues that result in such Third-Party Claim), (B) Purchaser shall keep Seller informed on a timely basis of all developments and events relating to such Third-Party Claim (including promptly forwarding copies to Seller of any related correspondence with any material related to unrelated issues redacted), and (C) Purchaser shall not enter into any settlement with respect to any such Third-Party Claim without Seller's prior written consent, which shall not be unreasonably delayed, conditioned or withheld; and (iv) in the event that Seller controls a Third-Party Claim by a Taxing Authority that would reasonably be expected to result in an increase in the Tax liability of the Company or any of its Subsidiaries for any taxable period (or portion thereof) ending on or after the Closing Date, (A) Purchaser may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third-Party Claim (including participation in any relevant meetings and conference calls), (B) Seller shall keep Purchaser informed on a timely basis of all developments and events relating to such Third-Party Claim (including promptly forwarding copies to Purchaser of any related correspondence), and (C) Seller shall not enter into any settlement with respect to any such Third-Party Claim without Purchaser's prior written consent, which shall not be unreasonably delayed, conditioned or withheld.

(c) If an indemnified party shall desire to assert any claim for indemnification provided for under this Article VI other than a claim in respect of, arising out of, or involving a Third-Party Claim (a "Direct Claim"), such indemnified party shall promptly notify the Indemnifying Party in writing of such Direct Claim, the amount or the estimated amount of Damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Direct Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto (a "Direct Claim Notice"); provided, however, that the failure to give such notification shall not affect the indemnification provided for hereunder except to the extent the indemnified party shall have maliciously failed to give such notice and the Indemnifying Party shall have been actually prejudiced as a result of such failure. The Indemnifying Party shall have a period of 30 days within which to respond to any Direct Claim Notice or any Third-Party Claim Notice. If the Indemnifying Party does not respond within such 30-day period, the Indemnifying Party will be deemed to have accepted such claim. If the Indemnifying Party rejects all or any part of such claim, Seller and Purchaser shall attempt in good faith for 30 days to resolve such claim. If no such agreement can be reached through good faith negotiation within 30 days, either Purchaser or Seller may commence an action in accordance with Section 8.3.

6.4. Limitations on Indemnification.

(a)(i) Seller shall have no liability for any claim for indemnification pursuant to Section 6.2(a)(i) if the Damages for which the Indemnifying Party would be responsible for such claim and all related claims are less than the applicable De Minimis Amount. Seller shall have no liability for indemnification pursuant to (i) Section 6.2(a)(i) with respect to Damages for which indemnification is provided thereunder unless (A) the aggregate amount of such Damages (excluding all Damages associated with claims less than the applicable De Minimis Amount) for a claim and all related claims with respect to the particular representation being evaluated exceeds the Specified Deductible, if applicable, and (B) the aggregate amount of such Damages (excluding all Damages associated with claims less than the applicable De Minimis Amount and excluding all Damages to the extent less than the Specified Deductible, if applicable, and including any Damages in excess thereof) exceeds $500,000,000.00 (the "Threshold"), in which case Seller shall be liable for all such Damages (excluding all Damages associated with claims less than the applicable De Minimis Amount and excluding all Damages to the extent less than the Specified Deductible, applicable, and including any Damages in excess thereof); and (ii) Section 6.2(a)(iii) with respect to Damages for which indemnification is provided thereunder unless the aggregate amount of such Damages exceeds $15,000,000.00; provided, that the cumulative aggregate liability for all Damages pursuant to Section 6.2(a)(i) shall not exceed an amount equal to $9,750,000,000.00 (the "Seller Cap"). The limitations in this Section 6.4(a) shall not apply to any Damages as a result of inaccuracies in the Fundamental Seller Representations, and any such Damages shall not be counted in determining the Threshold or the Seller Cap.

(ii) "De Minimis Amount" shall mean: (1) $5,000,000.00 with respect to the failure of representations and warranties of Seller set forth in Sections 3.2(f) (Litigation), 3.2(k) (Environmental Matters) or 3.2(n) (Intellectual Property) to be true and correct; and (2) $1,000,000.00 with respect to the failure of all other representations and warranties of Seller to be true and correct.

(iii) "Specified Deductible" shall mean: (1) $5,000,000.00 in the aggregate with respect to all failures of the representations and warranties of Seller set forth in Section 3.2(j) (Insurance) to be true and correct; (2) $10,000,000.00 in the aggregate with respect to all failures of the representations and warranties of Seller set forth in Section 3.2(n) (Intellectual Property) to be true and correct; (3) $15,000,000.00 in the aggregate each with respect to all failures of the representations and warranties of Seller set forth in Section 3.2(h)(i) (Compliance with Laws) and Section 3.2(i) (Absence of Certain Changes) to be true and correct; (4) $25,000,000.00 in the aggregate each with respect to all failures of the representations and warranties of Seller set forth in Section 3.2(f) (Litigation), Section 3.2(k) (Environmental Matters), Section 3.2(o) (Material Contracts) and Section 3.2(p) (Sufficiency and Ownership of Assets; Business) to be true and correct; and (5) $50,000,000.00 in the aggregate with respect to all failures of the representations and warranties of Seller set forth in Section 3.2(e)(ii) (Undisclosed Liabilities) to be true and correct.

(iv) Notwithstanding the $5,000,000.00 De Minimis Amount applicable to the failure of the representations and warranties of Seller set forth in Section 3.2(k) (Environmental Matters), Damages for a claim and all related claims in connection with such failure in excess of $1,000,000.00 shall be counted in determining whether the Specific Deductible applicable to the representations and warranties of Seller set forth in Section 3.2(k) (Environmental Matters) has been exceeded.

(b) Purchaser shall have no liability for any claim for indemnification pursuant to Section 6.2(b)(i) if the Damages for which the Indemnifying Party would be responsible for such claim and all related claims are less than the De Minimis Amount. Purchaser shall have no liability for indemnification pursuant to Section 6.2(b)(i) with respect to Damages for which indemnification is provided thereunder unless the aggregate amount of such Damages (excluding all Damages associated with claims less than the De Minimis Amount) exceeds the Threshold, in which case Purchaser shall be liable for all such Damages (excluding all Damages associated with claims less than the De Minimis Amount); provided, that the cumulative aggregate liability for all Damages pursuant to Section 6.2(b)(i) shall not exceed an amount equal to the product of (i) $39,000,000,000.00 less the Cash Consideration (including as adjusted pursuant to Section 2.2(c)), multiplied by (ii) 0.25 (the "Purchaser Cap"). The limitations in this Section 6.4(b) shall not apply to any Damages as a result of inaccuracies in the Fundamental Purchaser Representations, and any such Damages shall not be counted in determining the Threshold or the Purchaser Cap.

6.5. Indemnity Payments.

(a) In calculating the amount of any Damages, the proceeds actually received by the indemnified party or any of its Affiliates under any insurance policy or pursuant to any claim, recovery, settlement or payment by or against any other Person, net of any actual costs, expenses or premiums incurred in connection with securing or obtaining such proceeds, shall be deducted, except to the extent that the adjustment itself would excuse, exclude or limit the coverage of all or part of such Damages. In the event that an indemnified party has any rights against a third party with respect to any Damages that results in a payment by an Indemnifying Party under this Article VI, such Indemnifying Party shall be subrogated to such rights to the extent of such payment; provided, that until the indemnified party recovers full payment of the Damages, any and all claims of the Indemnifying Party against any such third party on account of said indemnity payment is hereby expressly made subordinate and subject in right of payment to the indemnified party's rights against such third party. Without limiting the generality or effect of any other provision hereof, each indemnified party and Indemnifying Party shall duly execute upon request all instruments reasonably necessary to evidence and perfect the subrogation and subordination rights detailed herein and otherwise cooperate in the prosecution of such claims. Except to the extent otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, the parties to this Agreement shall treat any indemnification payment made under this Agreement as an adjustment to the purchase price for income Tax purposes.

(b) If an indemnified party recovers an amount from a third party in respect of Damages that is the subject of indemnification hereunder after all or a portion of such Damages has been paid by an Indemnifying Party pursuant to this Article VI, the indemnified party shall promptly remit to the Indemnifying Party the excess (if any) of (i) the amount paid by the Indemnifying Party in respect of such Damages plus the amount received from the third party in respect thereof minus (ii) the full amount of Damages.

(c) The Indemnifying Party shall pay all amounts payable pursuant to this Article VI, by wire transfer of immediately available cash funds, promptly following receipt from an indemnified party of a bill for Damages that are the subject of indemnification hereunder, unless the Indemnifying Party in good faith disputes the Damages, in which event it shall so notify the indemnified party. In any event, the Indemnifying Party shall pay to the indemnified party, by wire transfer in immediately available cash funds, the amount of any Damages for which it is liable hereunder no later than three days following any determination of such Damages and the Indemnifying Party's liability therefor. A "determination" shall exist when (i) the parties to the dispute have reached an agreement, (ii) a court of competent jurisdiction shall have entered an order or judgment, or (iii) an arbitration or like panel shall have rendered a final binding, non-appealable determination with respect to disputes the parties have agreed to submit thereto.

6.6. Exclusive Remedy. Notwithstanding anything to the contrary in this Agreement, following the Closing, the sole and exclusive remedy of Seller and its Subsidiaries and their respective officers, directors and Affiliates against Purchaser and its Subsidiaries and their respective officers, directors and Affiliates, and vice versa, for any Damages resulting from, arising out of, or incurred in connection with, this Agreement shall be the indemnification and other rights specifically set forth in this Article VI and otherwise in this Agreement, and no Person shall have any monetary rights or claims against Purchaser, Seller, their respective Subsidiaries and their respective officers, directors and Affiliates under this Agreement, in contract, in tort or otherwise, and none of Purchaser, Seller, their respective Subsidiaries and their respective officers, directors and Affiliates shall have any further liability or obligation resulting from, arising out of, or incurred in connection with, this Agreement; provided, that nothing in this Section 6.6 shall apply to tort claims under applicable Law based on fraud or to either party's rights to seek equitable remedies.

ARTICLE VII
Termination

7.1. Termination by Mutual Consent. This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Closing by mutual written consent of Purchaser and Seller.

7.2. Termination by Either Purchaser or Seller. This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Closing by either Purchaser or Seller if (a) the Transaction shall not have been consummated by March 20, 2012; provided, however, that if the condition set forth in Section 5.1(a) or 5.2(c) shall not have been satisfied by

March 20, 2012, either party may extend the Termination Date from time to time to a date not later than June 20, 2012, and if not satisfied by such date, either party may further extend the Termination Date from time to time to a date not later than September 20, 2012 upon provision of a certificate executed by an executive officer of such party that such party believes in good faith that the satisfaction of the condition set forth in Sections 5.1(a) and 5.2(c) is meaningfully possible to occur prior to such extended date (such date as may be extended from time to time pursuant to this Section 7.2, the "Termination Date"); or (b) any Order permanently restraining, enjoining or otherwise prohibiting consummation of the Transaction shall become final and non-appealable.

7.3. Termination by Seller. This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Closing by Seller if there has been a breach of any representation, warranty, covenant or agreement made by Purchaser in this Agreement, or any such representation and warranty shall have become untrue after the date hereof, such that Section 5.3(a) or 5.3(b) would not be satisfied and such breach or condition is not curable.

7.4. Termination by Purchaser. This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Closing by Purchaser if there has been a breach of any representation, warranty, covenant or agreement made by Seller in this Agreement, or any such representation and warranty shall have become untrue after the date hereof, such that Section 5.2(a) or 5.2(b) would not be satisfied and such breach or condition is not curable.

7.5. Effect of Termination and Abandonment.

(a) In the event of termination of this Agreement and the abandonment of the Transaction pursuant to this Article VII, this Agreement (other than Sections 4.4 (Expenses), 7.5(b) (Termination Transfer), 7.5(c) (Exclusive Remedy) and 8.1 through 8.5 and 8.7 through 8.13 (Miscellaneous)) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal and financial advisors or other representatives); provided, however, except as otherwise provided herein, no such termination shall relieve any party hereto of any liability or damages resulting from any willful breach of this Agreement.

(b) If (i) Seller or Purchaser terminates this Agreement pursuant to Section 7.2 or (ii) Seller terminates this Agreement pursuant to Section 7.3 following an intentional failure in bad faith by Purchaser to comply with its obligations under Section 4.6, and, in each of (i) and (ii), at the time of such termination, the conditions set forth in Section 5.1(a), 5.1(b) or 5.2(c) shall not have been satisfied, and at the time of such termination, all other conditions to the Closing set forth in Sections 5.1 and 5.2 shall have been satisfied or waived (other than the condition set forth in Section 5.1(c), and other than those conditions that by their terms are to be satisfied at the Closing but which conditions would be satisfied or, in the case of Section 5.2(e), would be capable of being satisfied if the Closing Date were the date of such termination, or those conditions that have not been satisfied as a result of a breach by Purchaser), then (i) Purchaser shall (A) within three Business Days following receipt of such written notice, pay to Seller the cash amount set forth on Annex E by wire transfer of immediately available funds and (B) deliver to, or as directed by, Seller the assets set forth on Annex E (the "Termination Transfer") as promptly as reasonably practicable following the expiration of the waiting period (and any extensions thereof) applicable to the transfer of the assets included in the Termination Transfer under the HSR Act and receipt of any required consents, registrations, approvals, permits, clearances or authorizations required to be obtained by Seller, the Company or its Subsidiaries, or any of their respective Affiliates, from any Governmental Entity in connection with the transfer of the assets included in the Termination Transfer; provided, that Seller and Purchaser shall use, and shall cause their respective Subsidiaries to use, their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on their respective parts under this Agreement and applicable Laws to consummate such transfer of assets as promptly as practicable; and (ii) promptly following such termination Purchaser will, at the request of Seller, enter into a roaming agreement with the Company containing the terms set forth on Annex F and, if they are unable to reach agreement, shall comply with the terms set forth on Annex F.

(c) Notwithstanding anything to the contrary in this Agreement, if this Agreement is terminated in accordance with its terms and such termination gives rise to the obligation of Purchaser to make the Termination Transfer and enter into a roaming agreement containing the terms set forth on Annex F, all pursuant to Section 7.5(b), and Purchaser shall have paid the cash amount set forth on Annex E, and entered into the roaming agreement, and shall in good faith be attempting to comply with its obligations under Section 7.5(b) with respect to transfer(s) of assets set forth on Annex E, the sole and exclusive remedy of Seller and its Subsidiaries and their respective officers, directors and Affiliates against Purchaser and its Subsidiaries and their respective officers, directors and Affiliates for any Damages resulting from, arising out of, or incurred in connection with, this Agreement (including termination thereof) or any transactions ancillary hereto shall be the Termination Transfer and the other matters contemplated and required by Section 7.5(b), and no Person shall have, except as provided herein, any rights or claims against Purchaser and its Subsidiaries and their respective officers, directors and Affiliates under this Agreement, whether at law or equity, in contract, in tort or otherwise, and none of Purchaser and its Subsidiaries and their respective officers, directors and Affiliates shall have any further liability or obligation resulting from, arising out of, or incurred in connection with, this Agreement; provided, that nothing in this Section 7.5(c) shall apply to tort claims under applicable Law based on fraud or to either party's rights to seek equitable remedies, including injunctive relief or specific performance (it being understood and agreed that notwithstanding anything to the contrary herein the provisions of Section 8.6 shall apply as to the enforcement of the Termination Transfer and other obligations under Section 7.5(b)), with respect to the surviving provisions of and obligations under this Agreement, the enforcement of the Termination Transfer and other obligations under Section 7.5(b), including the implementation and effectuation of the transfers, matters and agreements contemplated thereby and set forth in Annex E and Annex F, and their enforcement, nor to any claims for Damages or otherwise arising out of such surviving obligations under Section 7.5(b) or any failure to complete all or any portion of the Termination Transfer or otherwise effect the transfers, matters and agreements contemplated by Section 7.5(b) or set forth in Annex E and Annex F.

ARTICLE VIII
Miscellaneous and General

8.1. Amendment; Waivers, Etc. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by (a) Purchaser where enforcement of the amendment, modification, discharge or waiver is sought against Purchaser or (b) Seller where enforcement of the amendment, modification, discharge or waiver is sought against Seller. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. The waiver by Purchaser or Seller of a breach of, or a default under, any of the provisions hereof, or to exercise any right or privilege hereunder, shall not be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. Except as expressly provided in this Agreement, the rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity.

8.2. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart (including any facsimile or electronic document transmission of such counterpart) being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

8.3. Governing Law; Submission to Jurisdiction; Selection of Forum; Waiver of Trial by Jury. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THEREOF (OTHER THAN NEW YORK GENERAL OBLIGATIONS LAW SECTIONS 5-1401 AND 5-1402). Each party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of, or related to, this Agreement or the Transaction, exclusively in the United States District Court for the Southern District of New York or any New York State court sitting in the Borough of Manhattan, of the City of New York (the "Chosen Courts"), and solely in connection with claims arising under this Agreement or the Transaction (a) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any party hereto, and (d) agrees that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.4. Each party hereto irrevocably designates C.T. Corporation as its agent and attorney-in-fact for the acceptance of service of process and making an appearance on its behalf in any such claim or proceeding and for the taking of all such acts as may be necessary or appropriate in order to confer jurisdiction over it before the Chosen Courts and each party hereto stipulates that such consent and appointment is irrevocable and coupled with an interest. Each party hereto irrevocably waives any and all right to trial by jury in any legal proceeding arising out of, or relating to, this Agreement or the Transaction.

8.4. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, or by facsimile:

if to Purchaser:

AT&T Inc.
One AT&T Plaza
208 South Akard Street, Suite 3702
Dallas, Texas 75202
Attention: D. Wayne Watts
Fax: (214) 746-2103

with copies to:

Joseph B. Frumkin
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
fax: (212) 558-3588; and

Eric M. Krautheimer
Sullivan & Cromwell LLP
1888 Century Park East, Suite 2100
Los Angeles, California 90067
Fax: (310) 712-8800

if to Seller:

Deutsche Telekom AG
Friedrich-Ebert-Alle 140
53113 Bonn, Germany
Attention: General Counsel
Fax: +49-228-181-74008

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Adam O. Emmerich
Steven A. Cohen
Fax: (212) 403-2000

or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided above.

8.5. Entire Agreement; No Other Representations. This Agreement (including any annexes and exhibits hereto), the Seller Disclosure Letter, the Purchaser Disclosure Letter, the Confidentiality Agreement and, when executed, the Stockholder's Agreement, constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, among the parties with respect to the subject matter hereof. Each of Purchaser and Seller acknowledges that the other party has not made any representation, express or implied, with respect to the accuracy, completeness or adequacy of any available information except to the extent such information is specifically covered by the representations and warranties of the other party contained in Article III or Section 8.12.

8.6. Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any of the Chosen Courts, in addition to any other remedy to which they are entitled at law or in equity.

8.7. No Third-Party Beneficiaries. This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder, except to the extent contemplated by Sections 4.26 and 6.2.

8.8. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability or the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision; and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

8.9. Interpretation. The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

8.10. Assignment. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, legal representatives and permitted assigns. Neither party may directly or indirectly assign any of its rights or delegate any of its obligations under this Agreement, by operation of Law or otherwise, without the prior written consent of the other party, except as set forth in Section 4.21 (Use of Trademarks) and

Section 4.22 (Intellectual Property Licenses). Any purported direct or indirect assignment in violation of this Section 8.10 shall be null and void *ab initio*. Notwithstanding the foregoing, Purchaser may assign any of its rights and/or delegate any of its obligations under this Agreement to one or more of its wholly-owned Subsidiaries (but no such assignment shall relieve Purchaser of any of its obligations hereunder).

8.11. Limitation of Liability. Notwithstanding anything to the contrary contained in this Agreement, neither Seller, Purchaser, their respective Subsidiaries, or any of their respective officers, directors or Affiliates shall be liable to any Person under this Agreement for any special, consequential, punitive, indirect or exemplary damages (including lost or anticipated revenues or profits relating to the same) arising from any claim relating to this Agreement (other than to the extent such damages are paid to a third party), whether such claim is based on warranty, contract, tort (including negligence or strict liability) or otherwise.

8.12. Securities Matters. Each of Purchaser and Seller represents and warrants to the other party as follows:

(a) Experience; Risk. Such party has such knowledge, sophistication and experience in financial and business matters that it is capable of evaluating the merits and risks of the receipt of the Company Shares or the Purchaser Shares, respectively, and of protecting its interests in connection herewith. Seller has the ability to bear the economic risk of this investment, including complete loss of the investment.

(b) Investment. Such party is acquiring the Company Shares or the Purchaser Shares, respectively, for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, any distribution thereof, and has no present intention of selling, granting any participation in or otherwise distributing the same. Such party understands that the Company Shares or the Purchaser Shares, respectively, have not been registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such party's representations as expressed in this Section 8.12.

(c) Access to Information. Such party acknowledges that, as of the date hereof, it has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the other party concerning the terms and conditions of the Transaction and the Company Shares or the Purchaser Shares, respectively, and the merits and risks of investing in the Company Shares or the Purchaser Shares, respectively, and any such questions have been answered to such party's reasonable satisfaction; (ii) access to information about the Company or Purchaser, respectively, and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; (iii) the opportunity to obtain such additional information that the other party possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment and any such additional information has been provided to such party's reasonable satisfaction; and (iv) the opportunity to ask questions of management of the other party and any such questions have been answered to such party's reasonable satisfaction. Such party has sought such accounting, legal and tax advice as it has considered necessary to make an informed decision with respect to its acquisition of the Company Shares or the Purchaser Shares, respectively. Each party hereto acknowledges that no other party hereto nor any Affiliate or representative of such party has made any representation, express or implied, with respect to the accuracy, completeness or adequacy of any available information except or to the extent such information is covered by the representations and warranties contained herein. Except as expressly provided in Section 6.2(b), Seller hereby agrees that neither Purchaser nor any of its Affiliates will have or be subject to any Liability or indemnification obligation to Seller or to any other Person resulting from the issuance and sale of Purchaser Shares to Seller.

(d) Accredited Investor. Such party is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the SEC.

(e) Restricted Securities; Rule 144. Such party understands that the Company Shares and the Purchaser Shares, respectively, are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the other party in a transaction not involving a public offering and that under such laws and applicable regulations the Purchaser Shares may be resold without registration under the Securities Act only in certain limited circumstances. Such party acknowledges that the Company Shares or the Purchaser Shares, respectively, must be held indefinitely unless a sale of such Company Shares or Purchaser Shares, respectively, is subsequently registered under the Securities Act or an exemption from such registration is available. Such party is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of shares purchased in a private placement or shares owned by certain Persons associated with the Company subject to the satisfaction of certain conditions.

(f) Legends. Seller understands and agrees that each certificate representing the Purchaser Shares, any securities issued in respect thereof or exchange therefor shall bear a legend in the following forms (in addition to any other legend required under applicable state securities laws) (and a comparable notation or other arrangement will be made with respect to any uncertificated Purchaser Shares):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE ISSUER RECEIVES AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO IT STATING THAT SUCH SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE PROVISIONS OF A STOCKHOLDER'S AGREEMENT, DATED AS OF MARCH 20, 2011, TO WHICH THE ISSUER AND CERTAIN OF ITS STOCKHOLDERS ARE PARTY, A COPY OF WHICH MAY BE INSPECTED AT THE PRINCIPAL OFFICE OF THE ISSUER OR OBTAINED FROM THE ISSUER WITHOUT CHARGE."

8.13. Transfer Taxes. Any Transfer Taxes shall be borne 50% by Purchaser and 50% by Seller. The party so required by applicable Law shall file all necessary Tax Returns and other documentation with respect to all Transfer Taxes, and, if required by the applicable Law, the other parties shall, and shall cause their Affiliates to join in the execution of any such Tax Returns and other documentation.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the parties hereto as of the date first written above.

DEUTSCHE TELEKOM AG

By /s/ René Obermann

Name: René Obermann
Title: Chief Executive Officer

By /s/ Timotheus Höttges

Name: Timotheus Höttges
Title: Chief Financial Officer

AT&T INC.

By /s/ Randall Stephenson

Name: Randall Stephenson
Title: Chairman of the Board,
Chief Executive Officers and President

Schedule C

EXECUTION VERSION

STOCKHOLDER'S AGREEMENT

by and between

DEUTSCHE TELEKOM AG

and

AT&T INC.

DATED AS OF MARCH 20, 2011

TABLE OF CONTENTS

STOCKHOLDER'S AGREEMENT, dated as of March 20, 2011 (this "Agreement"), by and between AT&T Inc., a Delaware corporation (the "Company"), and Deutsche Telekom AG, an *Aktiengesellschaft* organized and existing under the laws of the Federal Republic of Germany (the "Stockholder").

W I T N E S S E T H:

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to the Company's willingness to enter into this Agreement, the Company and the Stockholder are entering into a Stock Purchase Agreement, dated as of the date hereof (the "Acquisition Agreement"), pursuant to which, among other things, the Company will purchase all of the outstanding shares of capital stock of T-Mobile USA, Inc., a Delaware corporation ("T-Mobile"), from an indirect wholly-owned subsidiary of the Stockholder upon the terms and conditions set forth in the Acquisition Agreement (the "Acquisition");

WHEREAS, the Company and the Stockholder desire to establish in this Agreement certain terms and conditions concerning the shares of common stock, par value $1.00 per share (the "Common Stock"), of the Company delivered to the Stockholder pursuant to the Acquisition Agreement and related provisions concerning the Stockholder's relationship with and investment in the Company following the Closing; and

WHEREAS, this Agreement shall take effect as of the Closing.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings indicated below:

"Acquisition" shall have the meaning set forth in the Recitals.

"Acquisition Agreement" shall have the meaning set forth in the Recitals.

"Affiliate" shall mean, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under Common Control with that Person; provided that the Stockholder shall not be deemed to be an Affiliate of the Company and vice versa.

"Agreement" shall have the meaning set forth in the Preamble.

"Ancillary Agreements" shall have the meaning set forth in the Acquisition Agreement.

"Beneficially Own" shall mean, with respect to any securities, (i) having "beneficial ownership" of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act (or any successor statute or regulation), (ii) having the right to become the Beneficial Owner of such securities (whether such right is exercisable immediately or only after the passage of time or the occurrence of conditions) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise, or (iii) having an exercise or conversion privilege or a settlement payment or mechanism with respect to any option, warrant, convertible security, stock appreciation, swap agreement or other security, contract right or derivative position, whether or not currently exercisable, at a price related to the value of the securities for which Beneficial Ownership is being determined or a value determined in whole or part with reference to, or derived in whole or in part from, the value of the securities for which Beneficial Ownership is being determined that increases in value as the value of the securities for which Beneficial Ownership is being determined increases or that provides to the holder an opportunity, directly or indirectly, to profit or share in any profit derived from any increase in the value of the securities for which Beneficial Ownership is being determined (excluding any interests, rights, options or other securities set forth in Rule 16a-1(c)(1)-(5) or (7) promulgated pursuant to the Exchange Act). The terms "Beneficial Owner" and "Beneficial Ownership" shall have a correlative meaning.

"Blackout Period" shall have the meaning set forth in Section 6.1(d).

"Board" shall mean, as of any date, the Board of Directors of the Company in office on that date.

"Business" shall mean the business of marketing, selling and providing wireless telecommunication services (including voice and data services) as a network operator in the United States, but excluding (A) the provision over the internet of value added services, internet services, "over the top" services (including the provision of VoIP services and apps), provided that such services are immaterial as compared to the revenues of T-Mobile in the United States as of the date of this Agreement, (B) the provision of wireless telecommunication services as a part of, in connection with or ancillary to an offering of telecommunication solutions for enterprises or government where such services represent less than 30% by revenue of the total services provided to such enterprise or government, (C) the offering of internet content or acting as an internet provider, and (D) venture capital or minority investments that do not individually exceed $100 million capital invested by Stockholder.

"Business Day" shall mean any day other than a Saturday, Sunday, federal holiday or a day on which banks in the City of New York are authorized or obligated by law to close.

"Business Marks" means the Trademarks owned by, or exclusively licensed to, the Stockholder or its Subsidiaries (other than T-Mobile and its Subsidiaries) that are used by T-Mobile or any of its Subsidiaries in connection with the Business, including the "Business Marks" as such term is defined in the Acquisition Agreement.

"Chosen Courts" shall have the meaning set forth in Section 8.6.

"<u>Claim Notice</u>" shall have the meaning set forth in Section 6.7(a)

"<u>Claims</u>" shall have the meaning set forth in Section 6.6(a).

"<u>Closing</u>" shall have the meaning set forth in the Recitals.

"<u>Common Stock</u>" shall have the meaning set forth in the Recitals.

"<u>Company</u>" shall have the meaning set forth in the Preamble.

"<u>Competing Business</u>" shall have the meaning set forth in Section 7.1.

"<u>Control</u>" (including, with correlative meanings, "Controlled by" and "under Common Control with") shall mean the possession, direct or indirect, of the power to direct or cause the direction of management or policies of a Person, whether through ownership of securities, by contract or otherwise.

"<u>Demand Registration Statement</u>" shall have the meaning set forth in Section 6.1(a).

"<u>Demand Request</u>" shall have the meaning set forth in Section 6.1(a).

"<u>Director</u>" shall mean any member of the Board.

"<u>Effective Period</u>" shall have the meaning set forth in Section 6.4(a)(iii).

"<u>Encumbrance</u>" shall mean any lien, pledge, charge, claim, encumbrance, security interest, option, mortgage, easement or other restriction or third-party right of any kind, including any right of first refusal or restriction on voting, in each case other than pursuant to the this Agreement.

"<u>Exchange Act</u>" shall mean the United States Securities Exchange Act of 1934, as amended.

"<u>Indemnifying Party</u>" shall have the meaning set forth in Section 6.7(a).

"<u>Lock-Up Period</u>" shall have the meaning set forth in Section 5.1(b).

"<u>Market Value</u>" shall mean, as of any date, the average of the daily closing prices per share of Common Stock during the regular trading sessions on the NYSE (or on the principal securities exchange or interdealer quotation system on which Common Stock is then listed or quoted) for each of the 30 full trading days immediately preceding (but not including) such date.

"<u>Maximum Number</u>" shall have the meaning set forth in Section 6.2(b).

"<u>Nominating Committee</u>" shall have the meaning set forth in Section 3.1(a).

"<u>NYSE</u>" shall mean the New York Stock Exchange, Inc.

"Organizational Documents" shall mean, with respect to any Person, such Person's articles or certificate of association, incorporation, formation or organization, by-laws, limited liability company agreement, partnership agreement or other constituent document or documents, each in its currently effective form as amended from time to time.

"Other Capital Stock" shall mean shares of any class of capital stock of the Company other than the Common Stock that are entitled to vote generally in the election of Directors.

"Other Holder" shall have the meaning set forth in Section 6.2(b).

"Ownership Threshold" shall mean 5% or more of the Voting Power; provided that if the action that causes the Stockholder to cease to Beneficially Own 5% or more of the Voting Power is taken by the Company, then the Ownership Threshold shall be 2.5% or more of the Voting Power; provided, further, that if, after ceasing to Beneficially Own 5% or more of the Voting Power, the Stockholder Transfers Beneficial Ownership of any Voting Securities to a third party, then the Ownership Threshold shall revert to 5% or more of the Voting Power.

"Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

"Piggy-Back Registration" shall have the meaning set forth in Section 6.2(a).

"Piggy-Back Request" shall have the meaning set forth in Section 6.2(a).

"Piggy-Back Shares" shall have the meaning set forth in Section 6.2(a).

"Purchaser Shares" shall mean the shares of Common Stock issued to the Stockholder at the Closing pursuant to the Acquisition Agreement and any shares of Common Stock or other securities issued in respect thereof or into which such shares of Common Stock shall be converted in connection with stock splits, reverse stock splits, stock dividends or distributions, combinations or any similar recapitalizations on or after the date hereof.

"Registrable Shares" shall mean, at any time, the Purchaser Shares that are Beneficially Owned by the Stockholder.

"S-3 Eligible" shall have the meaning set forth in Section 6.1(a).

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities Act" shall mean the United States Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC from time to time thereunder.

"Significant Event" means (i) the public announcement by the Company or any of its Affiliates of the entry by it into a definitive agreement with a Person or group (as contemplated by Exchange Act Rule 13d-5(b)) providing for a business combination, merger, tender offer, consolidation, share exchange, sale of assets, liquidation, restructuring, recapitalization or other similar transaction involving the Company or any of its Voting Securities pursuant to which (A) (x) at least a majority of the outstanding shares of Common Stock would be converted into cash or securities of another Person (other than a wholly-owned Subsidiary of the Company), (y) at least a majority of the then outstanding shares of Common Stock would be owned by Persons other than by virtue of such Persons' ownership of shares of Common Stock immediately prior to such transaction, or (z) any Person or group (as contemplated by Exchange Act Rule 13d-5(b) (other than a wholly-owned Subsidiary of the Company) would, after such transaction, own at least a majority of the outstanding shares of Common Stock, or (B) which would result in at least a majority of the assets of the Company and its Affiliates taken as a whole being sold to any Person or group (as contemplated by Exchange Act Rule 13d-5(b)) or (ii) the commencement by a third party of a tender or exchange offer to acquire Beneficial Ownership of at least a majority of the outstanding shares of Common Stock, which tender or exchange offer has been recommended by the Board.

"Stockholder" shall have the meaning set forth in the Preamble.

"Stockholder Designee" shall have the meaning set forth in Section 3.1(a).

"Subsidiary" shall mean, with respect to any Person, any other entity (i) whose securities or other ownership interests, having by their terms the power to elect a majority of the board of directors or other Persons performing similar functions, are owned or controlled, directly or indirectly, by such Person, (ii) whose business and policies such Person has the power, directly or indirectly, to direct, or (iii) of which 50% or more of the securities, partnership or other ownership interests are owned, directly or indirectly, by such Person.

"T-Mobile" shall have the meaning set forth in the Preamble.

"Trademarks" shall mean all trademarks, service marks, brand names, product names and slogans, certification marks, collective marks, d/b/a's, assumed names, Internet domain names, logos, symbols, trade dress, trade names and any and every other form of trade identity and other indicia of origin, all applications and registrations therefor and renewals thereof and all goodwill associated therewith and symbolized thereby.

"Transfer" shall mean any direct or indirect sale, transfer, assignment, pledge, hypothecation, mortgage, license, gift, creation of a security interest in or lien on, placement in trust (voting or otherwise), encumbrance or other disposition to any Person, including those by way of spin-off, hedging or derivative transactions or otherwise; provided, however, that any tender or exchange offer, merger (other than a merger by the Stockholder to effect a reorganization or recapitalization), amalgamation, plan of arrangement or consolidation or any similar transaction in which each holder of capital stock of the Stockholder (other than, if applicable, the Person proposing such transaction) disposes or is offered the opportunity to dispose of some or all capital stock of the Stockholder Beneficially Owned by each such holder or which otherwise results in the acquisition of some or all capital stock of the Stockholder Beneficially Owned by each such holder shall not be deemed to be the Transfer of any Purchaser Shares Beneficially Owned by the Stockholder.

"Votes" shall mean votes entitled to be cast generally in the election of Directors.

"Voting Power" shall mean, as of any time, the ratio, expressed as a percentage, of (i) the Votes represented by the Voting Securities with respect to which the Voting Power is being determined to (ii) the aggregate Votes represented by all then outstanding Voting Securities.

"Voting Securities" shall mean, together, (i) the Common Stock and (ii) any Other Capital Stock.

Section 1.2 Other Definitional Provisions. Unless the express context otherwise requires:

(a) the words "hereof", "herein", and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(c) any reference herein to "Dollars" and "$" are to United States Dollars;

(d) any references herein to a specific Section, Schedule, Annex or Exhibit shall refer, respectively, to Sections, Schedules, Annexes or Exhibits of this Agreement;

(e) wherever the word "include", "includes" or "including" is used in this Agreement, it shall be deemed to be followed by the words "without limitation"; and

(f) references herein to any gender includes the other gender.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Stockholder as of the date hereof that:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The Company has all requisite power and authority and has taken all action necessary in order to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by the Company of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action of the Company. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement by the Stockholder, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equitable principles.

(c) The execution and delivery of this Agreement by the Company and the performance of its obligations hereunder will not constitute or result in (i) a breach or violation of, or a default under, the Organizational Documents of the Company, (ii) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, or the creation of an Encumbrance on any of the assets of the Company (with or without notice, lapse of time or both) pursuant to, any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation binding upon the Company, or (iii) conflict with, breach or violate any law applicable to the Company or by which its properties are bound or affected, except, in the case of clause (ii) or (iii) above, for any breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to impair the ability of the Company to perform its obligations under this Agreement.

(d) The Company is a "well-known seasoned issuer" (as defined in Rule 405 promulgated under the Securities Act) eligible to register the Registrable Shares for resale by the Stockholder on a registration statement on Form S-3 under the Securities Act. The Company is subject to the reporting requirements of the Exchange Act.

Section 2.2 <u>Representations and Warranties of the Stockholder</u>. The Stockholder represents and warrants to the Company as of the date hereof that:

(a) The Stockholder is an *Aktiengesellschaft* organized and existing under the laws of the Federal Republic of Germany.

(b) The Stockholder has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by the Stockholder of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action of the Stockholder. This Agreement has been duly executed and delivered by the Stockholder and, assuming the due authorization, execution and delivery of this Agreement by the Company, constitutes the legal, valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms, except as limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally or, as to enforceability, by general equitable principles.

(c) The execution and delivery of this Agreement by the Stockholder and the performance of its obligations hereunder will not constitute or result in (i) a breach or violation of, or a default under, the Organizational Documents of the Stockholder, (ii) a breach or violation of, a termination (or right of termination) or default under, the creation or acceleration of any obligations under, or the creation of an Encumbrance on any of the assets of the Stockholder (with or without notice, lapse of time or both) pursuant to, any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation binding upon the Stockholder, or (iii) conflict with, breach or violate any law applicable to the Stockholder or by which its properties are bound or affected, except, in the case of clause (ii) or (iii) above, for any breach, violation, termination, default, creation or acceleration that would not, individually or in the aggregate, reasonably be likely to impair the ability of the Stockholder to perform its obligations under this Agreement.

(d) Immediately prior to the execution hereof, the Stockholder and its Subsidiaries do not Beneficially Own any shares of Common Stock.

ARTICLE III

CORPORATE GOVERNANCE

Section 3.1 Board Representation. (a) Pursuant to the Acquisition Agreement and in accordance with the terms thereof, the Stockholder has designated one Director (the "Stockholder Designee") to serve on the Board until the next meeting of stockholders of the Company at which directors are elected. Thereafter, the Stockholder shall have the right to designate the Stockholder Designee or a successor thereto and, as long as such Stockholder Designee satisfies the requirements of Section 3.1(b), the governance guidelines of the Company, as in effect from time to time and is otherwise reasonably acceptable to the Board and the Corporate Governance and Nominating Committee of the Board (including any successor committee, the "Nominating Committee"), the Company shall use its reasonable best efforts to cause the Stockholder Designee to be included in the slate of Directors approved by the Board for election at each meeting of stockholders of the Company at which directors are elected; provided, however, that if for any period greater than 30 consecutive days the Stockholder shall Beneficially Own Voting Securities representing less than the applicable Ownership Threshold, the Stockholder shall promptly cause the Stockholder Designee to resign and the contractual right of the Stockholder to designate a Director pursuant to this Section 3.1(a) or otherwise shall terminate.

(b) The Stockholder Designee shall, in the reasonable judgment of the Nominating Committee and the Board, (i) have the requisite skill and experience to serve as a director of a publicly traded company, (ii) not be prohibited or disqualified from serving as a director of the Board pursuant to any rule or regulation of the SEC or NYSE or by applicable law, and (iii) satisfy the governance guidelines of the Company, as in effect from time to time, and the Organizational Documents of the Company and otherwise satisfy the qualification standards to serve as a Director set forth in the Company's Corporate Governance Guidelines, as they may be amended from time to time. The Stockholder shall, and shall cause the Stockholder Designee to, timely provide the Company with accurate and complete information relating to the Stockholder and the Stockholder Designee that may be required to be disclosed by the Company under the Securities Act or the Exchange Act, including such information required to be furnished by the Company with respect to the Stockholder Designee in a proxy statement pursuant to Rule 14a-101 promulgated under the Exchange Act. In addition, at the Company's request, the Stockholder shall cause the Stockholder Designee to complete and execute the Company's director and officer questionnaire prior to being admitted to the Board or standing for reelection at an annual meeting of stockholders or at such other time as may be reasonably requested by the Company.

(c) Not less than 120 days prior to each meeting of stockholders of the Company at which directors are to be elected (assuming for these purposes that each annual meeting shall be held on the anniversary of the prior year's annual meeting), the Stockholder shall provide the Company with written notice of the name of the Stockholder Designee to be nominated for election at such meeting. If it is determined that a Stockholder Designee does not satisfy the requirements of Section 3.1(a) and 3.1(b), or if such Stockholder Designee is not available or eligible to stand for election, then the Stockholder may attempt to name an acceptable and available replacement designee and any such designee satisfying the requirements set forth herein will be included as a nominee for election at such meeting if written notice of the name of such Stockholder Designee is provided to the Company within a reasonable period of time prior to the mailing of the proxy statement for such meeting.

(d) Following the Closing, upon the resignation, retirement or other removal from office of the Stockholder Designee, (i) the Stockholder shall be entitled promptly to designate a replacement Stockholder Designee who satisfies the requirements of Section 3.1(a) and Section 3.1(b) and (ii) the Company shall use its reasonable best efforts to cause the appointment or election of such replacement designee as a Director; provided that this Section 3.1(d) shall not require the Company to cause the appointment to the Board of a Stockholder Designee to replace a Stockholder Designee who has resigned from the Board following the failure of such Stockholder Designee to be elected to the Board by the requisite vote of the stockholders of the Company. If such Stockholder Designee is not appointed, at the request of the Stockholder, the Company will discuss with the Stockholder the appointment of an alternative Stockholder Designee.

Section 3.2 Use of Information.

(a) Subject to the requirements of applicable law, regulations and rules (including the regulations and rules of any applicable stock exchange), the Stockholder shall, and shall cause its officers, directors, employees, accountants, counsel and consultants ("Representatives") and the Stockholder Designee to, keep confidential, all information and documents of the Company and its Affiliates obtained by the Stockholder Designee in such Stockholder Designee's capacity as a Director unless such information (i) is or becomes publicly available other than as a result of a breach of this Section 3.2 by the Stockholder, including by way of actions taken by its Representatives or the Stockholder Designee; (ii) was within the possession of the Stockholder or the Stockholder Designee prior to being furnished such information by or on behalf of the Company on a non-confidential basis; provided that the source of such information was not known by the Stockholder, its Representatives or the Stockholder Designee to be bound by a confidentiality agreement with, or other contractual or legal obligation of confidentiality to, the Company with respect to such information; (iii) is or becomes available to the Stockholder or the Stockholder Designee on a non-confidential basis from a source other than the Company or any of its Representatives; provided that such source was not known to the Stockholder or the Stockholder Designee to be bound by a confidentiality agreement with, or other contractual or legal obligation of confidentiality to, the Company with respect to such information; or (iv) is independently developed by or on behalf of the Stockholder or the Stockholder Designee without violating any of the obligations under this Section 3.2.

(b) The Stockholder shall not, and shall cause its Affiliates, Representatives and the Stockholder Designee not to, use any non-public information obtained by the

Stockholder Designee in such Stockholder Designee's capacity as a Director in any manner adverse to the Company or in violation of duties under law. The Stockholder shall cause the Stockholder Designee to resign at any time the presence of such individual as the Stockholder Designee on the Board shall, in the reasonable judgment of the Board, reasonably be likely to violate applicable law.

ARTICLE IV

STANDSTILL; VOTING

Section 4.1 Standstill Restrictions. Except as expressly provided for in this Agreement, until the earlier of (X) the date of a Significant Event and (Y) the later of (a) the second anniversary of the Closing and (b) the date that is one year after the first date on which the Stockholder Beneficially Owns Voting Securities representing less than the applicable Ownership Threshold or ceases to have a right to designate a Stockholder Designee or successor on the Board (including because the Stockholder has unilaterally irrevocably relinquished its right to appoint such designee), without the prior consent of the Company, the Stockholder shall not, and shall cause each of its Affiliates not to, directly or indirectly, alone or in concert with any other Person:

(i) acquire, offer to acquire or agree to acquire Beneficial Ownership of more than 10.1% of the Voting Power;

(ii) acquire, offer to acquire or agree to acquire any business or material assets of the Company or any of its Subsidiaries;

(iii) initiate or propose any offer by any third party to acquire Beneficial Ownership of Voting Securities, other than a Transfer of Purchaser Shares permitted in accordance with Article V or any merger, tender offer, business combination, restructuring, recapitalization or other extraordinary transaction involving, or any change of control of, the Company or any of its Subsidiaries;

(iv) act publicly to seek to affect, influence or control the Board or the management of the Company or the business, operations, affairs, policies or strategy, including budget and business plan, of the Company, including seeking the election, appointment or removal of any Directors (other than the Stockholder Designee) or a change in the composition or size of the Board;

(v) make or cause to be made any press release or similar public announcement or communication relating to the way it intends to, or does, vote its Voting Securities at any stockholder meeting or in connection with any action by written consent at or in which Voting Securities are entitled to vote;

(vi) deposit any Voting Securities into a voting trust or subject any Voting Securities to any proxy, arrangement or agreement with respect to the voting of such securities or other agreement having a similar effect (other than the granting of a proxy in connection with the Stockholder's obligations pursuant to Section 4.2);

(vii) initiate, propose or in any way participate in any stockholder proposal or make, or in any way participate in, directly or indirectly, any "solicitation" of "proxies" to vote, or seek to influence any Person with respect to the voting of, any Voting Securities, or become a "participant" in a "solicitation" (as such terms are defined in Regulation 14A under the Exchange Act) with respect to Voting Securities;

(viii) initiate or propose a call for any special meeting of the Company's stockholders;

(ix) form, join or in any way participate in a group (as contemplated by Exchange Act Rule 13d-5(b) or any successor statute or regulation) with respect to any Voting Securities;

(x) propose, or agree to, or enter into, any discussions, negotiations or arrangements with, or provide any confidential information of the Company or any of its Subsidiaries to, any third party with respect to any of the foregoing;

(xi) make any statement or disclosure inconsistent with the foregoing;

(xii) assist, advise or encourage any Person with respect to, or seek to do, any of the foregoing; or

(xiii) propose or seek an amendment or waiver of any of the provisions of this Section 4.1.

Section 4.2 Attendance at Meetings. The Stockholder shall be present in person or represented by proxy at all meetings of stockholders of the Company so that all Voting Securities then owned by the Stockholder shall be counted for the purpose of determining the presence of a quorum at such meetings.

ARTICLE V

TRANSFER RESTRICTIONS

Section 5.1 Transfer Restrictions. (a) The right of the Stockholder and its Affiliates to Transfer any Purchaser Shares is subject to the restrictions set forth in this Article V, and no Transfer of Purchaser Shares by the Stockholder or any of its Affiliates may be effected except in compliance with this Article V. Any attempted Transfer in violation of this Agreement shall be of no effect and null and void, regardless of whether the purported transferee has any actual or constructive knowledge of the Transfer restrictions set forth in this Agreement, and shall not be recorded on the stock transfer books of the Company.

(b) The Stockholder shall not Transfer any Purchaser Shares during the 12-month period commencing at the Closing (the "Lock-Up Period") without the prior written consent of the Company, other than:

(i) Transfers pursuant to any business combination, tender or exchange offer to acquire Common Stock or other extraordinary transaction that the Board has recommended; and

(ii) a Transfer by the Stockholder of all, and no less than all, of the Purchaser Shares to any direct or indirect wholly-owned Subsidiary of the Stockholder; provided that prior to any such Transfer such Subsidiary agrees in writing to acquire and hold such transferred Purchaser Shares subject to all of the provisions of this Agreement as if such Subsidiary were the original Stockholder and the Stockholder provides an unconditional guarantee of all of such Subsidiary's obligations under this Agreement; provided, further, that, in the event of any such Transfer, the Transferring Stockholder shall remain bound by all of its obligations then applicable under this Agreement.

(c) Following the Lock-Up Period, the Stockholder may Transfer Purchaser Shares only:

(i) in accordance with Section 5.1(b) above;

(ii) in a registered offering pursuant to the procedures described in Article VI; or

(iii) in sales, in each calendar year, in an aggregate amount together with other Purchaser Shares not in excess of 3% of the Voting Securities of the Company issued and outstanding at such time (excluding, for the avoidance of doubt, all other sales of Voting Securities by the Stockholder and its Affiliates in such calendar year pursuant to Section 5.1(c)(i) and (ii)), made (A) in open market sales pursuant, if applicable, to Rule 144 under the Securities Act or (B) in one or more privately negotiated sales exempt from the registration requirements of the Securities Act; provided that in no event shall the Stockholder Transfer any Purchaser Shares pursuant to this clause (B) to any Person that, after such Transfer, would, to the knowledge of the Stockholder after due inquiry, Beneficially Own Voting Securities representing more than 5% of the Voting Power. For the avoidance of doubt, this clause (iii) shall not limit in any manner sales of the Purchaser Shares in a registered offering pursuant to the procedures described in Article VI or any Transfers of the type described in Section 5.1(b).

Section 5.2 Legends on Purchaser Shares; Securities Act Compliance. (a) Each share certificate representing Purchaser Shares shall bear the following legends (and a comparable notation or other arrangement will be made with respect to any uncertificated Purchaser Shares):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE ISSUER RECEIVES AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO IT STATING THAT

SUCH SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE PROVISIONS OF A STOCKHOLDER'S AGREEMENT, DATED AS OF MARCH 20, 2011, TO WHICH THE ISSUER AND CERTAIN OF ITS STOCKHOLDERS ARE PARTY, A COPY OF WHICH MAY BE INSPECTED AT THE PRINCIPAL OFFICE OF THE ISSUER OR OBTAINED FROM THE ISSUER WITHOUT CHARGE."

(b) The Stockholder agrees that it will, if requested by the Company, deliver at its expense to the Company an opinion of reputable U.S. counsel selected by the Stockholder and reasonably acceptable to the Company, in form and substance reasonably satisfactory to the Company and counsel for the Company, that any Transfer made other than in connection with a registered public offering by the Company does not require registration under the Securities Act.

(c) In connection with any Transfer pursuant to Section 5.1(c), the Company shall remove such portion of the legend described in Section 5.2(a) as is appropriate under the circumstances. At such time as the Stockholder delivers at its expense to the Company an opinion of reputable U.S. counsel selected by the Stockholder and reasonably acceptable to the Company, in form and substance reasonably satisfactory to the Company and counsel for the Company, that all of the Purchaser Shares may be freely sold without registration under the Securities Act, the Company agrees that it will promptly after the later of the delivery of such opinion and the delivery by the Stockholder to the Company or its transfer agent of a certificate (in the case of a transfer, in the proper form for transfer) representing Purchaser Shares issued with the foregoing restrictive legend, deliver or cause to be delivered to the Stockholder a stock certificate representing such Purchaser Shares that is free from the first paragraph of the legend described above (or in the case of uncertificated shares, free of any notation related to such paragraph).

ARTICLE VI

REGISTRATION RIGHTS

Section 6.1 Demand Request. (a) Following the first anniversary of the Closing, the Company shall, as promptly as reasonably practicable following the written request of the Stockholder for registration under the Securities Act of all or part of the Registrable Shares (a "Demand Request"), file a registration statement with the SEC (a "Demand Registration Statement") with respect to resales of the Registrable Shares pursuant to the Stockholder's intended method of distribution thereof, and shall, subject to the terms of this Article VI, use its reasonable best efforts to cause such Demand Registration Statement to be declared effective under the Securities Act promptly after the filing thereof; provided that such Demand Registration Statement shall be filed on (i) Form S-3, if the Company is then eligible to file a registration statement on Form S-3 (pursuant to the General Instructions to Form S-3) ("S-3 Eligible"), or (ii) any other appropriate form under the Securities Act for the type of offering contemplated by the Stockholder, if the Company is not then S-3 Eligible; provided, further, that in no event shall the Company be required to file any Demand Registration Statement providing for the offering of the Registrable Shares on a delayed or continuous basis pursuant to Rule 415 promulgated under the Securities Act, but it may elect to do so in its sole discretion. Each Demand Request shall specify the aggregate amount of Registrable Shares to be registered and the intended method or methods of distribution thereof.

(b) Notwithstanding anything to the contrary set forth in Section 6.1(a), the Company shall not be obligated to prepare, file or cause a Demand Registration Statement to become effective:

(i) more than (A) two times in any 12-month period and (B) five times in the aggregate;

(ii) unless the Registrable Shares to be included in such Demand Registration Statement (A) have an aggregate Market Value on the date such request for registration is received by the Company of at least $500 million based on the closing price of the Common Stock on the trading day immediately preceding the day on which the Demand Request is delivered or (B) represent at least 10% of the total Registrable Shares issued at the Closing (as adjusted for any stock splits, reverse stock splits, stock dividends or distributions, combinations or any similar recapitalizations); and

(iii) within 90 days after the effective date of a registration statement filed pursuant to Section 6.1(a) or a registration statement to which the Stockholder was given piggy-back rights pursuant to Section 6.2 (provided that the number of Registrable Shares included in such Piggy-Back Registration was not less than 50% of the number of Registrable Shares requested to be registered by the Stockholder pursuant to the Piggy-Back Request related to such Piggy-Back Registration).

(c) Any Demand Request may be revoked by notice from the Stockholder to the Company prior to the effective date of the corresponding Demand Registration Statement; provided that such revoked Demand Request shall count as one of the five Demand Requests referred to in Section 6.1(a) unless the Company as promptly as reasonably practicable is reimbursed for all out-of-pocket expenses (including fees of outside counsel and accountants and other expenses incurred in connection with such Demand Request) incurred by the Company relating to the registration requested pursuant to such revoked Demand Request. A Demand Request may not be made for a minimum of 60 calendar days after the revocation of an earlier Demand Request.

(d) Notwithstanding anything in this Agreement to the contrary, the Company shall be entitled to postpone and delay, for reasonable periods of time not in excess of 60 days, but in no event more than twice in any 12-month period (a "Blackout Period"), the filing or effectiveness of any registration statement or the offer or sale of any Registrable Shares thereunder if one or more executive officers of the Company shall determine in good faith that any such filing or the offering or sale of any Registrable Shares thereunder would (i) impede, delay or otherwise interfere with any pending or contemplated material acquisition, disposition, corporate reorganization or other similar material transaction involving the Company, (ii) based upon advice from the Company's investment banker or financial advisor, adversely affect in more than an immaterial respect any pending or contemplated financing, offering or sale of any class of securities by the Company, (iii) require disclosure of material non-public information (other than information relating to an event described in clause (i) or (ii) above) which, if disclosed at such time, would not be in the best interests of the Company and its stockholders, or (iv) have a material adverse effect on the Company; provided, however, that the Company shall give written notice to the Stockholder of its determination to postpone or delay the filing of such Demand Registration Statement or other imposition of a Blackout Period, in which case the Stockholder shall be entitled to cancel its Demand Request relating to such Demand Registration without such Demand Request counting as one of the Demand Requests referred to in Section 6.1(a); provided, further, that in the event that the Company proposes to register Common Stock, whether or not for sale for its own account, during a Blackout Period, the Stockholder shall have the right to exercise its rights under Section 6.2 with respect to such registration, subject to the limitations contained in this Agreement on the exercise of such rights. Upon notice by the Company to the Stockholder of any such determination, the Stockholder shall, except as required by applicable law, including any disclosure obligations under Section 13 of the Exchange Act, keep the fact of any such notice strictly confidential, and during any Blackout Period, promptly halt any offer, sale, trading or transfer by it of any Common Stock for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of any prospectus or prospectus supplement covering such Registrable Shares for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and, if so directed by the Company, shall deliver to the Company any copies then in its possession of any such prospectus or prospectus supplement.

(e) In connection with any offering pursuant to a Demand Registration Statement filed pursuant to Section 6.1(a), the managing underwriter for such offering shall be selected by the Stockholder and reasonably acceptable to the Company; provided that such managing underwriter shall be a nationally recognized investment banking firm.

(f) Nothing in this Article VI shall affect, supersede or otherwise modify any of the restrictions on Transfer set forth in Article V or any other provision of this Agreement.

Section 6.2 Piggy-Back Registration. (a) If, at any time following the first anniversary of the Closing, the Company proposes or is required to register any Common Stock under the Securities Act on its behalf or on behalf of any of its stockholders, on a form and in a manner that would permit registration of the Registrable Shares (other than in connection with dividend reinvestment plans, rights offerings or a registration statement on Form S-4 or S-8 or any similar successor form), the Company shall give the Stockholder prompt written notice of its intent to do so not less than 15 Business Days prior to the contemplated filing date for such registration statement. Upon the written request of the Stockholder (a "Piggy-Back Request"), given within five Business Days following the time that the Stockholder was given any such written notice (which request shall specify the number of Registrable Shares requested to be registered on behalf of the Stockholder) (the "Piggy-Back Shares"), the Company shall include in such registration statement (a "Piggy-Back Registration"), subject to the provisions of this Section 6.2 and, in the case of a registration on behalf of any of the Company's stockholders, subject to the rights of such stockholders, the number of Registrable Shares set forth in such Piggy-Back Request.

(b) In the event that the Company proposes or is required to register Common Stock in connection with an underwritten offering and a nationally recognized investment banking firm selected by the Company to act as managing underwriter thereof reasonably and in good faith shall have advised the Company, the Stockholder or any other holder of Common Stock intending to offer Common Stock in the offering (each, an "Other Holder") in writing that, in its opinion acting in good faith, the inclusion in the registration statement of some or all of the Registrable Shares sought to be registered by the Stockholder would adversely affect the price or success of the offering, the Company shall include in such registration statement such number of shares of Common Stock as the Company is advised can be sold in such offering without such an effect (the "Maximum Number") as follows and in the following order of priority: (i) first, such number of shares of Common Stock as the Company intended to be registered and sold by the Company or, if such registration is on behalf of any Other Holders exercising a contractual right to demand registration pursuant to which such registration statement was filed, such number of shares of Common Stock as such Other Holders intended to be registered and sold, and (ii) second, if and to the extent that the number of shares of Common Stock to be registered under clause (i) is less than the Maximum Number, such number of shares of Common Stock as the Stockholder and any Other Holders or additional Other Holders (if such registration was not initiated by such Other Holders) shall have intended to register which, when added to the number of shares of Common Stock to be registered under clause (i), is less than or equal to the Maximum Number, on a *pro rata* basis according to the total number of shares of Common Stock Beneficially Owned by each such Person.

Section 6.3 Termination of Registration Obligation. The obligation of the Company to register Registrable Shares pursuant to this Article VI and maintain the effectiveness of any Demand Registration Statement filed pursuant to Section 6.1(a) shall terminate on the later of (a) the fifth anniversary of the Closing and (b) the first date on which the Stockholder Beneficially Owns Purchaser Shares representing less than the applicable Ownership Threshold.

Section 6.4 Registration Procedures. (a) In connection with each registration statement prepared pursuant to this Article VI pursuant to which Registrable Shares will be offered and sold, and in accordance with the intended method or methods of distribution of the Registrable Shares as described in such registration statement, the Company shall:

(i) use its reasonable best efforts to, as promptly as reasonably practicable, prepare and file with the SEC a registration statement on an appropriate registration form of the SEC and cause such registration statement to become effective under the Securities Act promptly after the filing thereof, which registration statement shall comply as to form in all materials respects with the requirements of the applicable form and include all financial statements required by such form to be filed therewith; provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to one counsel selected by the Stockholder draft copies of all such documents proposed to be filed at least two Business Days prior to such filing, which documents will be subject to the reasonable review and comment of the

Stockholder and its agents and Representatives and the underwriters, if any, and the Company shall not file any amendment or supplement to a Demand Registration Statement filed pursuant to Section 6.1(a) to which the Stockholder or the underwriters, if any, shall reasonably object;

(ii) use its reasonable best efforts to, as promptly as reasonably practicable, furnish without charge to the Stockholder, and the underwriters, if any, at least one conformed copy of the registration statement and each post-effective amendment or supplement thereto (including all schedules and exhibits but excluding all documents incorporated or deemed incorporated therein by reference, unless requested in writing by the Stockholder or an underwriter, except to the extent such exhibits and schedules are currently available via the SEC's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR")) and such number of copies of the registration statement and each amendment or supplement thereto (excluding exhibits and schedules) and the summary, preliminary, final, amended or supplemented prospectuses included in such registration statement as the Stockholder or such underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares being sold by the Stockholder (the Company hereby consents to the use in accordance with the U.S. securities laws of such registration statement (or post-effective amendment thereto) and each such prospectus (or preliminary prospectus or supplement thereto) by the Stockholder and the underwriters, if any, in connection with the offering and sale of the Registrable Shares covered by such registration statement or prospectus);

(iii) use its reasonable best efforts to keep such registration statement effective until the date that is 45 days after the date such registration statement is initially declared effective (or such shorter period as shall terminate when all of the securities covered by the registration statement have been disposed or withdrawn, or if such registration statement relates to a firm commitment underwritten offering, such longer period as, in the opinion of counsel for the underwriters for such offering, a prospectus is required under the Securities Act to be delivered in connection with sales of Registrable Shares by an underwriter or dealer, but not in excess of 90 days) (the "Effective Period"), prepare and file with the SEC such amendments, post-effective amendments and supplements to the registration statement and the prospectus as may be necessary to maintain the effectiveness of the registration for the Effective Period) and cause the prospectus (and any amendments or supplements thereto) to be filed with the SEC;

(iv) use its reasonable best efforts to, as promptly as reasonably practicable, register or qualify the Registrable Shares covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions in the United States as are reasonably necessary, keep such registrations or qualifications in effect for so long as the registration statement remains in effect, and do any and all other acts and things which may be reasonably necessary to enable the Stockholder or any underwriter to consummate the disposition of the Registrable Shares in such jurisdictions; provided, however, that in no event shall the Company be required to (A) qualify to do business as a foreign corporation in any jurisdiction where it would not, but for the requirements of this subparagraph (iv), be required to be so qualified, (B) execute or file any general consent to service of process under the laws of any jurisdiction, (C) take any action that would subject it to service of process in suits other than those arising out of the offer and sale of the securities covered by the registration statement, or (D) subject itself to taxation in any jurisdiction where it would not otherwise be obligated to do so, but for this paragraph (iv);

(v) use its reasonable best efforts to, as promptly as reasonably practicable, cause all Registrable Shares covered by such registration statement to be listed (after notice of issuance) on the NYSE or on the principal securities exchange or interdealer quotation system on which the Common Stock is then listed or quoted;

(vi) use its reasonable best efforts to promptly notify the Stockholder and the managing underwriter or underwriters, if any, after becoming aware thereof, (A) when the registration statement or any related prospectus or any amendment or supplement thereto has been filed, and, with respect to the registration statement or any post-effective amendment, when the same has become effective, (B) of any request by the SEC or any U.S. state securities authority for amendments or supplements to the registration statement or the related prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose, (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Shares for sale in any jurisdiction or the initiation of any proceeding for such purpose, or (E) within the Effective Period of the happening of any event or the existence of any fact which makes any statement in the registration statement or any post-effective amendment thereto, prospectus or any amendment or supplement thereto, or any document incorporated therein by reference untrue in any material respect or which requires the making of any changes in the registration statement or post-effective amendment thereto or any prospectus or amendment or supplement thereto so that they will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vii) during the Effective Period, use its reasonable best efforts to obtain, as promptly as practicable, the withdrawal of any order enjoining or suspending the use or effectiveness of the registration statement or any post-effective amendment thereto or the lifting of any suspension of the qualification of any of the Registrable Shares for sale in any jurisdiction at the earliest date reasonably practicable;

(viii) use its reasonable best efforts to deliver promptly to the Stockholder and the managing underwriters, if any, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the registration statement (except to the extent such correspondence is currently available via EDGAR) and permit the Stockholder to do such investigation with respect to information contained in or omitted from the registration statement as it deems reasonably necessary for the purpose of conducting customary due diligence with respect to the Company; provided that any such investigation shall not interfere unreasonably with the Company's business;

(ix) use its reasonable best efforts to, as promptly as reasonably practicable, provide and cause to be maintained a transfer agent and registrar for all Registrable Shares covered by such registration statement not later than the effective date of such registration statement;

(x) use its reasonable best efforts to cooperate with the Stockholder and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing the Registrable Shares to be sold under the registration statement in a form eligible for deposit with the Depository Trust Corporation not bearing any restrictive legends (other than as required by the Depository Trust Corporation) and not subject to any stop transfer order with any transfer agent, and cause such Registrable Shares to be issued in such denominations and registered in such names as the managing underwriters, if any, may request in writing or, if not an underwritten offering, in accordance with the instructions of the Stockholder, in each case at least two Business Days prior to any sale of Registrable Shares;

(xi) in the case of a firm commitment underwritten offering, use its reasonable best efforts to, as promptly as reasonably practicable, enter into an underwriting agreement customary in form and substance (taking into account the Company's prior underwriting agreements) for firm commitment underwritten secondary offerings of the nature contemplated by the applicable registration statement;

(xii) use its reasonable best efforts to, as promptly as reasonably practicable, obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants (and, if necessary, any other independent certified public accountants of any Subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data is, or is required to be, included in the registration statement) in customary form and covering such matters as are customarily covered by such opinions and "cold comfort" letters in connection with an offering of the nature contemplated by the applicable registration statement;

(xiii) use its reasonable best efforts to, as promptly as reasonably practicable, provide to counsel to the Stockholder and to the managing underwriters, if any, and no later than the time of filing of any document which is to be incorporated by reference into the registration statement or prospectus (after the initial filing of such registration statement), copies of any such document;

(xiv) cause its officers to use their commercially reasonable efforts to support the marketing of the Registered Shares covered by the registration statement;

(xv) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the SEC and any applicable national securities exchange; and

(xvi) use its commercially reasonable efforts to comply with the requirements of Rule 144(c)(1) with respect to public information about the Company.

(b) In the event that the Company would be required, pursuant to Section 6.4(a)(vi)(E), to notify the Stockholder or the managing underwriter or underwriters, if any, of the happening of any event specified therein, the Company shall, subject to Section 6.1(c), as promptly as practicable, prepare and furnish to the Stockholder and to each such underwriter a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to purchasers of Registrable Shares that have been registered pursuant to this Agreement, such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Stockholder agrees that, upon receipt of any notice from the Company pursuant to Section 6.4(a)(vi)(E), it shall, and shall use its reasonable best efforts to cause any sales or placement agent or agents for the Registrable Shares and the underwriters, if any, to forthwith discontinue disposition of the Registrable Shares until such Person shall have received copies of such amended or supplemented prospectus and, if so directed by the Company, to destroy all copies, other than permanent file copies, then in its possession of the prospectus (prior to such amendment or supplement) covering such Registrable Shares as soon as practicable after the Stockholder's receipt of such notice.

(c) The Stockholder shall furnish to the Company in writing such information regarding the Stockholder and its intended method of distribution of the Registrable Shares as the Company may from time to time reasonably request in writing in order for the Company to comply with its obligations under all applicable securities and other laws and to ensure that the prospectus relating to such Registrable Shares conforms to the applicable requirements of the Securities Act and the rules and regulations thereunder. If the Stockholder fails to provide the requested information within 15 Business Days of the receipt by the Stockholder of such request, the Company shall be entitled to refuse to register the Registrable Shares in the applicable registration statement. The Stockholder shall notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by the Stockholder to the Company or of the occurrence of any event, in either case as a result of which any prospectus relating to the Registrable Shares contains or would contain an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly furnish to the Company any additional information required to correct and update any previously furnished information or required so that such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) (i) If requested by the managing underwriter for an underwritten offering (primary or secondary) of any equity securities of the Company, the Stockholder agrees not to effect any Transfer of any Registrable Shares, including any sale pursuant to Rule 144 under the Securities Act, and not to effect any Transfer of any other equity security of the Company (in each case, other than as part of such underwritten public offering) during the ten days prior to, and during the 90-day period (or such longer period as the Stockholder agrees with the underwriter of such offering) beginning on, the consummation of any underwritten public offering covered by a registration statement referred to in Section 6.2 if the Stockholder is permitted to include Registrable Shares thereunder.

(ii) The Company hereby agrees that if it shall previously have received a request pursuant to Section 6.1 for registration of Registrable Shares in an underwritten offering, and if such previous registration shall not have been withdrawn or abandoned, the Company, if requested by the managing underwriter for such underwritten offering, shall not transfer to a third party or third parties any Common Stock, any other equity security of the Company or any security convertible into or exchangeable for any equity security of the Company until the earlier of (A) 90 days after the effective date of such registration statement and (B) such time as all of the Registrable Shares covered by such registration statement have been distributed; provided, however, that notwithstanding the foregoing, the Company may transfer Common Stock or such other securities (1) as part of such underwritten offering, (2) pursuant to a registration statement on Form S-8 or Form S-4 under the Securities Act or any successor or similar form, (3) as part of a transaction under Rule 145 of the Securities Act, (4) in one or more private transactions that would not interfere with the method of distribution contemplated by such registration statement, or (5) if such transfer was publicly announced or agreed to in writing by the Company prior to the date of the receipt of such request pursuant to Section 6.1.

(e) In the case of any underwritten offering of shares of Common Stock registered under a Demand Registration Statement filed pursuant to Section 6.1(a), or in the case of a registration under Section 6.2 if the Company has entered into an underwriting agreement in connection therewith, all shares of Common Stock to be included in such offering or registration, as the case may be, shall be subject to the applicable underwriting agreement and no Person may participate in such offering or registration unless such Person agrees to sell such Person's securities on the basis provided therein and completes and executes all questionnaires, indemnities, underwriting agreements and other documents (other than powers of attorney) which must be executed in connection therewith, and provides such other information to the Company or the underwriter as may be reasonably requested to offer or register such Person's Common Stock.

Section 6.5 Registration Expenses. The Stockholder shall bear all agent fees and commissions, underwriting discounts and commissions and fees and disbursements of its counsel and accountants in connection with any registration of any Registrable Shares pursuant to Section 6.1 or 6.2. The Company shall bear all other fees and expenses in connection with any registration statement pursuant to Section 6.1 or 6.2, including all registration and filing fees, all printing costs and all fees and expenses of counsel and accountants for the Company.

Section 6.6 Indemnification; Contribution. (a) The Company shall, and it hereby agrees to, indemnify and hold harmless the Stockholder and its controlling Persons, if any, and each underwriter and its controlling Persons, if any, in any offering or sale of the Registrable Shares, against any losses, claims, damages or liabilities, actions or proceedings (whether commenced or threatened) in respect thereof and expenses (including reasonable fees of counsel) (collectively, "Claims") to which each such indemnified party may become subject, insofar as such Claims (including any amounts paid in settlement effected with the consent of the Company as provided herein), or actions or proceedings in respect thereof, arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement, or any preliminary or final prospectus contained therein, or any amendment or supplement thereto, or any document incorporated by reference therein, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and the Company shall, and it hereby agrees to, reimburse periodically the Stockholder or any such underwriter for any legal or other out-of-pocket expenses reasonably incurred by them in connection with investigating or defending any such Claims; provided, however, that the Company shall not be liable to any such Person in any such case to the extent that any such Claims arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, or preliminary or final prospectus, or amendment or supplement thereto, in reliance upon information furnished to the Company by the Stockholder, any underwriter or any Representative of the Stockholder, expressly for use therein, or by the Stockholder's failure to furnish the Company, upon request, with the information with respect to the Stockholder, or any underwriter or Representative of the Stockholder, or the Stockholder's intended method of distribution, that is the subject of the untrue statement or omission.

(b) The Stockholder shall, and hereby agrees to, (i) indemnify and hold harmless the Company, its directors, officers, employees and controlling Persons, if any, and each underwriter, its partners, officers, directors, employees and controlling Persons, if any, in any offering or sale of Registrable Shares against any Claims to which each such indemnified party may become subject, insofar as such Claims (including any amounts paid in settlement as provided herein), or actions or proceedings in respect thereof, arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement, or any preliminary or final prospectus contained therein, or any amendment or supplement thereto, or any document incorporated by reference therein, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Stockholder expressly for use therein, and (ii) reimburse the Company for any legal or other out-of-pocket expenses reasonably incurred by the Company in connection with investigating or defending any such Claim.

(c) The Stockholder and the Company agree that if, for any reason, the indemnification provisions contemplated by Section 6.6(a) or 6.6(b) are unavailable to or are insufficient to hold harmless an indemnified party in respect of any Claims referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such Claims in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to the applicable offering of securities. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. If, however, the allocation in the first sentence of this Section 6.6(c) is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults, but also the relative benefits of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 6.6(c) were to be determined by *pro rata* allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the preceding sentences of this Section 6.6(c). The amount paid or payable by an indemnified party as a result of the Claims referred to above shall be deemed to include (subject to the limitations set forth in Section 6.7) any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 6.7 Indemnification Procedures.

(a) If an indemnified party shall desire to assert any claim for indemnification provided for under Section 6.6 in respect of, arising out of or involving a Claim against the indemnified party, such indemnified party shall notify the Company or the Stockholder, as the case may be (the "Indemnifying Party"), in writing of such Claim, the amount or the estimated amount of Damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto (a "Claim Notice") promptly after receipt by such indemnified party of written notice of the Claim; provided, however, that failure to provide a Claim Notice shall not affect the indemnification obligations provided hereunder except to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure. The indemnified party shall deliver to the Indemnifying Party, promptly after the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Claim; provided, however, that failure to provide any such copies shall not affect the indemnification obligations provided hereunder except to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure.

(b) If a Claim is made against an indemnified party, the Indemnifying Party will be entitled to participate in the defense thereof and, if it so chooses and acknowledges without reservation its obligation to indemnify the indemnified party therefore, to assume the defense thereof with separate counsel selected by the Indemnifying Party and reasonably satisfactory to the indemnified party. Should the Indemnifying Party so elect to assume the defense of a Claim, the Indemnifying Party will not be liable to the indemnified party for legal expenses subsequently incurred by the indemnified party in connection with the defense thereof, unless the Claim involves potential conflicts of interest or substantially different defenses for the indemnified party and the Indemnifying Party. If the Indemnifying Party assumes such defense, the indemnified party shall have the right to participate in defense thereof and to employ counsel, at its own expense (except as provided in the immediately preceding sentence), separate from the counsel employed by the Indemnifying Party. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the indemnified party for any period during which the Indemnifying Party has not assumed the defense thereof and as otherwise contemplated by the two immediately preceding sentences. If the Indemnifying Party chooses to defend any Claim, the other party shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information that are reasonably relevant to such Claim, and use reasonable efforts to make employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnifying Party shall have assumed the defense of a Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Claim without the Indemnifying Party's prior written consent (which consent shall not be unreasonably withheld or delayed). The Indemnifying Party may pay, settle or compromise a Claim without the written consent of the indemnified party, so long as such settlement includes (i) an unconditional release of the indemnified party from all liability in respect of such Claim, (ii) does not subject the indemnified party to any injunctive relief or other equitable remedy, and (iii) does not include a statement or admission of fault, culpability or failure to act by or on behalf of any indemnified party.

ARTICLE VII

NON-COMPETITION

Section 7.1 Non-Competition. The Stockholder agrees that for the period commencing at the Closing and expiring on the later of (a) the second anniversary of the Closing and (b) the date that is one year after the first date on which the Stockholder ceases to Beneficially Own shares representing less than the applicable Ownership Threshold or ceases to have a right to designate a Stockholder Designee or successor thereto on the Board (a) (including because the Stockholder has unilaterally irrevocably relinquished its right to appoint such designee), neither it nor any of its Affiliates shall, either directly or indirectly, alone or with others, (i) engage in the Business, (ii) act as a reseller, agent or distributor in the United States for anyone engaged, directly or indirectly, alone or with others, in the Business, (iii) act as a mobile virtual network operator in the United States (each of (i), (ii) and (iii), a "Competing Business"), (iv) own an interest in (whether as a stockholder, member or partner, but in each case excluding any such interest not exceeding 5% of any class of security), or manage, operate, or control, or participate in or be connected with as a director, any Person engaged in a Competing Business (other than the Company and its Affiliates), or (v) manufacture, market or distribute, or allow the manufacturing, marketing or distributing of, any products or services under, or use in any way, the Business Marks in the United States in connection with the Business, other than by the Company and its Affiliates in accordance with the terms of the Acquisition Agreement (or any license agreements entered into pursuant to Section 4.21 or Section 4.22 of the Acquisition Agreement); provided that, notwithstanding the foregoing, for three years after the closing of the Acquisition, neither the Stockholder nor its Subsidiaries shall sell, market or provide products or services to customers in the United States under the name "T-Mobile"; provided, further, that the foregoing shall not prohibit (x) customers of the Stockholder and its Affiliates outside of the United States from receiving roaming services in the United States or (y) businesses of Seller or its Subsidiaries (other than the Company and its Subsidiaries) that are located outside of the United States and are, as of the date hereof, engaging in activities described in the definition of Business with customers in the United States, from continuing to engage in such activities, provided, that such products and services are not direct substitutes for wireless voice and data services. If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 7.1 is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability will have the power to and shall reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Termination. Except with respect to obligations set forth in Sections 3.2 and 7.1, which shall survive the termination of this Agreement, upon the consummation of a sale of all or substantially all of the Company's assets or any tender or exchange offer, merger (other than a merger by the Company to effect a reorganization or recapitalization) or consolidation or any similar transaction in which each holder of Purchaser Shares (other than, if applicable, the Person proposing such transaction) disposes of all Common Stock Beneficially Owned by each such holder or that otherwise results in the acquisition of all (but not less than all) Purchaser Shares Beneficially Owned by each such holder, this Agreement shall terminate and be of no further force and effect. In addition, this Agreement shall terminate and be of no further force and effect if the Acquisition Agreement shall terminate prior to the Closing.

Section 8.2 Injunctive Relief. Each party hereto acknowledges that it would be impossible to determine the amount of damages that would result from any breach of any of the provisions of this Agreement and that the remedy at law for any breach, or threatened breach, of any of such provisions would likely be inadequate and, accordingly, agrees that the other party shall, in addition to any other rights or remedies which it may have, be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of, or restrain any party from violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each party hereto hereby waives the claim or defense that a remedy at law alone is adequate and agrees, to the maximum extent permitted by law, to have each provision of this Agreement specifically enforced against it, without the necessity of posting bond or other security against it, and consents to the entry of injunctive relief against it enjoining or restraining any breach or threatened breach of such provisions of this Agreement.

Section 8.3 Assignments. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, legal representatives and permitted assigns. Except as contemplated by Section 5.1(b)(ii), neither party may directly or indirectly assign any of its rights or delegate any of its obligations under this Agreement, by operation of law or otherwise, without the prior written consent of the other party; provided that the foregoing shall not prohibit any such assignment in connection with a change in control of the Stockholder. Any purported direct or indirect assignment in violation of this Section 8.3 shall be null and void *ab initio*.

Section 8.4 Amendments; Waiver. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by (i) the Company, where enforcement of the amendment, modification, discharge or waiver is sought against the Company or (ii) the Stockholder, where enforcement of the amendment, modification, discharge or waiver is sought against the Stockholder. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. The waiver by the Company or the Stockholder of a breach of or a default under any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall not be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity.

Section 8.5 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service, (b) sent by facsimile with confirmation of transmission by the transmitting equipment, or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case, to the following addresses or facsimile numbers and marked to the attention of the person (by name or title) designated below, or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided below:

To the Company:

AT&T Inc.
One AT&T Plaza
208 S. Akard Street, Suite 3702
Telephone: (214) 757-3300
Fax: (214) 746-2103
Attention: D. Wayne Watts

With copies to:

Joseph B. Frumkin
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Telephone: (212) 558-4101
Fax: (212) 558-3588

and:

Eric M. Krautheimer
Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, California 90067
Telephone: (310) 712-6678
Fax: (310) 712-8800

To the Stockholder:

Deutsche Telekom AG
Friedrich-Ebert-Alle 140
53113 Bonn, Germany
Fax: +49-228-181-74008
Attention: General Counsel

With a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Fax: (212) 403-2000
Attention: Adam O. Emmerich
Steven A. Cohen

Section 8.6 Governing Law; Submission to Jurisdiction; Selection of Forum; Waiver of Trial by Jury. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THEREOF. Each party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement or the transactions contained in or contemplated by this Agreement, exclusively in the United States District Court for the District of Delaware or the Chancery Court of the State of Delaware (the "Chosen Courts") and, solely in connection with claims arising under this Agreement or the transactions that are the subject of this Agreement Agreements, (a) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any party hereto, and (d) agrees that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.5. Each party hereto irrevocably designates C.T. Corporation as its agent and attorney-in-fact for the acceptance of service of process and making an appearance on its behalf in any such claim or proceeding and for the taking of all such acts as may be necessary or appropriate in order to confer jurisdiction over it before the Chosen Courts and each party hereto stipulates that such consent and appointment is irrevocable and coupled with an interest. Each party hereto irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 8.7 Interpretation. The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 8.8 Entire Agreement; No Other Representations. Except for the Acquisition Agreement, this Agreement constitutes the entire agreement, and supersedes all prior agreements, understandings representations and warranties both written and oral, between the parties with respect to the subject matter hereof.

Section 8.9 No Third-Party Beneficiaries. Except as explicitly provided for in Sections 6.6 and 6.7, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 8.10 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision; and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 8.11 Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

Section 8.12 Effectiveness. This Agreement shall become effective as of the Closing.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date first written above.

AT&T INC.

By: /s/ Randall Stephenson

Name: Randall Stephenson

Title: Chairman of the Board, Chief Executive Officer and President

DEUTSCHE TELEKOM AG

By: /s/ René Obermann

Name: René Obermann

Title: Chief Executive Officer

By: /s/ Timotheus Höttges

Name: Timotheus Höttges

Title: Chief Financial Officer

[*Signature Page to Stockholder's Agreement*]

Issuer
Deutsche Telekom International Finance B.V.
Herengracht 124-128
1015 BT Amsterdam
The Netherlands

Guarantor
Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Fiscal Agent
Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, NY 10005
U.S.A.

Agents
Principal Paying Agent
Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, NY 10005
U.S.A.

Listing Agent and Luxembourg Paying Agent
Deutsche Bank Luxembourg S.A.
2 boulevard Konrad Adenauer
1115 Luxembourg
Luxembourg

Legal Advisers
To the Issuer and Guarantor

As to United States and German law
Cleary Gottlieb Steen & Hamilton LLP
1 Liberty Plaza
New York, New York 10006
U.S.A.

As to Dutch law
Clifford Chance LLP
Droogbak 1A
1013 GE Amsterdam
The Netherlands

To the Underwriters

As to United States law
Sullivan & Cromwell LLP
Neue Mainzer Straße 52
60311 Frankfurt am Main
Germany

Auditors of Deutsche Telekom AG

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Moskauer Straße 19
40227 Düsseldorf
Germany

Deutsche Telekom International Finance B.V.

$1,250,000,000 3.125% Notes due April 11, 2016

Guaranteed as to Payment
of Principal and Interest by

Deutsche Telekom AG

Citi
Credit Suisse
Goldman, Sachs & Co.

COMMERZBANK
J.P. Morgan
BofA Merrill Lynch
Mitsubishi UFJ Securities
SOCIETE GENERALE