

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:

		Net revenue	Intersegment 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
		millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
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)

		Segment assets	Segment liabilities	Segment investments	Investments accounted for using the equity method	Depreciation and amortization	Impairment losses	Average number of employees
		millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	
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

		Net cash from operating activities millions of €	Net cash (used in) from investing activities millions of €	Of which: cash capex* millions of €	Net cash (used in) from financing activities millions of €
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)

* 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.

Information on products and services. Revenue generated with external customers for groups of comparable products and services developed as follows:

	Net revenue		
	2010 millions of €	2009 millions of €	2008 millions of €
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

	Non-current assets			Net revenue		
	Dec. 31, 2010 millions of €	Dec. 31, 2009 millions of €	Dec. 31, 2008 millions of €	2010 millions of €	2009 millions of €	2008 millions of €
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

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 (Bundessonnderzahlungsgesetz). 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:

	Dec. 31, 2010	Of which: sale and leaseback transactions	Dec. 31, 2009	Of which: sale and leaseback transactions
	millions of €	millions of €	millions of €	millions of €
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:

	Minimum lease payments		Interest component		Present values	
	Total millions of €	Of which: sale and leaseback millions of €	Total millions of €	Of which: sale and leaseback millions of €	Total millions of €	Of which: sale and leaseback millions of €
Dec. 31, 2010						
Maturity						
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						
Maturity						
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:

	Dec. 31, 2010 millions of €	Dec. 31, 2009 millions of €
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:

	Dec. 31, 2010 millions of €	Dec. 31, 2009 millions of €
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:

	Dec. 31, 2010		Dec. 31, 2009	
	Gross investment millions of €	Present value of minimum lease payments millions of €	Gross investment millions of €	Present value of minimum lease payments millions of €
Maturity				
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:

	Dec. 31, 2010 millions of €	Dec. 31, 2009 millions of €
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 sub-lease 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	Maximum 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
Deutsche Telekom AG (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
	Powerтел	2001	5,323	up to 4	max. 10	USD 20.04			Cash-settled
	T-Mobile USA/ Powerтел	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	
	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 Powerтел), 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 Powerтел 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	Deutsche Telekom AG (T-Online International AG)	T-Mobile USA
	Stock options thousands	Stock options thousands	SARs 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:

Range of exercise prices €	Deutsche Telekom AG		Deutsche Telekom AG (T-Online International AG)		OTE group	
	Number thousands	Remaining contractual life years*	Number thousands	Remaining contractual life years*	Number thousands	Remaining contractual life years*
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

* Weighted average.


Range of exercise prices USD	T-Mobile USA	
	Number thousands	Remaining contractual life years*
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

* Weighted average.

36 Disclosures on financial instruments.

Carrying amounts, amounts recognized, and fair values by measurement category.

	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2010 millions of €	Amounts recognized in the statement of financial position according to IAS 39			
			Amortized cost millions of €	Cost millions of €	Fair value recognized in equity millions of €	Fair value recognized in profit or loss millions of €
Assets						
Cash and cash equivalents	LaR	2,808	2,808			
Trade receivables	LaR	6,766	6,766			
Other receivables	LaR/n.a.	2,628	2,340			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	91	91			
Available-for-sale financial assets	AFS	513		335	178	
Derivative financial assets						
Derivatives without a hedging relationship	FAHFT	560				560
Derivatives with a hedging relationship	n.a.	275			131	144
Liabilities and shareholders' equity						
Trade payables	FLAC	6,737	6,737			
Bonds and other securitized liabilities	FLAC	38,190	38,190			
Liabilities to banks	FLAC	4,190	4,190			
Liabilities to non-banks from promissory notes	FLAC	1,164	1,164			
Other interest-bearing liabilities	FLAC	1,838	1,838			
Other non-interest-bearing liabilities	FLAC	3,193	3,193			
Finance lease liabilities	n.a.	1,400				
Derivative financial liabilities						
Derivatives without a hedging relationship (held for trading)	FLHFT	249				249
Derivatives with a hedging relationship (hedge accounting)	n.a.	322			322	
Of which: aggregated by category in accordance with IAS 39:						
Loans and receivables (LaR)		11,914	11,914			
Held-to-maturity investments (HtM)		91	91			
Available-for-sale financial assets (AFS)		513		335	178	
Financial assets held for trading (FAHFT)		560				560
Financial liabilities measured at amortized cost (FLAC)		55,312	55,312			
Financial liabilities held for trading (FLHFT)		249				249

*  For details, please refer to Note 8.

Amounts recognized in the statement of financial position according to IAS 17 millions of €	Fair value Dec. 31, 2010 millions of €	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2009 millions of €	Amounts recognized in the statement of financial position according to IAS 39				Amounts recognized in the statement of financial position according to IAS 17 millions of €	Fair value Dec. 31, 2009 millions of €
				Amortized cost millions of €	Cost millions of €	Fair value recognized in equity millions of €	Fair value recognized in profit or loss millions of €		
	2,808	LaR	5,022	5,022				5,022	
	6,766	LaR	6,643	6,643				6,643	
288	2,628	LaR/n.a.	2,003	1,739			264	2,003	
	91	HtM	80	80				80	
	178*	AfS	609		411	198		198*	
	560	FAHfT	653				653	653	
	275	n.a.	395			170	225	395	
	6,737	FLAC	6,294	6,294				6,294	
	41,806	FLAC	38,508	38,508				41,813	
	4,346	FLAC	4,718	4,718				4,864	
	1,326	FLAC	1,057	1,057				1,205	
	1,838	FLAC	1,511	1,511				1,562	
	3,193	FLAC	2,995	2,995				2,995	
1,400	1,671	n.a.	1,423				1,423	1,703	
	249	FLHfT	730				730	730	
	322	n.a.	249			197	52	249	
	11,914		13,404	13,404				13,404	
	91		80	80				80	
	178*		609		411	198		198*	
	560		653				653	653	
	59,246		55,083	55,083				58,733	
	249		730				730	730	

Classes of financial instruments according to IFRS 7.27.

	Dec. 31, 2010				Dec. 31, 2009			
	Level 1 millions of €	Level 2 millions of €	Level 3 millions of €	Total millions of €	Level 1 millions of €	Level 2 millions of €	Level 3 millions of €	Total millions of €
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)	
		At fair value	Currency translation	Impairment/ reversal of impairment		2010	2009
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	
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).

	Net carrying amounts Dec. 31, 2010 millions of €	Net carrying amounts Dec. 31, 2009 millions of €
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.

	Dec. 31, 2010 millions of €	Dec. 31, 2009 millions of €
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 (see 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 Award amount	2010 MTIP Fair value at grant date	Total expense for share-based payments in 2010	2009 MTIP Award amount	Total expense for share-based payments in 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

* 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.

	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:

	Service costs	Defined benefit obligation (DBO)
	2010 €	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.

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.

		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 (until February 15, 2010)	2010	0	0	0	0	0
	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		

Total compensation. The compensation of the Board of Management is shown in detail in the following table:

		Fixed annual remuneration	Other remuneration	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 (until February 15, 2010)	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 (until February 28, 2009)	2010	–	–	–	–	–
	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 (since May 3, 2010)	2010	595,161	43,960	420,623	225,115	1,284,859
	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.

	2010 millions of €
Auditing services	5
Other assurance services	6
Tax advisory services	1
Other non-audit services	8
	20

Ernst & Young GmbH.

	2010 millions of €
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.