DEUTSCHE TELEKOM AG
Form 6-K
May 27, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2010

Commission file number 001-14540

Deutsche Telekom AG

(Translation of Registrant's Name into English)

Friedrich-Ebert-Allee 140,
53113 Bonn,
Germany

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x   Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes x   No o

This report is deemed submitted and not filed pursuant to the rules and regulations of the Securities and Exchange Commission.

Defined Terms and Contact Information

The term "Report" refers to this Report on Form 6-K for the three-month period ended March 31, 2010. Deutsche Telekom AG is a stock corporation organized under the laws of the Federal Republic of Germany. As used in this Report, unless the context otherwise requires, the term "Deutsche Telekom" refers to Deutsche Telekom AG and the terms "we," "us," "our," "Group" and "the Company" refer to Deutsche Telekom and, as applicable, Deutsche Telekom and its direct and indirect subsidiaries as a group. Our registered office is at Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, telephone number +49-228-181-0. Our agent for service of process in the United States is Deutsche Telekom, Inc., 14 Wall Street, Suite 6B, New York, NY 10005.

Forward-Looking Statements

This Report contains forward-looking statements that reflect the current views of our management with respect to future events and results, including statements contained under "Outlook" as well as dividend guidance and other information relating to expectations or targets for revenue or other performance measures. Forward-looking statements generally are identified by the words "expects," "anticipates," "believes," "intends," "estimates," "aims," "plans," "will," "will "seeks," "targets," "goals," "outlook", "should" and similar expressions. Forward-looking statements are based on current plan estimates and projections, and therefore you should not place too much reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among other factors: the development of demand for our fixed and mobile telecommunications services, particularly for new, higher value service offerings; changes in general economic and business conditions, including the significant economic decline currently underway in the markets in which we and our subsidiaries and associated companies operate; ongoing instability and volatility in worldwide financial markets; competitive forces, including pricing pressures, technological changes and alternative routing developments; regulatory actions and the outcome of disputes in which the Company is involved or may become involved; the pace and cost of the rollout of new services, which may be affected by the ability of suppliers to deliver equipment and other circumstances beyond our control; public concerns over health risks putatively associated with wireless frequency transmissions; risks associated with integrating our acquisitions; the development of asset values in Germany and elsewhere; the progress of our debt reduction and liquidity improvement initiatives; the development of our cost control and efficiency enhancement initiatives, including the areas of procurement and personnel reductions; risks and uncertainties relating to benefits anticipated from our international expansion, particularly in the United States; the progress of our domestic and international investments, joint ventures and alliances; our ability to gain or retain market share in the face of competition; our ability to secure and retain the licenses needed to offer services; the effects of price reduction measures and our customer acquisition and retention initiatives; the availability, term and deployment of capital, particularly in view of our debt refinancing needs; actions of the rating agencies and the impact of regulatory and competitive developments on our capital outlays; the progress of our workforce adjustment initiatives and outcome of labor negotiations; changes in currency exchange rates and interest rates; and the reorganization of our fixed-line and mobile operations in Germany. Additionally, we periodically assess our goodwill and other long-term intangibles and tangible assets for indications of impairment by monitoring, among other things, changes in competitive conditions, expectations of growth in the industry, and changes in market and other factors, any of which could result in a risk of additional impairment charges. If these or other risks and uncertainties (including those described in "Forward-Looking Statements," "Item 3. Key Information – Risk Factors" and elsewhere in our most recent Annual Report on Form 20-F for the year ended December 31, 2009 filed with the U.S. Securities and Exchange Commission) materialize, or if the assumptions underlying any of these statements prove incorrect, our actual results may be materially different from those expressed or implied by such statements. World Wide Web addresses contained in this Report are for explanatory purposes only and they (and the content contained therein) do not form a part of, and are not incorporated by reference into, this Report.

Currencies and Exchange Rates

Unless otherwise indicated, all amounts in this Report have been expressed in euros. As used in this document, “euro,” “EUR” or “€” means the single unified currency that was introduced in the Federal Republic of Germany (the “Federal Republic”) and ten other participating Member States of the European Union on January 1, 1999. “U.S. dollar,” “USD” or “$” means the lawful currency of the United States. “Pound sterling” means the lawful currency of the United Kingdom. Amounts appearing in this Report that have been translated into euros from other currencies were translated in accordance with the principles described in the notes to the audited consolidated financial statements contained in our Annual Report on Form 20-F for the year ended December 31, 2009.

Deutsche Telekom at a glance.

		Q1 2010 millions of €	Q1 2009 millions of €	Change %	FY 2009 millions of €
Revenue and earnings					
Net revenue		15,812	15,902	(0.6)	64,602
Domestic		6,739	6,943	(2.9)	28,033
International		9,073	8,959	1.3	36,569
Proportion generated internationally	(%)	57.4	56.3		56,6
Profit from operations		2,029	244	n.a.	6,012
Net profit (loss)		767	(1,124)	n.a.	353
Earnings per share basic/diluted	(€)	0.18	(0.26)	n.a.	0,08
Statement of financial position					
Total assets		130,803	133,764	(2.2)	127,774
Shareholders' equity		44,279	45,158	(1.9)	41 937
Cash capex		(1,934)	(2,611)	25.9	(9,202)
Cash flows					
Net cash from operating activities		3,271	2,966	10.3	15,795
Net cash used in investing activities		(1,793)	(1,509)	(18.8)	(8,649)
Net cash used in financing activities		(899)	(387)	n.a.	(5,123)

Number of employees at the reporting date.

	Mar. 31, 2010	Dec. 31, 2009	Change Mar. 31, 2010/ Dec. 31, 2009 %	Mar. 31, 2009	Change Mar. 31, 2010/ Mar. 31, 2009 %
Deutsche Telekom Group	258,240	259,920	(0.6)	260,798	(1.0)
Non-civil servants	229,299	230,732	(0.6)	228,928	0.2
Civil servants (domestic)	28,941	29,188	(0.8)	31,870	(9.2)

Number of fixed-network and mobile customers.

	Mar. 31, 2010	Dec. 31, 2009	Change Mar. 31, 2010/ Dec. 31, 2009 %	Mar. 31, 2009	Change Mar. 31, 2010/ Mar. 31, 2009 %

Fixed-network lines	(millions)	37.5	38.2	(1.8)	40.3	(6.9)
Retail broadband lines	(millions)	15.4	15.0	2.7	14.2	8.5
Mobile customers	(millions)	150.2	151.7	(1.0)	148.5	1.1

To our shareholders.

Developments in the Group.

Net revenue of the Group decreased slightly by 0.6 percent year-on-year in the first quarter of 2010 to EUR 15.8 billion.

The proportion of net revenue generated internationally increased from 56.3 percent to 57.4 percent. Domestic net revenue was EUR 6.7 billion in the first quarter of 2010, EUR 0.2 billion lower than in the first quarter of 2009. International net revenue increased year-on-year by EUR 0.1 billion to EUR 9.1 billion.

Net profit increased by EUR 1.9 billion in the first quarter of 2010 to EUR 0.8 billion.

Earnings per share increased in the first quarter of 2010 by EUR 0.44 to EUR 0.18 compared with the prior-year quarter.

Corporate governance.

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

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

Highlights in the first quarter of 2010.

Development of the Group's strategy.

Group strategy developed further by Board of Management. As part of its new Fix – Transform – Innovate strategy, Deutsche Telekom is aiming to refocus its business and focuses on revenue in growth areas by investing in intelligent networks with IT services and in Internet and network services. For further explanations on the new strategy, please refer to the section "Group strategy."

Shareholder remuneration policy for the 2010 to 2012 financial years announced.

Shareholder remuneration policy for the 2010 to 2012 financial years approved. The Board of Management and Supervisory Board of Deutsche Telekom expect continued sound balance sheet figures and free cash flow in the current and subsequent two financial years on the basis of mid-term planning, including the investments required to expand business. The Board of Management and Supervisory Board of Deutsche Telekom therefore decided to pursue a shareholder remuneration policy for the 2010 through 2012 financial years that will involve an annual dividend of at least EUR 0.70 per share and the buy-back of shares with the remaining amount up to an unchanged total of around EUR 3.4 billion. This policy is subject to the requisite unappropriated net income being posted in the single-entity financial statements of Deutsche Telekom AG for the financial year in question and the ability to form the necessary reserves for the share buy-back. It is also contingent upon the executive bodies adopting resolutions to this effect taking account of the Company's situation at the time.

One Company.

Official launch of Telekom Deutschland GmbH. The spin-off of T-Home into T-Mobile Deutschland GmbH became effective upon entry in the commercial register on March 30, 2010, and with it the merger of German fixed-network and mobile operations within a single entity. At the same time, T-Mobile Deutschland GmbH was renamed Telekom Deutschland GmbH – a step which also became effective upon entry in the commercial register on March 30, 2010. By combining its domestic operations, Deutsche Telekom aims to increase its competitiveness relative to other globally structured telecommunications companies that offer integrated fixed-network and mobile solutions.

Corporate transactions.

STRATO fully consolidated for the first time. Deutsche Telekom fully consolidated STRATO AG and STRATO Rechenzentrum AG (STRATO) as of January 1, 2010. The transaction will make Deutsche Telekom a leading provider of Web hosting products, especially for consumers and small business customers in the German market.

European Commission approves T-Mobile UK and Orange UK merger. The European Commission has approved the merger between Deutsche Telekom's and France Télécom's UK mobile operations, thus paving the way for the integration of the two companies.

Deutsche Telekom takes over ClickandBuy. Deutsche Telekom has acquired the remaining shares in the Internet payment service provider Firstgate. Via its venture capital company, T-Venture, Deutsche Telekom has held shares in Firstgate, best known for the ClickandBuy brand, since 2006. The agreement was signed on March 23, 2010 and took economic effect on April 1, 2010. The supervisory bodies of the companies concerned and the United Kingdom's Financial Services Authority have already approved the transaction.

Employees.

Deutsche Telekom is the first DAX 30 company to introduce a women's quota for management positions. In March 2010, Deutsche Telekom became the first DAX 30 company to introduce a women's quota for upper and middle management positions. By 2015, 30 percent of these positions across the Group are to be filled by women. In addition to broadening its talent pool, Deutsche Telekom is also expecting to add value to the Company in the long term thanks to greater diversity at management level.

2010 collective bargaining successfully concluded through arbitration. On February 26, 2010, the negotiating parties reached an agreement in the arbitration proceedings governing the 2010 collective bargaining for employees of T-Systems entities. The wage settlement is valid for 24 months. Following two months without adjustments, salaries for pay-scale employees will increase on a straight-line basis by 2.5 percent from March 1, 2010. A further two percent increase will take effect from February 1, 2011. This contract runs until December 31, 2011.

Investments in network upgrade and new devices in the United States.

T-Mobile USA to rollout the fastest 3G wireless network with HSPA+ in the United States. T-Mobile USA unveiled plans to upgrade its national high-speed 3G service to the High Speed Packet Access Plus (HSPA+) technology, which will deliver customers data speeds faster than the current 3G network technology. By the end of 2010, T-Mobile expects to have HSPA+ deployed across its 3G footprint, covering more than 100 metropolitan areas and 185 million people. As of the end of the first quarter of 2010, T-Mobile USA had already launched HSPA+ service in Philadelphia, New York, New Jersey, Long Island, and the Western suburbs of Washington, D.C. T-Mobile USA now offers fifteen 3G-capable converged devices to their customers, including the T-Mobile myTouch 3G, Motorola Cliq XT and Blackberry® Bold 9700. Additionally, T-Mobile USA is leveraging its nationwide 3G network through new devices such as the HTC HD2, the Dell Inspiron Mini 10 netbook, and the T-Mobile webConnect Rocket USB data stick. The HTC HD2 features a comprehensive mobile entertainment experience, offering the largest touch screen on a smartphone in the United States and comes ready with access to eBooks, movies, television programs and more. The Dell Inspiron Mini 10 is T-Mobile USA's first netbook and features built-in access to T-Mobile's 3G wireless broadband service and Wi-Fi capability. The T-Mobile webConnect Rocket USB data stick provides customers with seamless connectivity to the Internet via Wi-Fi or T-Mobile USA's 3G wireless network and is the first HSPA+ device from a national U.S. wireless carrier.

New products/Connected life and work.

Germany LAN. Deutsche Telekom has launched an innovative all-inclusive package for connected work involving a broadband connection and Web-based applications for voice and data communication via fixed-network and mobile channels. An integrated communication center makes connected work at the office and on the go simple and convenient. Customers have total control over their costs with numerous inclusive services for a fixed monthly charge.

T-Systems demonstrates new solutions for a connected working environment. T-Systems and Continental presented an open, flexible and future-proof infotainment concept at CeBIT 2010 that runs on the AutoLinQ communications network. This enables vehicles to be connected to cell phones, home PCs and entertainment systems, online databases and diverse app-like, Internet-based value-added services anytime and any place via a mobile connection.

Deutsche Telekom manages cell phone payment for SPIEGEL and BILDmobil. Deutsche Telekom is managing the distribution and billing for the new high-value paid content section of SPIEGEL magazine and for the BILDmobil portal. In future, SPIEGEL will also be distributed via the t-online.de portal, giving its 17 million-plus users fast and convenient access to the e-magazine. Deutsche Telekom's around 39 million mobile customers can now access the new regional services on BILDmobil using any Internet-enabled cell phone.

Customer service/awards.

TÜV seal of approval for customer service. Deutsche Telekom has received the TÜV (Technical Inspection Association) seal of approval for excellent telephone customer service for the third time running. The independent testers surveyed customers who had used Deutsche Telekom's service hotlines shortly beforehand. The findings were exceedingly positive. Almost 89 percent of those surveyed rated the hotline staff as "highly competent" or "competent." Around 94 percent of callers said that the agents had been particularly friendly.

Musicload again gets top marks from consumer organization Stiftung Warentest. Of a total of nine online music providers tested, Musicload, Germany's best-known download portal, has received top marks from Stiftung Warentest with an overall rating of 2.6. In the current issue (4/2010) of "test" magazine, the independent testing institute was particularly impressed by the convenient search functions, easy payment options, and the treatment of sensitive customer data.

T-Mobile USA earns highest rank for wireless retail sales satisfaction. During the first quarter of 2010, T-Mobile USA was ranked highest in wireless retail sales satisfaction by J.D. Power and Associates. Winning this award continues to demonstrate T-Mobile USA's commitment to delivering an industry-leading retail experience, this is the eighth such top ranking from J.D. Power and Associates in the Wireless Retail Sales Satisfaction Study's past 11 volumes, dating back to 2004.

Awards for T-Mobile products, services and networks in the Europe operating segment. Polska Telefonia Cyfrowa (PTC)'s Era brand came top in the Mobile Operator category for the second time in a row in a service quality survey carried out by an independent portal in Poland in 2009.

German technology magazine CHIP awarded Deutsche Telekom the "CHIP AWARD for the innovation of the year" with special praise from the editors for the Group's strong commitment to LTE (Long Term Evolution), a potential technology for the next generation of mobile communications. In 2009 Deutsche Telekom successfully staged the world's first large-scale trial using the LTE standard in Austria with T-Mobile Austria. By carrying out this pilot trial, Deutsche Telekom made an essential contribution to the rapid further development of this technology.

T-Systems closes new deals and retains major customers.

T-Systems introduces digital police radio. T-Systems is helping ten German federal states set up and operate flexible solutions drawn from the "digital radio toolbox," an anti-interception solution for the entire transmission path. Ten federal states – among them Hesse, North Rhine-Westphalia, Rhineland Palatinate, Saarland and Thuringia – are receiving extensive support from T-Systems. The Deutsche Telekom subsidiary has developed a flexible range of digital police radio solutions and services to provide and operate the security networks that connect up the base stations in the federal states. On request, T-Systems also supports the federal states in setting up and operating the control centers which monitor network operation and perform other functions as required. For example, they manage the users, provide applications, enable remote maintenance, and store data from the different systems in a central database.

DLR awards contract to T-Systems. The German Aerospace Center (Deutsches Luft- und Raumfahrtzentrum – DLR) will continue to source all of its basic IT services from T-Systems over the next five years plus one optional year. T-Systems had previously won the Europe-wide invitation to tender. T-Systems will develop, set up, operate and support DLR's workstations, communication infrastructure and application systems and provide consulting services. The portfolio includes everything from telephones, standardized and highly specialized IT workstations through to supercomputers and grid computing.

Deutsche Post DHL outsources further IT functions in Germany to T-Systems. Deutsche Post DHL and T-Systems have agreed to step up their collaboration: The existing contracts covering the provision of data center, infrastructure and network services in addition to the operation of desktop services have been extended ahead of schedule by a further five years to 2014. At the same time, the world's leading mail and logistics services group reached agreement on other services with T-Systems. The contract is part of a global initiative launched by Deutsche Post DHL to achieve efficiency gains in IT and telecommunications services.

SBB and T-Systems set to continue cooperation. Swiss Federal Railways (SBB) intends to continue its strategic partnership with T-Systems and will not be exercising its early termination option. Existing agreements regarding IT services, dating back to 2005, have been revised and will run until the end of 2015, with some services continuing until 2018. SBB has been using T-Systems' infrastructure services for more than 10 years.

T-Systems sets up new pan-European telecommunications network for TUI Travel. The London-based group TUI Travel has commissioned T-Systems, Deutsche Telekom's corporate customers arm, to set up and operate a Europe-wide telecommunications network linking its corporate sites in seven countries. For the next five years, T-Systems will take responsibility for all telephone, data and mobile communications services for TUI Travel's traditional travel operations (its Mainstream business unit). With this new integrated network, the world's leading travel group intends to exploit further synergies and reduce its costs significantly.

Regulatory situation.

On March 26, 2010, in its second partial ruling on eleven applications for injunction by competitors, the Federal Network Agency fixed the charges for access to Deutsche Telekom's multi-functional street cabinet and cable ducts. The use of a module slot in the multi-functional street cabinets will cost EUR 113.94 per month, to be divided equally among the number of street cabinet users (including Deutsche Telekom). Competitors will have to pay EUR 0.12 per month per meter (excluding administrative expenses) to use one of Deutsche Telekom's cable ducts. Deutsche Telekom duly filed suits against these rulings.

Group strategy.

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

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

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

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

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

Improve the performance of mobile-centric assets.

In countries like the United States, the United Kingdom, Austria, the Netherlands, the Czech Republic, and Poland, in which Deutsche Telekom's presence primarily centers around mobile communications services, the Company is planning to enhance its performance and invest in next-generation technologies, develop innovative services, and expand its portfolio of mobile devices. In the United States, T-Mobile USA is pushing ahead with its network upgrade initiative to cover a population of around 185 million with high-speed HSPA+ technology by the end of 2010. It also aims to double the number of 3G smartphones to approximately 8 million. In the United Kingdom, the Group intends to make the joint venture between T-Mobile UK and Orange UK a success story. With an aggregate customer base of around 29.4 million, the joint venture will be the leader in the UK mobile communications market. Market leadership in Poland and the Czech Republic will be consolidated and the strong position in the Netherlands and Austria further strengthened to challenge established operators.

Leverage One Company in integrated assets.

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

Build networks and processes for the gigabit society.

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

Connected life across all screens.

Another strategic goal is the provision of innovative, non-device-specific mobile services on TVs and PCs, and on other screens and devices that will enter the market in the future. The mobile Internet is thought to offer the best growth opportunities in this context. Deutsche Telekom intends to develop and market its own centralized offerings, for example innovative communication solutions based on users' personal network-based address books. The Company is also positioning itself as a pioneer for digital content, offering targeted, personalized linking and distribution of media content. By making specific purchases such as the acquisition of the remaining shares in Firstgate (ClickandBuy), Deutsche Telekom is positioning itself as a leading provider of online payment solutions and expanding its portfolio in the high-growth Internet business. A further topic being pushed is 'connected home.' Entertain and Home Gateway will become hubs for media, entertainment, and home automation. Deutsche Telekom's activities in this area aim to further strengthen its position in the European TV business and make it the market leader in Germany's pay TV market. Besides its own services and solutions, Deutsche Telekom is entering into selected cooperative ventures elsewhere and is positioning itself long-term as a strategic partner to the key players in other sectors, e.g., as an exclusive online content partner or for the marketing of innovative terminal equipment such as Apple's iPhone.

Connected work with unique ICT solutions.

Deutsche Telekom provides customized ICT solutions for business customers and draws on the services of T-Systems in the ongoing standardization of its internal IT solutions. The reorganization at T-Systems will continue to lift its profitability to industry level. T-Systems intends to increase external revenues from IT services, focusing on strong growth outside Germany. There are plans to launch innovative offerings in the field of secure B2B cloud services and further reinforce T-Systems' quality lead. Using its global infrastructure of data centers and networks, T-Systems offers multinational corporations and public-sector institutions unique expertise and an increasingly appealing product portfolio due to the service partnership with SAP. Under the Global Services Partner program, T-Systems will make SAP services available worldwide and develop mobile SAP applications.

On the back of its new strategic approach, Deutsche Telekom is also positioning itself as an open partner for other sectors with the aim of exploiting opportunities for growth in ICT solutions for energy, healthcare, media distribution, and the connected car. At CeBIT 2010, Continental and T-Systems agreed to develop an open, flexible and future proof infotainment concept that will use mobile communications to connect vehicles with cell phones, home PCs and entertainment systems and diverse Internet-based value-added services – anywhere and any time. At E-world 2010, Deutsche Telekom also showcased an end-to-end solution for the energy market – smart metering & home management – which will allow power, gas, and water consumption data to be read, processed, and presented automatically.

Development of business in the Group.

Net revenue.

In the first quarter of 2010, Deutsche Telekom generated net revenue of EUR 15.8 billion, a slight decrease compared with the first three months of 2009. This trend was influenced by positive effects from changes in the composition of the Group of EUR 0.5 billion and negative exchange rate effects of EUR 0.1 billion. Adjusted for these two factors, revenue in the first quarter was down EUR 0.5 billion or 3.3 percent compared with the first three months of the prior year. The effect of changes in the composition of the Group were mainly attributable to the fact that the Hellenic Telecommunications Organization S.A. (OTE/OTE group) has only been fully consolidated since February 2009 and was therefore not included in revenue for the entire first quarter of 2009. The exchange rate effects were primarily the result of the translation of U.S. dollars to euros.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Net revenue	15,812	15,902	(90)	(0.6)	64,602
Germany	6,189	6,331	(142)	(2.2)	25,423
United States	3,814	4,137	(323)	(7.8)	15,471
Europe	2,412	2,436	(24)	(1.0)	10,034
Southern and Eastern Europe	2,387	1,964	423	21.5	9,685
Systems Solutions	2,131	2,106	25	1.2	8,798
Group Headquarters & Shared Services	565	618	(53)	(8.6)	2,410
Intersegment revenue	(1,686)	(1,690)	4	0.2	(7,219)

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

The Germany operating segment recorded a revenue decrease of 2.2 percent in the first quarter of 2010 compared with the first three months of the prior year. The 4.1 percent decrease in fixed-network revenue was only partially offset by a 2.5-percent improvement in mobile revenue. The revenue decrease in the fixed-network business was primarily attributable to continuing line losses resulting from intensified competition, the increased sales of complete packages (telephony and Internet) with a flat-rate component, and falling usage-related charges. Revenue from non-voice (data and messaging) services contributed to revenue growth in mobile communications. The more restrictive regulatory environment, however, had a negative effect on the development of revenue.

The decline in revenue of EUR 0.3 billion or 7.8 percent in the United States operating segment compared with the first quarter of 2009 was primarily the result of negative exchange rate effects. Adjusted for these effects of EUR 0.2 billion, the decline would have been much lower at EUR 0.1 billion or 2.2 percent. The main reason for the revenue decline was lower voice revenue due to the loss of contract customers.

Revenue in the Europe operating segment remained virtually on a par with the prior-year period. Adjusted for exchange rate effects of EUR 0.1 billion mainly from the translation of Polish zlotys, revenue in this operating segment decreased by EUR 0.1 billion or 4.6 percent compared with the first quarter of 2009, primarily as a result of lower service revenues in all mobile companies. Higher revenues generated at International Carrier Sales and Solutions (ICSS) coupled with an increase in handset revenues partly compensated for these negative effects.

Revenue in the Southern and Eastern Europe operating segment increased EUR 0.5 billion due to the effects of changes in the composition of the Group. Excluding these and exchange rate effects, revenue decreased by EUR 0.1 billion or 5.5 percent compared with the first quarter of 2009. The strained economic situation and continuing intense competitive pressure in both mobile communications and the traditional fixed network negatively affected revenue. Taxation of mobile revenue in Croatia and Greece also had a negative impact. Broadband growth in all countries did not make up for the decline in revenue in the traditional fixed-network area.

Revenue generated in the Systems Solutions operating segment in the first quarter of 2010 remained on a par with the first three months of 2009. Effects from changes in the composition of the Group and exchange rate effects had only an immaterial impact on this operating segment. While revenue in Germany declined, international revenue increased. The decrease in Germany was attributable to both the postponement or cancelation of projects in the systems integration business and the price trend in IT and telecommunications. The falling price trend in IT business was partially offset by new contracts. Growth in international business continued as a result of the large number of contracts with corporate customers.

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

	Q1 2010 millions of €	Proportion of net revenue of the Group %	Q1 2009 millions of €	Proportion of net revenue of the Group %	Change millions of €	Change %	FY 2009 millions of €
Net revenue	15,812	100.0	15,902	100.0	(90)	(0.6)	64,602
Germany	5,804	36.7	5,969	37.5	(165)	(2.8)	23,813
United States	3,810	24.1	4,133	26.0	(323)	(7.8)	15,457
Europe	2,264	14.3	2,307	14.5	(43)	(1.9)	9,486
Southern and Eastern Europe	2,349	14.9	1,929	12.1	420	21.8	9,510
Systems Solutions	1,532	9.7	1,496	9.4	36	2.4	6,083
Group Headquarters & Shared Services	53	0.3	68	0.5	(15)	(22.1)	253

With 36.7 percent, the Germany operating segment provided the largest contribution to the net revenue of the Group. The Southern and Eastern Europe operating segment's share of net revenue increased to 14.9 percent compared with the first three months of 2009. This was primarily due to the full consolidation of the OTE group for the whole quarter, in contrast to the first quarter of 2009, when the OTE group was not included in the consolidated financial statements until February. The contributions of the other operating segments to net revenue remained almost constant.

Breakdown of revenue by regions.

The proportion of net revenue generated internationally increased by 1.1 percentage points year-on-year to 57.4 percent in the first quarter of 2010, primarily due to changes in the composition of the Group. In contrast to the prior-year period, the OTE group was consolidated for the full three months of the first quarter of 2010. In the first quarter of 2009, the OTE group was not included in the consolidated financial statements until February.

		Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Net revenue		15,812	15,902	(90)	(0.6)	64,602
Domestic		6,739	6,943	(204)	(2.9)	28,033
International		9,073	8,959	114	1.3	36,569
Proportion generated internationally	(%)	57.4	56.3			56.6
Europe (excluding Germany)		5,074	4,684	390	8.3	20,573
North America		3,837	4,148	(311)	(7.5)	15,527
Other		162	127	35	27.6	469

Cost of sales.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €

Cost of sales	(9,025)	(8,906)	(119)	(1.3)	(36,259)

Despite the decrease in revenue, the cost of sales increased by EUR 0.1 billion compared with the first quarter of 2009, partly as a result of the write-off of receivables from the German Main Customs Office for 2005 to 2009 and partly due to the inclusion of the OTE group in the consolidated group. In the first quarter of 2009, the cost of sales included part of the costs taken over by the Hellenic Republic for a voluntary early retirement program.

Selling expenses.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Selling expenses	(3,655)	(3,996)	341	8.5	(15,863)

The Group's selling expenses decreased compared with the first quarter of 2009, mainly as a consequence of lower customer acquisition and retention costs. While the first quarter of 2009 was marked by highly aggressive sales activities, which incurred correspondingly high customer investment costs, the market approach for the current year was less focused on the first quarter, which was reflected in lower costs.

General and administrative expenses.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
General and administrative expenses	(1,222)	(1,136)	(86)	(7.6)	(4,653)

The main cause of the increase in general and administrative expenses compared with the first three months of 2009 was the inclusion of the OTE group in the consolidated Group.

Other operating income/expenses.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Other operating income	307	387	(80)	(20.7)	1,504
Other operating expenses	(188)	(2,007)	1,819	90.6	(3,319)

Other operating income decreased by EUR 0.1 billion compared with the first quarter of 2009, which was mainly due to a specific effect in the prior year. In the first quarter of 2009, this item included income from the reclassification of real estate from assets held for sale to non-current assets.

The significant year-on-year decrease in other operating expenses was also mainly attributable to an effect in the first quarter of 2009 when an expense of EUR 1.8 billion was recorded for the impairment of goodwill relating to the cash-generating unit T-Mobile UK.

Profit from operations.

Profit from operations in Deutsche Telekom's operating segments developed as follows:

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Profit (loss) from operations of the Group	2,029	244	1,785	n.a.	6,012
Germany	1,171	1,325	(154)	(11.6)	5,062
United States	544	530	14	2.6	2,233
Europe	375	(1,786)	2,161	n.a.	(905)
Southern and Eastern Europe	304	504	(200)	(39.7)	1,037
Systems Solutions	18	11	7	63.6	(11)
Group Headquarters & Shared Services	(365)	(309)	(56)	(18.1)	(1,249)
Reconciliation	(18)	(31)	13	41.9	(155)

Profit from operations of the Deutsche Telekom Group increased significantly by EUR 1.8 billion year-on-year to EUR 2.0 billion in the first quarter of 2010. This increase was also attributable to the lower year-on-year level of depreciation, amortization and impairment losses in the first quarter of 2010. The decrease in depreciation of technical equipment and machinery was mainly attributable to the discontinuation of depreciation and amortization of assets at T-Mobile UK which, in contrast to the first quarter of 2009, were classified as held for sale and are therefore no longer depreciated or amortized. In the first quarter of 2009 an impairment loss of EUR 1.8 billion was recorded on the goodwill of the cash-generating unit T-Mobile UK in the Europe operating segment.

In the Germany operating segment, profit from operations decreased year-on-year by EUR 0.2 billion to EUR 1.2 billion in the first quarter of 2010. Expenses of EUR 0.1 billion from the write-off of receivables from the German Main Customs Office for the years 2005 to 2009 attributed to this decrease.

Profit from operations in the USA operating segment grew year-on-year by 2.6 percent. In spite of lower revenues being offset by lower operating costs, including lower commissions expense related to fewer customer additions in the first quarter of 2010.

Profit from operations in the Southern and Eastern Europe operating segment declined year-on-year. This was primarily the result of a one-time positive effect in the first quarter of 2009 mainly due to income from the reversal of provisions through the Hellenic Republic's contribution to the costs of the voluntary severance program in the OTE group.

Profit/loss from financial activities.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Profit (loss) from financial activities	(715)	(742)	27	3.6	(3,357)
Finance costs	(597)	(632)	35	5.5	(2,555)
Interest income	140	100	40	40.0	341
Interest expense	(737)	(732)	(5)	(0.7)	(2,896)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	3	5	(2)	(40.0)	24
Other financial income (expense)	(121)	(115)	(6)	(5.2)	(826)

The Group's loss from financial activities in the first quarter of 2010 was at the level of the first three months of 2009.

Personnel.

	Q1 2010	Q1 2009	Change	Change %	FY 2009
Average number of employees	259,033	249,325	9,708	3.9	257,601
Domestic	128,197	131,409	(3,212)	(2.4)	130,477
International	130,836	117,916	12,920	11.0	127,124
Non-civil servants	230,073	217,316	12,757	5.9	226,460
Civil servants (domestic)	28,960	32,009	(3,049)	(9.5)	31,141
Trainees and student interns	9,474	10,263	(789)	(7.7)	9,805
Personnel costs (millions of €)	(3,706)	(3,310)	(396)	(12.0)	(14,333)

The average number of employees increased by 3.9 percent compared with the first quarter of 2009, mainly as a result of changes in the composition of the Group. The OTE group has only been fully consolidated since February 2009 and was therefore not included for the entire first quarter of 2009.

In addition, the employees taken over by the Systems Solutions operating segment as part of major new deals and the increase in offshore activities also increased the average headcount.

These factors also resulted in the increase of EUR 0.4 billion in personnel costs compared with the first quarter of 2009. Additionally, personnel costs in the first quarter of 2009 were reduced by a EUR 0.2 billion contribution by the Hellenic Republic to the costs of a voluntary early retirement program.

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Depreciation, amortization and impairment losses.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Amortization and impairment of intangible assets	(806)	(2,591)	1,785	68.9	(5,657)
Of which: mobile communications licenses	(187)	(242)	55	22.7	(905)
Of which: goodwill	-	(1,803)	1,803	n.a.	(2,345)
Depreciation and impairment of property, plant and equipment	(1,855)	(2,107)	252	12.0	(8,237)
Total depreciation, amortization and impairment losses	(2,661)	(4,698)	2,037	43.4	(13,894)

Depreciation, amortization and impairment losses decreased by EUR 2.0 billion compared with the first quarter of 2009. This was due in particular to an impairment loss of EUR 1.8 billion on the goodwill of the cash-generating unit T-Mobile UK recognized in the first three months of 2009, and a year-on-year decrease in depreciation of technical equipment and machinery. The decrease in depreciation of technical equipment and machinery was mainly attributable to the discontinuation of depreciation and amortization of assets at T-Mobile UK which, in contrast to the first quarter of 2009, were classified as held for sale and are therefore no longer depreciated or amortized.

Profit/loss before income taxes.

Profit before income taxes for the first quarter of 2010 increased by EUR 1.8 billion to EUR 1.3 billion in line with profit from operations. At EUR 0.7 billion, the Group’s loss from financial activities remained at the same level as in the first three months of 2009.

Income taxes.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Income taxes	(449)	(426)	(23)	(5.4)	(1,782)

Despite significantly higher profit/loss before income taxes, income tax expense increased slightly compared with the first quarter of 2009. Income tax expense in the first quarter of 2009 was comparatively high as a result of goodwill impairment losses not being considered for tax purposes.

Net profit.

Deutsche Telekom recorded an increase in net profit of EUR 1.9 billion to EUR 0.8 billion in the first quarter of 2010, primarily due to the aforementioned effects.

Liquidity and Capital Resources.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Net cash from operating activities	3,271	2,966	305	10.3	15,795
Net cash used in investing activities	(1,793)	(1,509)	(284)	(18.8)	(8,649)
Net cash used in financing activities	(899)	(387)	(512)	n.a.	(5,123)
Effect of exchange rate changes on cash and cash equivalents	52	17	35	n.a.	58
Changes in cash and cash equivalents associated with assets and disposal groups held for sale	(100)	-	(100)	n.a.	(85)
Net increase (decrease) in cash and cash equivalents	531	1,087	(556)	(51.1)	1,996
Cash and cash equivalents, at the beginning of the period	5,022	3,026	1,996)	66.0	3,026
Cash and cash equivalents, at the end of the period	5,553	4,113	1,440	35.0	5,022

Net cash from operating activities.

Net cash from operating activities amounted to EUR 3.3 billion in the first quarter of 2010, an increase of EUR 0.3 billion over the prior-year quarter. Several factors, some of which offset each other, contributed to this improvement. Net payments resulting from the canceling of interest rate swaps decreased by EUR 0.1 billion due to the non-recurrence of one-time effects from the prior-year quarter. This was offset by the improved year-on-year change in provisions of EUR 0.4 billion, as a result of increased additions to provisions for employee expenses while the utilization of provisions for dealers' commissions and for reimbursements were lower in the first quarter of 2010.

The net change in assets and liabilities carried as working capital improved by EUR 0.1 billion, which is attributable to various factors, some of which offset each other.

Net cash used in investing activities.

Net cash used in investing activities totaled EUR 1.8 billion as compared with EUR 1.5 billion in the same period of the previous year. This development was the result of the following factors, some of which offset each other. On the one hand there was the addition of the funds of the OTE group amounting to EUR 1.6 billion as part of the first-time full consolidation of OTE from February 2009 and, on the other hand, there was no corresponding item in the first quarter of 2009 comparable with the outflows for investments relating to the acquisition of STRATO of EUR 0.3 billion in the first quarter of 2010. In an offsetting effect, cash outflows for intangible assets and property, plant and equipment, however, decreased by EUR 0.7 billion, primarily as a result of the postponement of projects in Germany partly due to weather conditions and lower cash outflows in the United States in the first quarter of 2010. In addition, net cash outflows from the change in current financial assets improved by EUR 0.8 billion. While cash outflows of EUR 0.4 billion were recorded in the prior-year period primarily for short-term cash deposits and the deposit of collateral for hedging transactions, in the reporting period there was mainly the return of cash collateral deposited for the acquisition of STRATO totaling EUR 0.3 billion.

Net cash used in financing activities.

Net cash used in financing activities amounted to EUR 0.9 billion in the first quarter of 2010, compared with EUR 0.4 billion in the prior-year quarter.

This change was mostly attributable to EUR 1.5 billion lower year-on-year net proceeds from the issue of non-current financial liabilities. On the other hand, net repayments of current financial liabilities decreased by EUR 0.9 billion, and there was no equivalent in the reporting period for the advance dividend of EUR 0.1 billion paid by Hrvatske telekomunikacije in the first quarter of 2009.

Capital expenditures and investments.

The following table provides information concerning capital expenditures and investments in subsidiaries, associated companies and related companies, as well as proceeds from the sale of non-current assets and investments.

	Q1 2010 millions of €	Q1 2009 millions of €	FY 2009 millions of €
Capital expenditures	1,934	2,611	9,202
Investments in subsidiaries and non-current financial assets	356	80	1,183
Proceeds from disposal of non-current assets and investments	(121)	(107)	(591)
Other	(376)	(1,075)	(1,145)
Net cash used for investing activities	1,793	1,509	8,649

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Total financial liabilities.

The following table summarizes our total financial liabilities as of March 31, 2010 and 2009, and December 31, 2009:

	Mar. 31, 2010	Dec. 31, 2009	Change Mar. 31, 2010/ Dec. 31, 2009	Mar. 31, 2009	Change Mar. 31, 2010/ Mar. 31, 2009
	millions of €	millions of €	%	millions of €	%
Bonds	38,722	38,508	0.6	39,659	(2.4)
Liabilities to banks	4,559	4,718	(3.4)	4,670	(2.4)
Liabilities to non-banks from promissory notes	1,124	1,057	6.3	1,036	8.5
Derivative financial liabilities	786	979	(19.7)	811	(3.1)
Lease liabilities	1,899	1,909	(0.5)	1,987	(4.4)
Other financial liabilities	3,850	4,020	(4.2)	4,949	(22.2)
Total	50,940	51,191	(0.5)	53,112	(4.1)

Total financial liabilities decreased as of March 31, 2010, as compared with December 31, 2009, primarily as a result of redemptions of EUR 1.3 billion and the offsetting effect of EUR 0.7 billion by the issuance of Medium Term Notes in the first quarter 2010.

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Segment reporting.

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

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

Segment information in the quarters.

Q1 2010 Q1 2009	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations millions of €	Depreciation and amortization millions of €	Impair-ment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	5,804	385	6,189	1,171	(1,014)	0	34,010	24
	5,969	362	6,331	1,325	(1,016)	0	50,868	18
United States	3,810	4	3,814	544	(463)	(1)	37,941	20
	4,133	4	4,137	530	(531)	0	38,804	16
Europe	2,264	148	2,412	375	(285)	0	22,325	0
	2,307	129	2,436	(1,786)	(444)	(1,803)	21,143	11
Southern and Eastern Europe	2,349	38	2,387	304	(571)	(2)	24,852	52
	1,929	35	1,964	504	(470)	(6)	26,695	51
Systems Solutions	1,532	599	2,131	18	(150)	0	8,651	56
	1,496	610	2,106	11	(177)	0	8,992	50
Group Headquarters & Shared Services	53	512	565	(365)	(167)	(21)	111,046	0
	68	550	618	(309)	(156)	(103)	118,343	0
Total	15,812	1,686	17,498	2,047	(2,650)	(24)	238,825	152
	15,902	1,690	17,592	275	(2,794)	(1,912)	264,845	146
Reconciliation	-	(1,686)	(1,686)	(18)	12	1	(108,022)	-
	-	(1,690)	(1,690)	(31)	8	0	(131,081)	-
Group	15,812	-	15,812	2,029	(2,638)	(23)	130,803	152
	15,902	-	15,902	244	(2,786)	(1,912)	133,764	146

Segment information for the 2009 financial year.

FY 2009	Net revenue	Inter-segment revenue millions	Total revenue	Profit (loss) from	Depreciation and amortization	Impair-ment losses millions	Segment assets	Investments accounted for using

	millions of €	of €	millions of €	operations millions of €	millions of €	of €	millions of €	the equity method millions of €
Germany	23,813	1,610	25,423	5,062	(4,189)	(7)	52,002	23
United States	15,457	14	15,471	2,233	(2,025)	(3)	36,087	18
Europe	9,486	548	10,034	(905)	(1,561)	(1,850)	21,668	0
Southern and Eastern Europe	9,510	175	9,685	1,037	(2,211)	(536)	25,120	52
Systems Solutions	6,083	2,715	8,798	(11)	(718)	(3)	8,872	54
Group Headquarters & Shared Services	253	2,157	2,410	(1,249)	(660)	(173)	120,162	0
Total	64,602	7,219	71,821	6,167	(11,364)	(2,572)	263,911	147
Reconciliation	-	(7,219)	(7,219)	(155)	41	1	(136,137)	-
Group	64,602	-	64,602	6,012	(11,323)	(2,571)	127,774	147

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Development of business in the operating segments.

Germany.

Customer development.

	Mar. 31, 2010 millions	Dec. 31, 2009 millions	Change Mar. 31, 2010/ Dec. 31, 2009 %	Mar. 31, 2009 millions	Change Mar. 31, 2010/ Mar. 31, 2009 %
Fixed network					
Fixed-network lines	25.8	26.2	(1.5)	27.7	(6.9)
Retail broadband lines	11.7	11.5	1.7	11.0	6.4
Wholesale bundled lines	1.5	1.6	(6.3)	2.2	(31.8)
Unbundled local loop lines (ULLs)	9.2	9.1	1.1	8.6	7.0
Wholesale unbundled lines	0.7	0.6	16.7	0.3	n.a.
Mobile communications					
Mobile customersa	38.5	39.1	(1.5)	39.0	(1.3)

a As a result of the change in the terms of contract, prepay contracts no longer end automatically, but run for an unlimited duration and can be terminated by the customer at any time and by Telekom Deutschland GmbH with one month's notice. Telekom Deutschland GmbH reserves the right to make use of this right of termination and to deactivate cards in the system.

Business in Germany progressed despite the challenging economic environment, regulatory requirements, and more intense competition. Since 2007, Deutsche Telekom's broadband market share has remained stable at 46 percent. Deutsche Telekom further extended its market leadership in service revenues in the mobile communications sector and focused on value-driven growth.

Fixed network. As growth on the broadband market in Germany became more restrained, the number of retail lines increased by 0.2 million compared with the end of 2009 to a total of 11.7 million. The number of Entertain products connected increased again in the first quarter of 2010. With 0.9 million Entertain products connected and 1.2 million lines sold as of March 31, 2010, the positive development continued.

Fixed-network line losses totaled 0.4 million in the first quarter of 2010, down slightly compared with the end of 2009. These line losses are mainly attributable to customers switching to alternative telecommunications carriers, cable companies, and mobile operators.

The number of unbundled local loop lines (ULLs) increased slightly compared with the end of 2009 to 9.2 million. The number of unbundled wholesale lines rose slightly by 0.1 million compared with the end of 2009 to 0.7 million. The increase in both ULLs and unbundled wholesale lines resulted in a slight decrease in bundled wholesale lines of 0.1 million compared with the end of 2009.

Mobile communications. Compared with the end of 2009, the number of mobile customers decreased by 0.6 million in the first quarter of 2010 to 38.5 million. While the number of contract customers increased by 0.1 million to 17.3 million, the number of prepay customers declined by 0.7 million to 21.2 million. One of the main causes was the deregistration of inactive prepay customers. The share of contract customers increased by around one percentage point to 45 percent of the customer base, encouraged by attractive smartphones like the Apple iPhone and a rise in the proportion of customers with integrated flat-rate plans for telephony and data usage.

Development of operations.

	Q1 2010 millions of €	Q1 2009 millions of €	Change millions of €	Change %	FY 2009 millions of €
Total revenue	6,189	6,331	(142)	(2.2)	25,423
Fixed network	4,530	4,724	(194)	(4.1)	18,736
Mobile communications	2,000	1,952	48	2.5	8,109
Profit from operations	1,171	1,325	(154)	(11.6)	5,062
Depreciation, amortization and impairment losses	(1,014)	(1,016)	2	0.2	(4,196)
Cash capex	(651)	(800)	149	18.6	(3,158)
Number of employees (average)	80,729	86,086	(5,357)	(6.2)	84,584
Fixed network	74,893	80,075	(5,182)	(6.5)	78,507
Mobile communications	5,836	6,011	(175)	(2.9)	6,077

The contributions of the Fixed Network and Mobile Communications sub-segments generally show the unconsolidated view, and do not take consolidation effects at operating segment level into consideration.

Total revenue.

Total revenue in the Germany operating segment decreased in the first quarter of 2010 by 2.2 percent year-on-year to EUR 6.2 billion, a less pronounced decline than in the full 2009 financial year (3.7 percent). This revenue decrease was mainly caused by the continuing losses of fixed-network lines due to competition and by regulatory pricing measures in fixed-network and mobile communications.

Fixed network. Revenue in the first quarter of 2010 decreased by 4.1 percent year-on-year to EUR 4.5 billion. The continuing line losses resulting from increased competition and falling usage-related charges were the main factors leading to the decline in revenue. Growth in the volume of unbundled local loop lines and the migration to premium complete packages (e.g., those including TV components), had a positive effect but only partially compensated for the decline in revenue.

Mobile communications. In the first quarter of 2010, total revenue from mobile operations increased by EUR 48 million or 2.5 percent to EUR 2.0 billion, largely due to year-on-year increases in service revenues to EUR 1.8 billion driven by a continued improvement in non-voice revenues by 3.3 percent. The more restrictive regulatory environment had an offsetting effect on revenue. This was driven in particular by lower mobile termination charges from April 1, 2009, the EU roaming regulation effective since July 1, 2009, and the expiry of the national roaming agreements with O2 and others at the end of 2009.