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Interim Group Report.

January 1 to September 30, 2011.

Life is for sharing.

Selected financial data of the Deutsche Telekom Group.

– The United States operating segment has been reported as a discontinued operation since the first quarter of 2011. –

		Q3 2011 millions of €	Q3 2010[a] millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010[a] millions of €	Change %	FY 2010 millions of €
Revenue and earnings from continuing and discontinued operations								
Net revenue		14,670	15,601	(6.0)	43,742	46,944	(6.8)	62,421
Profit from operations (EBIT)		2,391	1,941	23.2	5,619	5,681	(1.1)	5,505
EBITDA		4,652	4,761	(2.3)	12,757	13,930	(8.4)	17,313
EBITDA (adjusted for special factors)		4,907	5,021	(2.3)	14,074	14,923	(5.7)	19,473
EBITDA margin (adjusted for special factors)	%	33.4	32.2		32.2	31.8		31.2
Revenue and earnings (United States operating segment reported as a discontinued operation)								
Net revenue		10,990	11,461	(4.1)	32,788	34,809	(5.8)	46,346
Of which: domestic	%				60.2	58.3		58.8
Of which: international	%				39.8	41.7		41.2
Profit from operations (EBIT)		1,437	1,464	(1.8)	3,475	4,062	(14.5)	3,415
Net profit (loss)		1,069	933	14.6	1,897	2,209	(14.1)	1,695
Net profit (loss) (adjusted for special factors)		1,291	867	48.9	2,943	2,606	12.9	3,364
EBITDA		3,698	3,732	(0.9)	10,150	10,775	(5.8)	13,159
EBITDA (adjusted for special factors)		3,884	3,992	(2.7)	11,286	11,768	(4.1)	15,319
EBITDA margin (adjusted for special factors)	%	35.3	34.8		34.4	33.8		33.1
Earnings per share basic/diluted	€	0.25	0.22	13.6	0.44	0.51	(13.7)	0.39
Statement of financial position								
Total assets		–	–		124,613	127,767	(2.5)	127,812
Shareholders' equity		–	–		40,690	43,399	(6.2)	43,028
Equity ratio	%	–	–		32.7	34.0		33.7
Net debt		–	–		43,368	43,747	(0.9)	42,269
Cash capex		(2,177)	(2,036)	(6.9)	(6,176)	(7,311)	15.5	(9,851)
Cash flows								
Net cash from operating activities		3,744	3,843	(2.6)	10,007	10,556	(5.2)	14,731
Free cash flow (before dividend payments, spectrum investment and PTC transaction)		1,706	1,882	(9.4)	4,534	4,810	(5.7)	6,543
Net cash used in investing activities		(2,686)	(2,053)	(30.8)	(7,073)	(8,077)	12.4	(10,711)
Net cash used in financing activities		(1,628)	(1,533)	(6.2)	(3,280)	(5,572)	41.1	(6,369)

[a] Figures for prior-year periods adjusted to measurement and disclosure at year-end.

Number of fixed-network and mobile customers.

	Sept. 30, 2011 millions	June 30, 2011 millions	Change Sept. 30, 2011/ June 30, 2011 %	Dec. 31, 2010 millions	Change Sept. 30, 2011/ Dec. 31, 2010 %	Sept. 30, 2010 millions	Change Sept. 30, 2011/ Sept. 30, 2010 %
Fixed-network lines	34.6	35.0	(1.1)	36.0	(3.9)	36.5	(5.2)
Retail broadband lines	16.7	16.7	–	16.4	1.8	16.0	4.4
Mobile customers	128.5	128.0	0.4	128.5	–	129.1	(0.5)

For a detailed explanation of the performance indicators used in this Interim Group Report (special factors affecting EBIT; EBIT (adjusted for special factors); the EBITDA margin; special factors affecting EBITDA; EBITDA (adjusted for special factors); the EBITDA margin (adjusted for special factors); and special factors affecting profit/loss after income taxes; net profit (adjusted for special factors); cash capex; free cash flow and net debt), please refer to the section "Reconciliation of pro forma figures," page 74. The performance indicators used by Deutsche Telekom are defined in the Glossary.

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To our shareholders.
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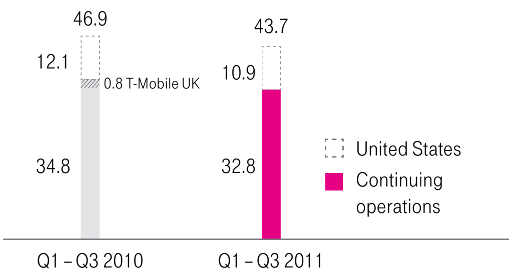
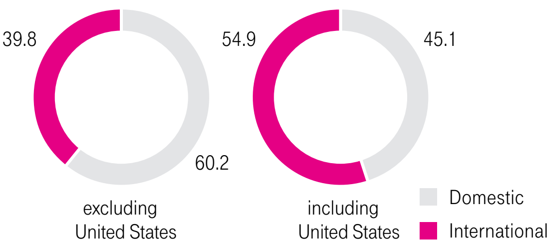
Net revenue (plus United States). (billions of €)



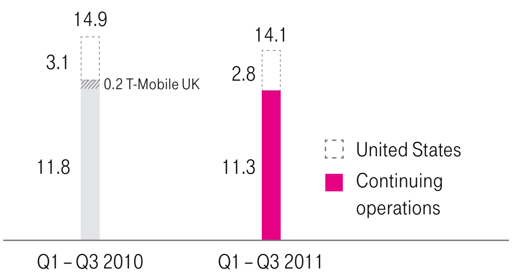
- Net revenue from continuing operations decreased by 5.8 percent compared with the first nine months of 2010. Excluding T-Mobile UK, net revenue decreased by EUR 1.3 billion or 3.7 percent.
- Operations were positively impacted by the development of mobile data revenue and the increase in revenue from Systems Solutions as a result of new deals.
- Operations were negatively impacted by line losses in the fixed network, price changes imposed by regulation, the difficult overall economic situation in some countries, and price cuts in response to intense competitive pressure.

Proportion of net revenue generated internationally. (%)



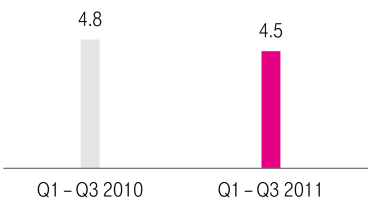
- The proportion of net revenue from continuing operations generated outside Germany fell to 39.8 percent.
- Domestic net revenue amounted to EUR 19.7 billion, EUR 0.5 billion less than in the first three quarters of 2010. International net revenue decreased by 10.2 percent or EUR 1.5 billion year-on-year.
- The decline in international net revenue is primarily attributable to the establishment of the Everything Everywhere joint venture in the United Kingdom. T-Mobile UK has no longer been fully consolidated since April 1, 2010.

Adjusted EBITDA (plus United States). (billions of €)



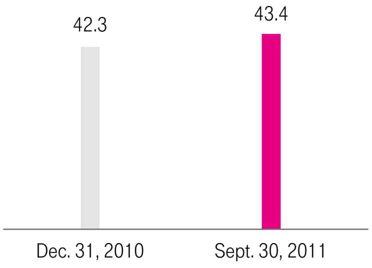
- Adjusted EBITDA decreased by EUR 0.5 billion compared with the first three quarters of the prior year. Excluding T-Mobile UK, adjusted EBITDA decreased by EUR 0.3 billion or 2.7 percent.
- Fixed-network lines lost to competitors, price changes imposed by regulation, and newly imposed or raised special taxes on telecommunications services had a negative impact on adjusted EBITDA.
- Cost management and the Save for Service program partly offset these effects.

Free cash flow (before dividend payments, spectrum investment and PTC transaction). (billions of €)



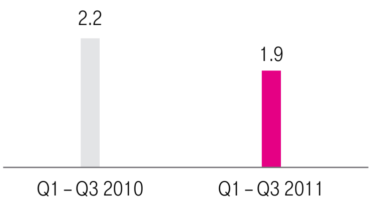
- Free cash flow decreased by EUR 0.3 billion to EUR 4.5 billion.
- Cash inflows from dividends received and lower income tax payments were largely offset by the lower year-on-year levels of cash inflows from the canceling of interest rate swaps, from receivables sold (factoring), and of interest received.

Net debt. (billions of €)



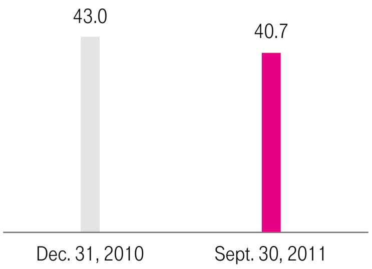
- Net debt increased by 2.6 percent compared with the end of 2010 to EUR 43.4 billion.
- Increased due to dividend payments (including non-controlling interests) of EUR 3.5 billion, the acquisition of remaining shares in PTC (PTC transaction) for EUR 1.4 billion, the purchase of another 10 percent of the shares in OTE for EUR 0.4 billion and exchange rate effects of EUR 0.2 billion.
- Reduced by free cash flow of EUR 4.5 billion.

Net profit. (billions of €)



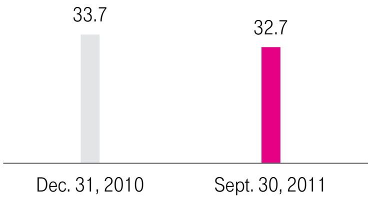
- Net profit decreased by EUR 0.3 billion to EUR 1.9 billion.
- Primarily due to the negative EBITDA trend.
- Development of operating results at the discontinued operation in the United States, in particular due to the discontinuation of depreciation and amortization (IFRS 5) had a slightly positive impact on net profit.

Shareholders' equity. (billions of €)



- Shareholders' equity decreased by EUR 2.3 billion compared with the end of 2010.
- Increased by net profit of EUR 1.9 billion.
- Reduced by dividend payments (EUR 3.5 billion), currency translation (EUR 0.7 billion) and the acquisition of remaining shares in PTC, recognized directly in equity (EUR 0.2 billion), and the measurement of hedging instruments (EUR 0.6 billion).

Equity ratio. (%)

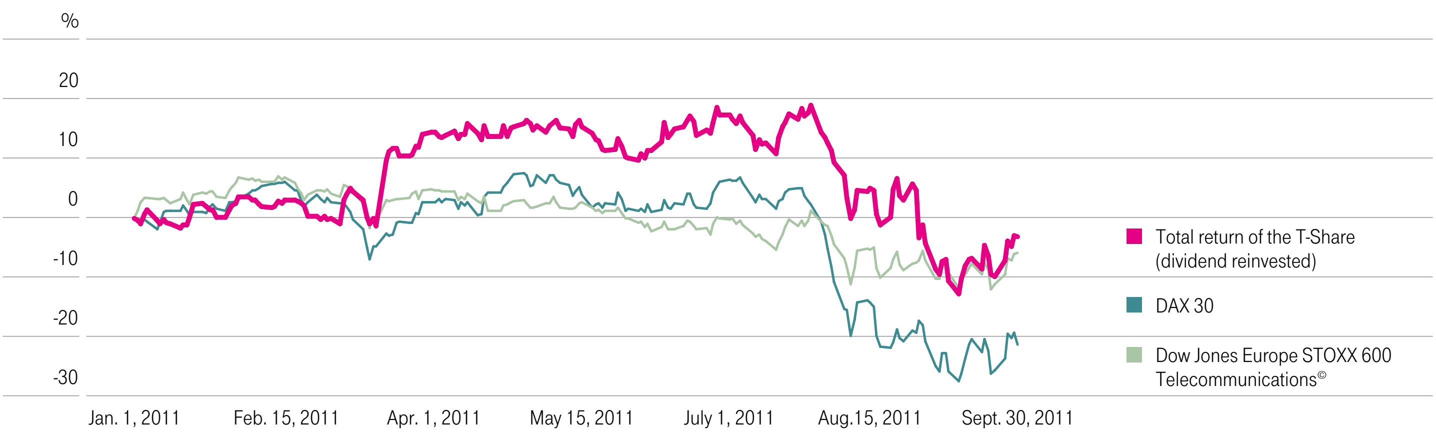


- Total assets decreased by EUR 3.2 billion or 2.5 percent compared with the end of 2010 to EUR 124.6 billion. This was mainly due to dividend payments, currency translation effects, payments in connection with the PTC transaction, and the acquisition of further OTE shares.
- In contrast to total assets (decrease of only 2.5 percent), shareholders' equity decreased by 5.4 percent.
- These trends resulted in a decrease in the equity ratio.

For a more detailed explanation, please refer to the section "Development of business in the Group."

The T-Share.

Total return of the T-Share in the first three quarters of 2011.



T-Share performance.

		Q1 – Q3 2011	Q1 – Q3 2010	FY 2010
Xetra closing prices	€			
Share price on the last trading day		8.83	10.04	9.66
High		11.32	10.60	10.60
Low		7.95	8.55	8.55
Weighting of the T-Share in major stock indexes				
DAX 30	%	5.5	5.5	4.7
Dow Jones Euro STOXX 50©	%	2.1	1.9	1.1
Dow Jones Europe STOXX 600 Telecommunications©	%	10.2	10.2	9.7
Market capitalization	billions of €	38.2	43.9	41.7
Shares issued	millions	4,321	4,361	4,321

The turbulence on the international stock markets continued unabated in the third quarter of 2011, driven for the most part by the unresolved debt problem in the euro zone and the United States. International markets posted some substantial losses in August in particular. The periphery crisis in Europe worsened further with Spanish and Italian government bonds hit by widening spreads, for example, while the U.S. credit rating was downgraded for the first time in the country's history. Leading indicators signaling a global economic slowdown also caused a further deterioration in the capital market environment. The DAX 30 tumbled 25.4 percent in the third quarter of 2011, the largest drop in any quarter in nine years.

No sector escaped this downtrend. The T-Share nevertheless remained relatively strong in this nervous market at first, with market participants rating the high dividend yield in particular as positive. The T-Share briefly came under pressure after the United States Department of Justice had filed objections to the sale of T-Mobile USA to AT&T on August 31, 2011. Although the Company's stock performed significantly better than the DAX 30, it still lost 18 percent of its value over the quarter.

In terms of total shareholder return (share price performance + dividend), the T-Share was down just 3 percent since the beginning of the year compared with the DAX 30, which recorded price losses of 21 percent in the same period. The European telecoms sector (Dow Jones Europe STOXX 600 Telecommunications©) also suffered a loss of 5.9 percent in the first nine months of the year.

Highlights in the third quarter of 2011.

Sale of T-Mobile USA to AT&T.

Sale of T-Mobile USA. The U.S. Department of Justice (DOJ) initiated legal proceedings against the planned sale of T-Mobile USA to AT&T at the U.S. District Court in Washington, District of Columbia. The successful closing of the sale of T-Mobile USA to AT&T is therefore subject to the rejection of the case by the court or a settlement. The judge assigned to the case has set the start of the hearing for February 13, 2012. The review by the Federal Communications Commission (FCC) is continuing at the same time.

For further information, please refer to the disclosures in the notes to the interim consolidated financial statements under "Non-current assets and disposal groups held for sale."

Developments at senior management level.

Changes in the composition of the Board of Management. At its meeting on July 4, 2011, the Supervisory Board of Deutsche Telekom AG appointed Claudia Nemat as the Board member responsible for Europe with effect from October 1, 2011 and also appointed Prof. Marion Schick as the Board member responsible for Human Resources and Labor Director with effect from May 3, 2012.

Infrastructure investments/New products/ Connected life and work.

Deutsche Telekom's TV service has also been available by satellite since September 1. The new service transmits digital TV and radio signals via satellite. Interactive features including the online video store, electronic program guide (EPG), and program manager enable our customers to remotely program their hard disk recorders via the Internet connection. This TV service from Deutsche Telekom is available to around 75 percent of all households in Germany.

Deutsche Telekom launches LTE in Cologne. Since July 1, 2011, our customers can use the first LTE high-speed network in a major German city. Under ideal conditions, Cologne thus offers mobile bandwidth with download speeds of up to 100 Mbit/s.

Mobile healthcare measuring devices available at Telekom shops. In August 2011, mobile devices for healthcare monitoring went on sale both online and in 350 Telekom shops. These devices allow users to measure, evaluate and store their blood glucose, temperature, weight, pulse, and blood pressure quickly and easily. Deutsche Telekom considers the healthcare sector to be a strategic growth area and in selling these devices in its shops is taking an important step toward becoming a provider of smart healthcare solutions.

"mpass" mobile payments. Deutsche Telekom, Telefónica Germany, and Vodafone are pushing ahead with their joint activities in mobile payments. The three telecommunications companies intend to integrate their "mpass" payment service in a joint venture and have signed a letter of intent to this effect. The new entity will be in charge of sales and marketing activities, as well as developing new products. More and more customers are taking advantage of convenient and secure payment via mobile or wireline Internet from mobile phones.

Cloud service for utilities. Our cloud computing services will be supplemented with the SAP industry solution for the utilities sector (SAP for Utilities). Energy providers, the housing sector, and meter operators can now lease hardware and software for all processes at a fixed monthly price per meter – which means Deutsche Telekom is offering this comprehensive range of services, from reading consumption data through to billing, from a single source for the very first time.

Employees.

OTE reached an agreement with the unions. OTE and the unions have agreed the framework of a three-year collective labor agreement. The basic terms include the following: ensuring employment for OTE's personnel (the company will not introduce work rotation or proceed with dismissals on financial or operational grounds, for the duration of the collective labor agreement), reduction of personnel costs (salary grades will be reduced by approximately 11 percent for a period of three years and then will revert to current levels in January 1, 2015), reduction of weekly working hours (full working time will be adjusted to 35 hours per week and will increase to the current 40 hours per week from January 1, 2015).

Awards.

Deutsche Telekom's network is the No. 1 choice. Our mobile communications network is the number one choice for telephony and mobile surfing and is well prepared to cope with the growing number of smartphones and tablets. Thus, for the second time in a row, Deutsche Telekom's mobile network won the award for best network of the year in the CHIP Online portal's national network test.

Interim Group management report.
The economic environment.

This section provides additional information on and explains recent changes in the economic situation described in the combined management report for the 2010 financial year, focusing on global economic development in the first nine months of 2011, the regulatory environment and the currently prevailing economic risks, and the outlook. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

Global economic development.

Although the global economy has continued to expand at a healthy rate in recent months, the pace of growth has slowed substantially. Countries all around the world have seen a substantial dip in business and consumer confidence as well as considerable volatility on the financial markets. This deterioration was primarily sparked by the worsening of the sovereign debt crises in Europe and the United States precipitated by the wrangling in Europe about a new bail-out package for Greece in July 2011 and the subsequent debates about an extension of the bail-out fund and by the first-time downgrading of the United States' credit rating in August 2011. In addition, the capital markets suffered a massive loss of confidence in individual countries as a result of further rating downgrades of the European countries in crisis such as Greece, Portugal, and Ireland in the third quarter of 2011 and the downgrading of Spain and Italy. The situation is exacerbated by the threat that the European sovereign debt crisis will escalate into a banking crisis.

These dampening effects are also impacting the economies of our footprint markets. Thanks to full order books, economic development in Germany in the third quarter of 2011 should maintain its upward trend for now. In the United States, on the other hand, the pace of growth appears to have decelerated further. The countries in our Europe segment still show a mixed pattern of economic development. Growth in Poland and Austria is robust, while moderate in the Czech Republic, the Netherlands, and Slovakia. In Hungary, Croatia, and Romania, the positive signs of a gradual upswing have turned into a slight downturn. Greece remains in the grip of a severe recession.

Outlook.

The major Western industrialized countries will see their economic development slow down markedly in the second half of 2011. While the emerging markets continue to record buoyant demand, this upward trend will lose further momentum.

Overshadowed by the ongoing debt crisis and the possibility of a new banking crisis, the forecasts for the global economy's future development fluctuate widely. Governments, international organizations and economic researchers downgraded their forecasts in the course of 2011 considerably. The German government, for example, recently cut its economic forecast for Germany for 2012 from 1.8 percent to 1.0 percent. The OECD cut its forecast for 2012 for economic development in the euro zone from plus 2.0 percent to just plus 0.3 percent.

The research institutes of the Joint Economic Forecast Project Group (Projektgruppe Gemeinschaftsdiagnose) in their 2011 Autumn Report revised and lowered their economic forecasts for the remaining months of 2011 and for 2012. Assuming successful implementation of the stability and growth programs, a continued expansionary monetary policy, and the sustained fast pace of growth in the emerging markets, the Project Group in its 2011 Autumn Report is forecasting growth of 1.4 percent in 2011 and 1.3 percent in 2012 for advanced economies. Global economic output is expected to expand by 2.6 percent in 2011 and by 2.5 percent in 2012. Growth is only expected to amount to 1.6 percent in the United States next year. The Greek national economy is expected to shrink by 5.4 percent in 2011 and by 2.5 percent in 2012. Economic growth is expected to slow in 2012 relative to 2011 not only in Germany, but also in Poland, Austria, Slovakia and the Netherlands. Based on current general conditions, the Joint Economic Forecast Project Group (Projektgruppe Gemeinschaftsdiagnose) expects production in the national economies of Hungary, the Czech Republic and Romania to grow slightly.

Overall economic risk.

The main risks facing the global economy are an escalation of the sovereign debt crisis and its expansion into a global banking crisis and a resulting slowdown in global demand.

Despite the concern about the budgets of EU Member States, it is possible that the German and European economy will develop better than expected in the coming months. So far, it has principally been economic sentiment indicators and the financial markets that have pointed to an economic downturn. Until recently, the real economic data was overwhelmingly positive.

Regulatory influence on Deutsche Telekom's business.

On September 29, 2011, the Federal Network Agency published its final ruling on **fixed-network termination rates**. The final ruling confirms the rates for the most important services that have been applicable since a provisional rate approval on July 1, 2011. For the most important rate options of "termination" and "origination" at the lowest network level, the provisional rate approval resulted in a reduction of approximately 17 percent (at peak times from 0.54 eurocents/min to 0.45 eurocents/min) and of approximately 16 percent (at off-peak times from 0.38 eurocents/min to 0.32 eurocents/min).

The European Commission's draft of a new **Roaming Regulation** dated July 6, 2011 will tighten/lengthen existing price regulation in the areas of voice, text messages, and data wholesale beyond 2012 and extend price regulation to retail prices for data roaming. In addition to the extended and expanded price regulation, the European Commission is planning to specify structural measures to promote additional competition. From 2012, it aims to introduce a wide-ranging wholesale access obligation for MVNOs and others as well as, from 2014, the option of unbundling roaming and national services so that end customers could conclude a second contract with a different provider exclusively for roaming services. These measures will involve implementation effort for the European mobile industry, putting a drain on resources and leading to additional expense. In view of the sharp increase in competition over recent months with many new and attractive roaming offers, particularly in the area of data roaming, the proposed measures constitute disproportionately intense regulation.

The existing **LTE roll-out obligations** in the federal states of Baden-Württemberg, Bavaria, Hesse, North Rhine-Westphalia, Rhineland-Palatinate and the Saarland have been met. Frequency spectrum for wireless network access was auctioned in the 800 MHz and other frequency ranges in May 2010. The allocations of the 800 MHz frequency spectrum each entail a successive roll-out obligation under which a network operator is obligated to progressively offer broadband lines for the use of the 800 MHz frequency spectrum in all federal states based on four priority levels. Top priority (priority level 1) has the mobile broadband coverage of communities of fewer than 5,000 inhabitants, to be subsequently followed by larger towns. To this end, the federal states had previously named unserved and underserved towns and communities, which were then assigned to the four priority levels according to the number of inhabitants. On the basis of the phased coverage requirement, Telekom Deutschland GmbH is required to initially cover at least 90 percent of the population of the named towns and communities in one priority level before moving on to towns and communities in the next level.

The Federal Network Agency stated on September 14, 2011 and September 28, 2011 that the roll-out obligations specified in the license have been met in North Rhine-Westphalia and the Saarland, as well as in Baden-Württemberg, Bavaria, Hesse, and Rhineland-Palatinate. The 800 MHz frequency spectrum allocated can therefore be used freely in these regions from now on.

Group strategy and Group management.

Group strategy.

Fix – Transform – Innovate. We have been successfully implementing our strategy since March 2010. Telecommunications is an industry that sees permanent, dynamic change and is influenced by global trends. All relevant areas are affected: the fixed network, mobile communications, and the Internet.

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

We are systematically refining our strategic approach based on the Fix – Transform – Innovate strategy presented in March 2010. We are focusing specifically on the challenges and opportunities in the market, which will safeguard our successful position in the long term. Our vision is still to become an international market leader for connected life and work. This is why we will systematically restructure our business model in the coming years - with investments in intelligent networks, with IT services and with Internet and network services. The aim of this strategic approach is to expand our activities across the entire value chain and position ourselves as an open partner for consumers and business customers as well as for the Internet sector.

We have defined five strategic action areas:

- 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.

We are systematically implementing our strategy within these action areas and have achieved initial successes in all areas.

Improve the performance of mobile-centric assets.

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

In the United Kingdom, for instance, our new joint venture Everything Everywhere got off to a good start as the market leader, measured in terms of the combined customer base. In Poland, we have definitive clarification of the ownership of our subsidiary PTC.

The agreed sale of T-Mobile USA to AT&T represents achievement of a central goal of our strategy. This transaction will free up resources, which will allows us to strengthen our focus on the transformation in Europe, and will also impact positively on the development in the mobile-centric markets.

Leverage One Company in integrated assets.

We are continuing to integrate fixed-network and mobile communications – an approach we had taken under the One Company project – as planned. On the back of the successfully completed integration in Germany and several European markets (e.g., Croatia and Slovakia), we can generate additional revenues, further improve our customer service and leverage synergies. We have also reorganized our activities in Europe since 2009, making excellent additions to the management in the national companies in Europe. And all this has borne fruit: EBITDA margins in the integrated markets are still at a high level despite the continuing challenging economic situation in some countries.

New innovative services and rate plans have allowed us to set ourselves apart from our competitors more clearly. Media Center, for example, already gives our customers 24/7 access to their music, photos, and other media content, whether on their PCs, TVs, or smartphones. LIGA total!, Deutsche Telekom's soccer league service in Germany, can likewise be watched on various screens at home or on the move.

Build networks and processes for the gigabit society.

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

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

We have already started out on the path to achieving these goals. We purchased additional mobile frequency spectrum in several countries, including Germany, the Netherlands, Austria, and Albania. We have made further progress with our network upgrade and put a large number of additional UMTS sites into operation in Germany. In many other countries, we are also continuing to upgrade our UMTS network with high-speed HSPA+ technology. On top of this, we have started to roll out the LTE network in several countries. All in all, we have upgraded around 800 base stations in Germany with LTE technology since 2010.

We are also expanding our networks on the fixed-network side. Our billion-euro investments ensure that more and more households will be covered by fast broadband lines. Put into figures: We have marketed more than 12 million broadband lines in Germany, which makes us market leader. On top of this, more than 520,000 customers have opted for a VDSL line from Deutsche Telekom.

Connected life across all screens.

One strategic goal is the provision of innovative, non-device-specific and convergent services. In our view, the greatest opportunities for growth lie in making data services mobile, particularly on the mobile Internet. We are developing and marketing our own key solutions for connected life, such as innovative communication services centered around the personalized, network-based address book that we have successfully launched on the market in six countries (e.g., myPhonebook in Germany). Needless to say, we also place a great deal of emphasis on ensuring that our customers have attractive handsets. Sales of smartphones have remained strong. Sixty-one percent of all handsets sold in Germany in the first nine months of 2011 were smartphones.

Deutsche Telekom is also positioning itself as a pioneer for digital content, by linking and distributing personalized media content. We have made selected acquisitions (e.g., ClickandBuy and STRATO), all of which are valuable additions to Deutsche Telekom's portfolio in the high-growth Internet business. Our prominent position in the European TV market is yet another success factor. In 2011, the number of Entertain customers in Germany increased to 1.4 million, a plus of 16.7 percent since the end of 2010. Our TV customer base in Southern and Eastern European markets has increased to 2.6 million.

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. In pursuit of this task, T-Systems will continue to be restructured and its profitability raised to industry level. T-Systems succeeded in increasing its external revenue from IT services in the first three quarters of 2011.

We have developed intelligent, innovative offerings centering around secure cloud services that our business customers like to use. We are positioning T-Systems as an open partner, also for other sectors, with the aim of leveraging growth opportunities for ICT solutions in sectors that are undergoing major changes. As part of this initiative, we have created four new business areas for developing intelligent network solutions: energy, healthcare, media distribution, and the connected car. These also got off to a good start. In the energy business area we additionally entered into a deal with the meter operator VOLTARIS for the recording, transmission, and processing of energy data as well as the trialing of sales of smart electricity meters and green power rates from E.ON in more than 50 Telekom shops. In the business area of connected cars, we joined forces with Continental to develop an open, flexible, and future-proof infotainment concept for connected vehicles.

Growth areas of Deutsche Telekom.

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

The following information is based on statements made at the Deutsche Telekom Investors' Day in March 2010. Following the closing of the sale of T-Mobile USA to AT&T, the ambition level of our growth areas will be adjusted to eliminate the U.S. market.

The **mobile Internet** is our largest growth area. This includes all revenue that we generate with mobile data services. Our aim is to generate revenue of around EUR 10 billion in this area by 2015. To this end, the national companies have launched a number of initiatives.

Another very important growth area for us is the **connected home**. Here, we bundle all revenues that we generate with our existing double- and triple-play packages, i.e., our fixed-network-based voice, data, and TV services. This area also includes future innovative products for the connected home such as the Home Gateway or the Personal Communication Suite. The aim here is to generate around EUR 7 billion in revenue by 2015.

We are also bundling all our **Internet services** in a single growth area that essentially consists of three pillars: online advertising (e.g., on the web pages of the Scout group, on cell phones, on our TV offerings); the digital content of our Load family (music, video, games, and software); and what are known as "near access services" – these include the roll-out of websites and the sale of security software. Our goal is to increase the revenue from our Internet offerings to between EUR 2 billion and EUR 3 billion by 2015.

In a further growth area, we measure all of **T-Systems' external revenue**, which includes, in particular, the business with innovative cloud services in accordance with the strategy. Our aim is for T-Systems to generate around EUR 8 billion in total revenue with external customers by 2015.

The **intelligent network solutions** growth area comprises the new business in sectors that are undergoing major changes, such as energy, healthcare, media, and transportation/automotive. Here, we have set ourselves the goal of generating revenue of around EUR 1 billion by 2015. To this end, we set up four new business areas that are developing and marketing innovative solutions.

Growth areas of Deutsche Telekom.

	Ambition level for 2015 Revenue in billions of €
Mobile Internet	≈ 10
Connected home	≈ 7
Internet services	2 - 3
T-Systems (external revenue)	≈ 8
Intelligent network solutions (energy, healthcare, media distribution, connected car)	≈ 1

Our overall objective is to almost double revenue in the growth areas by 2015, from EUR 15 billion in 2009 to around EUR 29 billion in 2015 (subject to adjustment after the closing of the sale of T-Mobile USA to AT&T).

Group management.

Group management focuses on the expectations Deutsche Telekom's **four groups of stakeholders** (shareholders, providers of debt capital, employees, and the "entrepreneurs within the enterprise") have of the Group:

– **Shareholders** expect an appropriate, reliable return on their capital employed.

– **Providers of debt capital** and banks expect an appropriate return and that Deutsche Telekom is able to repay its debts.

– **Employees** expect jobs that are secure in the long term, prospects for the future, and that any necessary staff restructuring will be done in a socially responsible manner.

– **"Entrepreneurs within the enterprise"** expect sufficient investment funding to be able to shape Deutsche Telekom's future business and to develop products, innovations, and services for the customer.

The purpose of Group management is to strike a balance between the contrasting expectations and interests of these stakeholders so that sufficient funding is available for investment, socially responsible staff restructuring, debt repayment, and an attractive dividend.

Finance strategy.

Our 3-year finance strategy for the years 2010 through 2012.

Shareholders

Shareholder remuneration strategy 2010 through 2012*
- Annual remuneration totaling **€ 3.4 billion**
- Minimum dividend of **€ 0.70 per share**
- Share buy-backs totaling up to **€ 1.2 billion** over 3 years

Providers of debt capital

Rating	A-/BBB+
Relative debt	2 to 2.5x
Equity ratio	25 to 35 %
Gearing	0.8 to 1.2
Liquidity reserve	covers maturities of the next 24 months

ROCE

Improvement of around 150 basis points through 2012

Sustained employee orientation
- Securing jobs
- Prospects of further qualification and promotion
- Satisfaction at work
- Socially responsible staff restructuring

Employees

Capital expenditure for 2011
around € 9 billion
(before spectrum investment, if any)

"Entrepreneurs within the enterprise"

* Please refer to footnote 2 on page 47.

In addition to our three-year shareholder remuneration strategy from 2010 to 2012, once the sale of T-Mobile USA to AT&T has been completed we are planning to use approximately EUR 5 billion of the proceeds to buy back shares (after the required resolutions and in accordance with the legal requirements) and to use approximately EUR 13 billion to reduce our net debt.

For us **ROCE (return on capital employed)** is the main benchmark for focusing all operational measures on increasing the value of the Group. We believe that ROCE best reflects the expectations of the aforementioned groups of stakeholders. It represents the result a company has achieved in relation to the assets employed in achieving that result. ROCE is calculated using the ratio of profit from operations after depreciation, amortization and impairment losses, and imputed taxes (i.e., net operating profit after taxes, or NOPAT) to the average value of the assets tied up for this purpose in the course of the year (i.e., net operating assets, or NOA). Our goal is to achieve or exceed the return targets imposed on us by providers of debt capital and equity on the basis of capital market requirements and thus to generate value. We measure return targets using the weighted average cost of capital (WACC).

Development of business in the Group.

Discontinued operations (United States operating segment).

On March 20, 2011, Deutsche Telekom AG and AT&T entered into an agreement on the sale of T-Mobile USA to AT&T that has not yet been completed. T-Mobile USA is reported as the United States operating segment in Deutsche Telekom's consolidated financial statements.

The consolidated income statement was consequently adjusted with retroactive effect. This adjustment was necessary, as the United States operating segment must be recognized in the consolidated financial statements as a discontinued operation from the first quarter of 2011 as a result of the agreement. Thus the contributions of the United States operating segment are no longer included in the individual items of the consolidated income statement. Instead, profit/loss after taxes is included in aggregate form in the item "Profit/loss after taxes from discontinued operations." Assets and the directly associated liabilities of the United States operating segment are shown as held for sale in the consolidated statement of financial position. For further information, please refer to the interim consolidated financial statements.

In the following analyses of key financial figures that can be derived from the consolidated income statement, corresponding subtotals and reconciliations are presented in such a way that they can be reconciled with figures presented in the consolidated income statement as well as compared with figures published in prior periods.

Effect of changes in the composition of the Group.

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

In the first three months of the prior year, T-Mobile UK was still fully consolidated and, as such, its income statement was still included in the consolidated income statement. In order to provide comparability with the prior-year period, we have adjusted the consolidated figures in the table below accordingly and eliminated T-Mobile UK from the first quarter of 2010.

	Excluding T-Mobile UK			Including T-Mobile UK		
	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	**Q1 – Q3 2011 millions of €**	Q1 – Q3 2010 millions of €	Change %
Revenue from continuing and discontinued operations	43,742	46,186	(5.3)	43,742	46,944	(6.8)
Revenue from continuing operations	32,788	34,051	(3.7)	32,788	34,809	(5.8)
EBITDA (adjusted for special factors) from continuing and discontinued operations	14,074	14,750	(4.6)	14,074	14,923	(5.7)
EBITDA (adjusted for special factors) from continuing operations	11,286	11,595	(2.7)	11,286	11,768	(4.1)
Net profit (loss)	1,897	2,289	(17.1)	1,897	2,209	(14.1)
Net profit (loss) (adjusted for special factors)	2,943	2,681	9.8	2,943	2,606	12.9
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	4,534	4,803	(5.6)	4,534	4,810	(5.7)
Cash capex	(6,176)	(7,250)	14.8	(6,176)	(7,311)	15.5

Results of operations of the Group.

Net revenue.

In the first nine months of the 2011 financial year, we generated net revenue from continuing operations of EUR 32.8 billion, a decrease of EUR 2.0 billion or 5.8 percent compared with the first nine months of 2010. The change in the composition of the Group described above resulting from the deconsolidation of T-Mobile UK had a negative effect of EUR 0.8 billion on this development. Exchange rate effects did not have any significant impact on net revenue from continuing operations. Excluding these effects, net revenue from continuing operations decreased by EUR 1.3 billion or 3.8 percent.

The Systems Solutions operating segment increased its revenue, whereas all others recorded decreases. Revenue in the operating segments developed as follows:

Revenue in our **Germany** operating segment was down 3.8 percent compared with the first nine months of 2010 at EUR 18.0 billion. This was mainly due to declining revenues from voice telephony in both mobile communications and the fixed network. Adjusted for the price effects of regulatory decisions, the discontinuation of trade with mobile prepaid cards of other carriers, which was stopped as part of the measures for value-driven growth, we reduced the year-on-year decline in our revenue to 2.3 percent. The decline in revenue was partially offset by growing demand for complete packages with mobile data and TV rate plans, and the positive trend in smartphone revenue.

In the first nine months of 2011, the **Europe** operating segment generated revenue of EUR 11.4 billion, a decrease of 12.2 percent compared with the prior-year period. Half of this decline was attributable to the deconsolidation of T-Mobile UK effective April 1, 2010. In addition, the special tax introduced in Hungary had an adverse effect on segment revenue. Excluding the aforementioned effects and adjusted for the slightly positive exchange rate effects, revenue decreased by only 6.3 percent. This decline was primarily caused by the price erosion in almost all European countries. Price reductions were firstly the result of lower mobile termination rates imposed by regulation, and secondly highly intense competition had a negative impact on revenue. The difficult macroeconomic situation in the countries of Southern and Eastern Europe in particular had a considerable impact on total revenue. The negative effects were in part offset by encouraging revenue growth in the fixed-network business, primarily in broadband/TV, and wholesale. In addition, strong mobile data revenue growth had a positive impact.

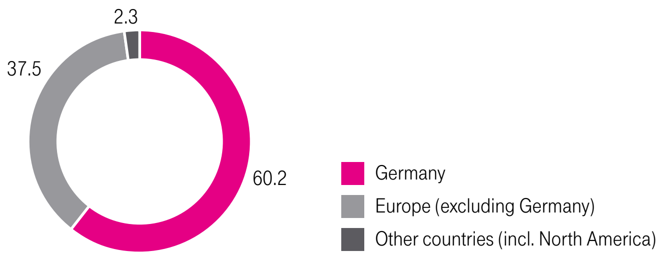
At EUR 11.0 billion, revenue in our **United States** operating segment was down 9.7 percent compared with the first three quarters of 2010. Exchange rate effects from the translation from U.S. dollars in particular had a negative effect on the revenue trend on euro basis. On a U.S. dollar basis, revenue declined by 3.3 percent, due primarily to a decrease in equipment revenues and due to fewer T-Mobile USA branded customers, which resulted in service revenue declines. The decrease in service revenues from voice services was partially offset by continued strong growth in data revenue with customers using smartphones with mobile broadband data plans. Additionally, T-Mobile USA's first nine months of 2011 total revenues were impacted by lower equipment revenues from decreased volumes and only partially offset by T-Mobile USA benefiting from the launch of its handset protection insurance program in the fourth quarter of 2010.

Revenue in our **Systems Solutions** operating segment stood at EUR 6.8 billion in the first three quarters of 2011, an increase of EUR 0.2 billion or 3.3 percent compared with the prior-year period. This increase is partly attributable to deals secured with E.ON and Deutsche Post DHL in the prior year as well as contracts signed with companies such as Everything Everywhere, Magna and TOTAL in 2011. The new deals offset the general negative price trend in IT and communications.

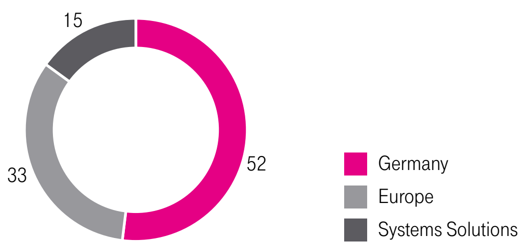
Contribution of the operating segments to net revenue.

	Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Germany	5,991	5,989	6,004	6,317	(5.0)	17,984	18,703	(3.8)	25,145
Europe	3,672	3,807	3,873	4,123	(6.1)	11,352	12,927	(12.2)	16,840
United States	3,770	3,510	3,683	4,143	(11.1)	10,963	12,145	(9.7)	16,087
Systems Solutions	2,260	2,276	2,256	2,205	2.3	6,792	6,578	3.3	9,057
Group Headquarters & Shared Services	537	539	547	567	(3.5)	1,623	1,715	(5.4)	2,166
Intersegment revenue	(1,633)	(1,646)	(1,693)	(1,754)	3.5	(4,972)	(5,124)	3.0	(6,874)
Net revenue from continuing and discontinued operations	**14,597**	**14,475**	**14,670**	**15,601**	**(6.0)**	**43,742**	**46,944**	**(6.8)**	**62,421**
Discontinued operations (United States)	(3,770)	(3,510)	(3,683)	(4,143)	11.1	(10,963)	(12,145)	9.7	(16,087)
Reconciliation	3	3	3	3	–	9	10	(10.0)	12
Net revenue from continuing operations	**10,830**	**10,968**	**10,990**	**11,461**	**(4.1)**	**32,788**	**34,809**	**(5.8)**	**46,346**

Breakdown of revenue from continuing operations by regions (%).



Contribution of the operating segments to net revenue from continuing operations (%).



At 52 percent, the **Germany** operating segment provided the largest contribution to the Group's net revenue from continuing operations in the first three quarters of 2011. This was up 2 percentage points from 50 percent in the first nine months of 2010. The contribution of the **Systems Solutions** operating segment to net revenue from continuing operations also increased by 1 percentage point, while the **Europe** operating segment's contribution declined by 3 percentage points compared with the first nine months of 2010, for the reasons described previously. The proportion of net revenue from continuing operations generated outside Germany decreased year-on-year in the first three quarters of 2011 from 41.7 percent to 39.8 percent.

EBITDA.

In the first nine months of 2011, we generated EBITDA from continuing operations of EUR 10.2 billion, down 5.8 percent compared with the first three quarters of 2010. Besides a decline in operations, the negative effect was attributable to the change in the composition of the Group due to the deconsolidation of T-Mobile UK and the consequent loss of the company's contribution to EBITDA of EUR 0.2 billion.

Special factors of EUR 1.1 billion also negatively affected EBITDA from continuing operations in the first three quarters of 2011. They comprised in particular expenses for staff-related measures. In the first three quarters of 2010, EBITDA from continuing operations was negatively impacted by special factors totaling EUR 1.0 billion. This mainly related to expenses for the deconsolidation of T-Mobile UK (EUR 0.4 billion), staff-related measures (EUR 0.2 billion), and from the write-off of receivables from the German Main Customs Office for the years 2005 to 2009 in the amount of EUR 0.1 billion.

Adjusted EBITDA.

EBITDA from continuing operations adjusted for special factors amounted to EUR 11.3 billion in the first nine months of 2011, compared with EUR 11.8 billion in the prior-year period. This was primarily due to the change in the composition of the Group due to the deconsolidation of T-Mobile UK, amounting to EUR 0.2 billion. Excluding this effect, adjusted EBITDA from continuing operations decreased by EUR 0.3 billion or 2.8 percent year-on-year.

Contribution of the operating segments to adjusted Group EBITDA.

	Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Germany	2,384	2,439	2,490	2,523	(1.3)	7,313	7,260	0.7	9,618
Europe	1,226	1,316	1,388	1,465	(5.3)	3,930	4,483	(12.3)	5,748
United States	871	892	1,025	1,028	(0.3)	2,788	3,156	(11.7)	4,156
Systems Solutions	189	197	204	222	(8.1)	590	649	(9.1)	948
Group Headquarters & Shared Services	(163)	(140)	(150)	(192)	21.9	(453)	(546)	17.0	(870)
Reconciliation	(27)	(17)	(50)	(25)	n. a.	(94)	(79)	(19.0)	(127)
EBITDA (adjusted for special factors) in the Group (continuing and discontinued operations)	**4,480**	**4,687**	**4,907**	**5,021**	**(2.3)**	**14,074**	**14,923**	**(5.7)**	**19,473**
Discontinued operations (United States)	(871)	(892)	(1,025)	(1,028)	0.3	(2,788)	(3,156)	11.7	(4,156)
Reconciliation	0	(2)	2	(1)	n. a.	0	1	n. a.	2
EBITDA (adjusted for special factors) in the Group (continuing operations)	**3,609**	**3,793**	**3,884**	**3,992**	**(2.7)**	**11,286**	**11,768**	**(4.1)**	**15,319**

The **Germany** operating segment generated a 0.7-percent increase in adjusted EBITDA despite a 3.8-percent decline in revenue. A key contribution came from our effective cost management measures as part of Save for Service. Various technology and sales initiatives and the improvement of support processes further reduced operational costs. In addition, the reduction in termination rates and the discontinuation of certain operations as part of our strategy of value-driven growth also contributed to lowering the cost base.

Our **Europe** operating segment generated adjusted EBITDA of EUR 3.9 billion in the first nine months of 2011, a year-on-year reduction of 12.3 percent. As with the development of revenue, adjusted EBITDA was significantly impacted by the change in the composition of the Group due to the deconsolidation of T-Mobile UK. In addition, the special tax imposed in Hungary and the real estate tax introduced by the Greek government in September 2011 had an adverse effect on the segment's adjusted EBITDA. The slightly positive exchange rate effects against the euro were driven by the Czech koruna and the Hungarian forint. Excluding the aforementioned effects, adjusted EBITDA declined by

7.7 percent. By systematically reducing our overhead costs, for example by means of efficient measures in Hungary and Greece in particular, we partially offset the negative effects in the Europe operating segment resulting from the year-on-year revenue decline.

In the **United States** operating segment, adjusted EBITDA decreased by 11.7 percent year-on-year in the first three quarters of 2011 to EUR 2.8 billion as a result of the aforementioned decline in revenue. Operating expenses decreased year-on-year primarily as a result of exchange rate effects. On a U.S. dollar basis, operating expenses also decreased year-on-year, in particular due to lower volume-driven handset and commission costs. Cost savings in the first nine months of 2011 were offset by increased costs, in particular associated with the build-out of the 4G HSPA+ network and higher marketing expenses.

In the first nine months of this year, the **Systems Solutions** operating segment generated adjusted EBITDA of EUR 0.6 billion. Despite an increase in revenue compared with the first three quarters of 2010 (up 3.3 percent), adjusted EBITDA decreased by 9.1 percent. This decline is primarily due to increased contract-related expenses, such as for the successful migration of the customer infrastructure to T-Systems' operational business, start-up expenses for new contracts, and the development of new business areas, such as intelligent networks, energy, healthcare and connected vehicles. Savings generated by the comprehensive restructuring and efficiency enhancement program Save for Service did not offset the rise in costs.

EBIT.

EBIT in the Group from continuing operations decreased by EUR 0.6 billion year-on-year to EUR 3.5 billion in the first nine months of 2011, primarily due to the aforementioned effects. At EUR 6.7 billion, depreciation, amortization and impairment losses were at the same level as in the first three quarters of 2010.

Profit/loss before income taxes.

Profit before income taxes from continuing operations decreased by EUR 0.4 billion to EUR 1.5 billion in the reporting period. The decrease of EUR 0.2 billion in loss from financial activities was not sufficient to offset the aforementioned effects. The improvement in the loss from financial activities compared with the first nine months of 2010 was mainly the result of a decrease in finance costs.

Profit/loss from continuing operations.

Profit after taxes from continuing operations decreased by EUR 0.4 billion to EUR 1.0 billion in the reporting period, primarily due to the aforementioned effects. Compared with the first three quarters of 2010, the decrease in income tax expense from continuing operations was relatively small in spite of a EUR 0.4 billion decline in profit before income taxes. This is mainly attributable to the lower tax rate in the prior-year period resulting from the first-time capitalization of deferred taxes of EUR 0.3 billion on temporary differences and tax loss carryforwards in Europe. The loss resulting from the deconsolidation of T-Mobile UK, which had no tax effect, and a special tax imposed in Greece had an offsetting effect at the time but these effects were not as significant as that of the first-time capitalization of deferred taxes.

Profit/loss from discontinued operations.

Profit after taxes from discontinued operations increased by EUR 0.2 billion compared with the first nine months of 2010. For an explanation of the development of operations, please refer to the section on the United States operating segment under "Development of business in the operating segments." In addition to the development presented in that section, an expense of EUR 0.1 billion from deferred taxes arose as a result of temporary differences in connection with the carrying amount of the investment, which was allocated to discontinued operations.

According to measurement rules laid down in IFRS 5, the non-current assets assigned to the segment were no longer depreciated or amortized from the time it was classified as a discontinued operation. This resulted in a post-tax effect of EUR 0.7 billion in 2011.

Net profit.

We generated net profit of EUR 1.9 billion in the first nine months of 2011 compared with EUR 2.2 billion in the first three quarters of 2010, due to the aforementioned effects. Profit attributable to non-controlling interests increased by EUR 0.1 billion year-on-year to EUR 0.3 billion.

Financial position of the Group.

Consolidated statement of financial position.

As a result of the agreement concluded on March 20, 2011 on the sale of T-Mobile USA to AT&T, the assets and directly associated liabilities of the United States operating segment are recognized in the consolidated statement of financial position as **non-current assets and disposal groups held for sale (reclassification of U.S. operations)**.

In the following presentation of the consolidated statement of financial position, the reclassification of U.S. operations is described separately in order to separate the changes and developments in the items of the statement of financial position from this effect.

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change from the reclassification of U.S. operations millions of €	Other changes millions of €	Sept. 30, 2010 millions of €
Assets					
Current assets	**50,086**	**15,243**	**35,699**	**(856)**	**13,918**
Cash and cash equivalents	2,130	2,808	(312)	(366)	2,074
Trade and other receivables	4,649	6,889	(1,966)	(274)	7,080
Non-current assets and disposal groups held for sale	38,846	51	38,796	(1)	75
Other current assets	4,461	5,495	(819)	(215)	4,689
Non-current assets	**74,527**	**112,569**	**(35,699)**	**(2,343)**	**113,849**
Intangible assets	28,337	53,807	(24,230)	(1,240)	53,702
Property, plant and equipment	33,780	44,298	(9,327)	(1,191)	44,312
Investments accounted for using the equity method	6,665	7,242	(25)	(552)	7,601
Other non-current assets	5,745	7,222	(2,117)	640	8,234
Total assets	**124,613**	**127,812**	**–**	**(3,199)**	**127,767**
Liabilities and shareholders' equity					
Current liabilities	**34,585**	**26,452**	**9,224**	**(1,091)**	**25,288**
Financial liabilities	11,959	11,689	(110)	380	11,014
Trade and other payables	4,226	6,750	(1,283)	(1,241)	5,962
Current provisions	2,548	3,193	(421)	(224)	3,098
Liabilities directly associated with non-current assets and disposal groups held for sale	11,644	–	11,644	–	–
Other current liabilities	4,208	4,820	(606)	(6)	5,214
Non-current liabilities	**49,338**	**58,332**	**(9,224)**	**230**	**59,080**
Financial liabilities	37,816	38,857	(12)	(1,029)	39,159
Non-current provisions	8,150	8,001	(100)	249	8,643
Other non-current liabilities	3,372	11,474	(9,112)	1,010	11,278
Shareholders' equity	**40,690**	**43,028**	**–**	**(2,338)**	**43,399**
Total shareholders' equity and liabilities	**124,613**	**127,812**	**–**	**(3,199)**	**127,767**

The changes regarding T-Mobile USA (reclassification of the U.S. operations) described above resulted in a substantial shift in the Group's assets from non-current assets (reduced by 33.8 percent) to current assets (more than doubled). At the same time, non-current liabilities decreased by 15.4 percent, whereas current liabilities increased by 30.7 percent. In total, assets decreased by EUR 3.2 billion and liabilities by EUR 0.9 billion.

The reclassification of U.S. operations is generally not dealt with in any detail in the following analysis. For further information, please refer to the interim consolidated financial statements.

Cash and cash equivalents decreased by EUR 0.7 billion compared with December 31, 2010, largely as a result of the reclassification of T-Mobile USA to non-current assets and disposal groups held for sale. For detailed information on this change, please refer to the consolidated statement of cash flows and selected notes to the consolidated statement of cash flows in the interim consolidated financial statements.

Trade and other receivables decreased by EUR 0.3 billion. The Europe operating segment and Group Headquarters & Shared Services accounted for much of this decline with EUR 0.2 billion respectively. Trade and other receivables in the Systems Solutions operating segment rose by EUR 0.3 billion.

Other **current assets** decreased by EUR 0.2 billion. Both recoverable income taxes and inventories declined by EUR 0.1 billion respectively. Miscellaneous other current assets included an increase of EUR 0.3 billion in the Group's advance VAT payments reported in the course of the year, which was offset by write-offs of prepaid expenses and deferred charges amounting to EUR 0.3 billion in connection with pension payments made for civil servants.

The decline in **intangible assets** was mainly attributable to the reclassification of assets of the United States operating segment (T-Mobile USA), exchange rate effects of EUR 1.7 billion, and amortization and impairment losses of EUR 2.2 billion. Investments were made in the amount of EUR 1.2 billion.

The decline in **property, plant and equipment** was mainly attributable to the reclassification of assets of the United States operating segment (T-Mobile USA), exchange rate effects of EUR 0.7 billion, and depreciation and impairment losses of EUR 4.9 billion. Investments were made in the amount of EUR 3.6 billion.

Investments accounted for using the equity method declined by EUR 0.6 billion, mainly due to dividend payments of EUR 0.5 billion.

Other **non-current assets** increased by EUR 0.6 billion, primarily as a result of changes in the fair value of cross-currency swaps totaling EUR 0.3 billion and the revaluation of an investment in Telekom Srbija by EUR 0.2 billion.

Current and non-current **financial liabilities** decreased by EUR 0.6 billion compared with the end of 2010. For more information, please refer to the table on the following page and the accompanying explanations.

Current provisions decreased by EUR 0.2 billion compared with the end of 2010 due to fluctuations in variable salary components.

The increase of EUR 0.3 billion in **non-current provisions** is largely attributable to the civil servant early retirement program.

The decline in **other non-current liabilities** was mainly due to the reclassification of deferred tax liabilities in the United States operating segment.

Shareholders' **equity** decreased by EUR 2.3 billion to EUR 40.7 billion. It was impacted by the dividend payments of EUR 3.5 billion (including non-controlling interests), the negative effect of currency translation of foreign operations in the amount of EUR 0.7 billion as well as the fair value measurements of hedging instruments in the amount of EUR 0.6 billion. The profit of EUR 2.2 billion has an offsetting effect.

Reconciliation of gross debt.

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Sept. 30, 2010 millions of €
Financial liabilities (current)	11,959	11,689	270	2.3	11,014
Financial liabilities (non-current)	37,816	38,857	(1,041)	(2.7)	39,159
Financial liabilities	**49,775**	**50,546**	**(771)**	**(1.5)**	**50,173**
Accrued interest	(780)	(1,195)	415	34.7	(954)
Liabilities from corporate transactions	–	(1,566)	1,566	n. a.	(1,161)
Other	(453)	(467)	14	3.0	(612)
Gross debt	**48,542**	**47,318**	**1,224**	**2.6**	**47,446**

Net debt.

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Sept. 30, 2010 millions of €
Bonds	37,803	38,190	(387)	(1.0)	38,138
Liabilities to banks	5,507	4,190	1,317	31.4	3,952
Liabilities to non-banks from promissory notes	1,178	1,164	14	1.2	1,151
Derivative financial liabilities	1,133	561	572	n. a.	789
Lease liabilities	1,880	1,934	(54)	(2.8)	1,904
Other financial liabilities	1,041	1,279	(238)	(18.6)	1,512
Gross debt	**48,542**	**47,318**	**1,224**	**2.6**	**47,446**
Cash and cash equivalents	2,130	2,808	(678)	(24.1)	2,074
Available-for-sale/held-for-trading financial assets	94	75	19	25.3	52
Derivative financial assets	1,296	835	461	55.2	1,100
Other financial assets	1,654	1,331	323	24.3	473
Net debt	**43,368**	**42,269**	**1,099**	**2.6**	**43,747**

Net debt increased by EUR 1.1 billion or 2.6 percent compared with the end of 2010, due to dividend payments of EUR 3.5 billion, payments for the acquisition of the remaining shares in the Polish company PTC (EUR 1.4 billion) and for the acquisition of additional shares in OTE (EUR 0.4 billion) as well as exchange rate effects of EUR 0.2 billion. Free cash flow of EUR 4.5 billion had a reducing effect on net debt.

Free cash flow (before dividend payments, spectrum investment and PTC transaction).

	Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Cash generated from operations (before PTC transaction)	**3,901**	**4,310**	**4,476**	**4,517**	**(0.9)**	**12,687**	**12,667**	**0.2**	**17,069**
Interest received (paid)	(832)	(716)	(732)	(674)	(8.6)	(2,280)	(2,111)	(8.0)	(2,338)
Net cash from operating activities (before PTC transaction)	**3,069**	**3,594**	**3,744**	**3,843**	**(2.6)**	**10,407**	**10,556**	**(1.4)**	**14,731**
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment **(cash capex)**	(2,120)	(1,879)	(2,114)	(2,036)	(3.8)	(6,113)	(6,011)	(1.7)	(8,532)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	112	52	76	75	1.3	240	265	(9.4)	344
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	**1,061**	**1,767**	**1,706**	**1,882**	**(9.4)**	**4,534**	**4,810**	**(5.7)**	**6,543**
Of which: from discontinued operations (United States)	427	477	472	481	(1.9)	1,376	1,672	(17.7)	2,037

Free cash flow.

Free cash flow of the Group (before dividend payments, spectrum investment and PTC transaction) decreased by EUR 0.3 billion in the reporting period compared with the first nine months of 2010. Whereas net cash from operating activities decreased slightly, cash capex increased marginally.

The year-on-year decrease in net cash from operating activities in the first three quarters of 2011 (before PTC transaction) was not significant. In addition to a decline from operations, the decrease was attributable to cash inflows of EUR 0.3 billion from canceling interest rate swaps in the first nine months of 2010 for which there was no corresponding item in the current year, a year-on-year reduction in the levels of receivables sold (factoring) accounting for EUR 0.2 billion, as well as lower interest received and higher interest paid totaling EUR 0.2 billion. These effects were largely offset by dividends received from the Everything Everywhere joint venture in the first three quarters of 2011 amounting to EUR 0.5 billion and lower income tax payments of EUR 0.1 billion. The remaining changes in net cash from operating activities consisted of various partially offsetting effects.

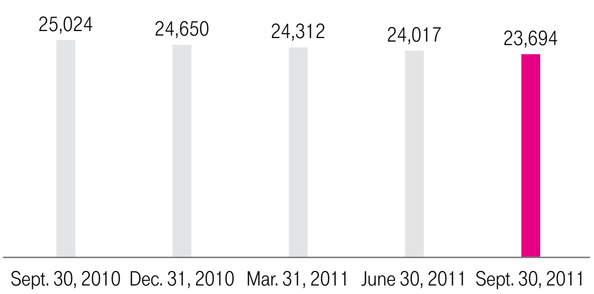
The marginal increase in cash capex (before spectrum investment and PTC transaction) in the first nine months of 2011 compared with the first nine months of the prior year was attributable to offsetting effects. While cash capex in the Germany operating segment increased, it decreased in the Europe and Systems Solutions operating segments.

Development of business in the operating segments.

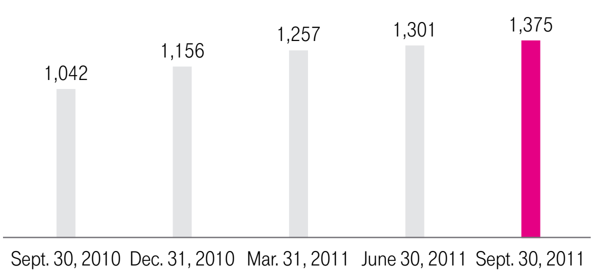
Germany.

Customer development.

Fixed-network lines ('000)

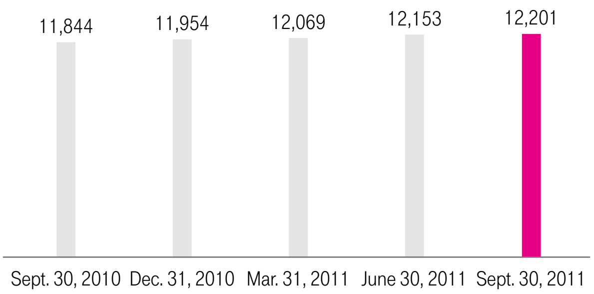


IPTV customers* ('000)

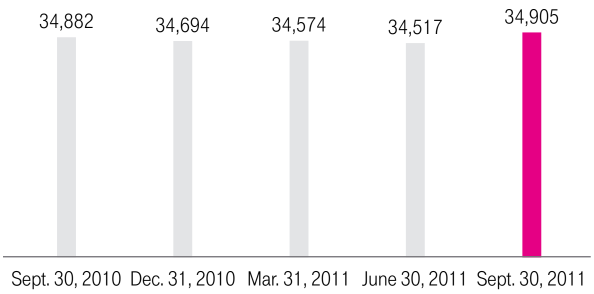


* Customers connected

Retail broadband lines ('000)



Mobile customers* ('000)



* Deregistration of inactive prepay customers' cards: 8.3 million in FY 2010, of which 1.5 million in Q1 2010, 2.5 million in Q2 2010, 3.1 million in Q3 2010, and 1.2 million in Q4 2010; 1.0 million in Q1 2011, 1.1 million in Q2 2011, 1.0 million in Q3 2011. Since April 1, 2010, Telekom Deutschland GmbH has automatically terminated prepaid cards that have not been topped up for two years and have been inactive for three months.

New revenue reporting by customer groups.

As part of the One Company initiative, we have aligned our business structure even more closely with the needs of customers. Since the beginning of 2011, we have therefore reported our revenue by specific customer groups such as Consumers, Business Customers, Wholesale (upstream services provided to our competitors), Digital Services and Value-Added Services. The prior-year figures have been adjusted for better comparability.

Consumers. The Consumers area covers voice and data services, including sales of mobile devices. It also encompasses traditional fixed-network services such as voice telephony, Internet and TV products, plus add-on options. In addition, it generates revenue from the sale and rental of fixed-network devices. Also included in the Consumers area is the Congstar sales channel, our second brand for broadband applications and mobile communications. STRATO, with its hosting business, completes the portfolio.

Business Customers. The Business Customers area provides companies ranging from VSEs (very small enterprises) through to small corporations with fixed-network and mobile communications services. The Sales unit addresses customers according to their respective needs, and divides them into groups. Apart from sales and support for standardized telecommunications products in fixed and mobile, the focus is also on a wide range of IT products and services.

Wholesale. The Wholesale area supplies upstream services to providers of telecommunications services, such as national network operators and Internet service providers. This area also provides and purchases interconnection services. The upstream services include unbundled local loop lines, bundled and unbundled wholesale lines and standard telecommunication services like lines and transmission paths. Within the Group, it also handles upstream services for and other requirements of Systems Solutions and other domestic Group units.

Digital Services. The Digital Services area covers revenues from the Internet business areas Media (e.g., Musicload, Gamesload), Online Advertising (portal business, e.g., t-online.de), eCommerce & Search (e.g., Scout24 and DeTeMedien) and Payment (ClickandBuy).

Value-Added Services. The Value-Added Services area is mainly involved in providing premium rate numbers, audio conferences, upstream services for call centers, and digital billboards.

	Sept. 30, 2011 millions	June 30, 2011 millions	Change Sept. 30, 2011/ June 30, 2011 %	Dec. 31, 2010 millions	Change Sept. 30, 2011/ Dec. 31, 2010 %	Sept. 30, 2010 millions	Change Sept. 30, 2011/ Sept. 30, 2010 %
Total							
Fixed-network lines	23.7	24.0	(1.3)	24.7	(4.0)	25.0	(5.2)
Retail broadband lines	12.2	12.2	–	12.0	1.7	11.8	3.4
TV	1.4	1.3	7.7	1.2	16.7	1.0	40.0
Mobile customers[a]	34.9	34.5	1.2	34.7	0.6	34.9	–
Contract customers	17.8	17.4	2.3	17.2	3.5	17.2	3.5
Prepay customers	17.1	17.1	–	17.5	(2.3)	17.7	(3.4)
Unbundled local loop lines (ULLs)	9.6	9.6	–	9.5	1.1	9.4	2.1
Wholesale unbundled lines	1.2	1.2	–	1.0	20.0	0.9	33.3
Wholesale bundled lines	0.8	0.8	–	1.0	(20.0)	1.1	(27.3)
Of which: consumers[b]							
Fixed-network lines	19.0	19.3	(1.6)	19.9	(4.5)	20.2	(5.9)
Retail broadband lines	9.9	9.9	–	9.7	2.1	9.6	3.1
TV	1.3	1.2	8.3	1.1	18.2	1.0	30.0
Mobile customers	29.1	28.8	1.0	29.2	(0.3)	29.5	(1.4)
Contract customers	12.6	12.2	3.3	12.1	4.1	12.2	3.3
Prepay customers	16.5	16.6	(0.6)	17.0	(2.9)	17.2	(4.1)
Of which: business customers[b]							
Fixed-network lines	3.5	3.6	(2.8)	3.6	(2.8)	3.6	(2.8)
Retail broadband lines	2.0	2.0	–	1.9	5.3	1.9	5.3
TV	0.1	0.1	–	0.1	–	0.1	–
Mobile customers	5.8	5.7	1.8	5.5	5.5	5.4	7.4
Contract customers	5.2	5.2	–	5.1	2.0	5.0	4.0
Prepay customers	0.6	0.5	20.0	0.5	20.0	0.5	20.0

[a] Since April 1, 2010, Telekom Deutschland GmbH has automatically terminated prepaid cards that have not been topped up for two years and have been inactive for three months.
[b] As part of the One Company initiative, we have aligned our business structure even more closely with the needs of customers. This is why in the first quarter of 2011 we started classifying our mobile communications and fixed-network customer base according to consumer and business use. Prior-year comparatives have been adjusted.

Total.

In the Germany operating segment, we bundle all kinds of mobile communications, broadband, TV and fixed-network telephony services. Over the past few years, we have constantly faced new challenges. Regulatory decisions, increasingly saturated markets, and well-positioned competitors have intensified competition. However, our German business has held its own in the market and continues to focus on high-value business. Since the start of April of this year, even areas without DSL coverage have been able to get fast Internet with our wireless Call & Surf Comfort via Funk service. As of September 30, 2011, 26,000 customers were already using this product.

Connected worlds: telephone, Internet and television.

As of September 30, 2011, some 23.7 million customers had a fixed-network line provided by Deutsche Telekom. Since 2008, customer losses in the field of traditional fixed-network telephony have been decreasing steadily. Accordingly, we lost 4.0 percent of lines in the first three quarters of 2011 compared with the end of 2010, with stable line losses of 0.3 million in each quarter. Most of the lines lost relate to customers who have switched to cable network operators, other network infrastructure or Internet service providers, and mobile operators.

Our share of the German broadband market remained at around 46 percent at the end of the first three quarters of 2011. The number of broadband lines increased by 1.7 percent to 12.2 million in the first nine months of 2011. This includes 0.5 million customers who use VDSL, i.e., these customers can surf the Internet at a bandwidth of 25 to 50 Mbit/s. As of September 30, 2011, a total of 1.4 million existing customers has chosen our television service Entertain. This includes some 14,000 lines for the TV via Satellite product, which has been available since September 1, 2011.

At the heart of life everywhere: mobile telephony and data applications.

In relation to the overall market, we continued to be mobile market leader in terms of service revenues in Germany in the first three quarters of 2011. Our strategy of focusing this business on high-value contract customers has been a success. The number of mobile customers increased by 0.2 million in the reporting period compared with the end of 2010, taking it to 34.9 million. In addition, the number of contract customers increased by 0.6 million during the first three quarters of 2011, to 17.8 million. This increase is mainly attributable to the sale of SIM card quotas to resellers and the positive trend with business customers. Due to the move to deregister the cards of inactive prepay customers, the number of such cards in both 2010 and the first three quarters of 2011 decreased in the consumers segment.

Consumers.

The Consumers business in our Germany operating segment focuses on high-value consumers. These customers purchase fixed-network services like Internet and TV products (e.g., Entertain), and mobile services with integrated data flat rates. Since the end of last year, we have offered our customers a fixed-network calling plan (Call & Surf Comfort) with more bandwidth throughout the country at a uniform price.

In mobile communications, we have upgraded the service content of the contracts, and at the end of 2010 we started to offer an entry-level double-play package with a data flat rate for the mobile Internet (Call & Surf Mobil). In the new mobile communications portfolio, packages with integrated data flat rates for the mobile Internet (Call & Surf Mobil and Complete Mobil) have sold especially well. The launch of the new special calling plans such as Special Call & Surf Mobil were well received by contract customers. The sale of quotas of SIM cards to resellers also developed positively over the past two quarters.

The number of deactivations of prepaid cards decreased by more than half year-on-year in the first three quarters of 2011.

Business Customers.

Sales campaigns helped further stabilize the year-on-year losses of lines. These campaigns were mainly designed to motivate our customers to move to higher-value lines (EthernetConnect) and IP networks (IntraSelect).

In terms of accesses, more and more customers are switching from pure voice telephone lines to double-play products with flat rates for telephony and the Internet. This move to higher-value packages made it possible to largely offset revenue losses.

The trend in Internet use is toward higher bandwidths and all-round service. Our products like Company Connect and DSL Business Complete helped to increase this growth. With these new products, we are selling more performance and higher-value services, helping to retain and win back customers.

In February 2011, we also introduced a new set of mobile calling plans for our business customers. The focus on packages with integrated data flat rates for the mobile Internet contributed to a growth in subscribers compared with the prior-year period.

Wholesale.

The number of unbundled local loop lines (ULLs) increased by 1.1 percent from the end of 2010 to 9.6 million in the first three quarters of 2011. Network infrastructure providers require this upstream product to access their customers. The number of our bundled wholesale lines declined by 0.2 million in the first three quarters of 2011 to 0.8 million. We expect this trend to continue for the next few years, mainly as a result of the fact that our competitors are switching from bundled to unbundled wholesale products in order to optimize their own service for their end customers. Hence we recorded a growth of 0.2 million in unbundled products, to 1.2 million.

Development of operations.

		Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Total revenue[a]		5,991	5,989	6,004	6,317	(5.0)	17,984	18,703	(3.8)	25,145
Consumers		3,118	3,147	3,159	3,330	(5.1)	9,424	9,826	(4.1)	13,109
Business Customers		1,414	1,390	1,401	1,414	(0.9)	4,205	4,197	0.2	5,661
Wholesale		1,066	1,062	1,048	1,142	(8.2)	3,176	3,387	(6.2)	4,553
Digital Services		177	179	177	202	(12.4)	533	607	(12.2)	866
Value-Added Services		107	101	103	116	(11.2)	311	365	(14.8)	498
Other		109	110	116	113	2.7	335	321	4.4	458
Profit from operations **(EBIT)**		1,248	850	1,357	1,370	(0.9)	3,455	3,868	(10.7)	4,916
EBIT margin	%	20.8	14.2	22.6	21.7		19.2	20.7		19.6
Depreciation, amortization and impairment losses		(1,067)	(1,101)	(1,115)	(1,035)	(7.7)	(3,283)	(3,079)	(6.6)	(4,193)
EBITDA		2,315	1,951	2,472	2,405	2.8	6,738	6,947	(3.0)	9,109
Special factors affecting EBITDA		(69)	(488)	(18)	(118)	84.7	(575)	(313)	(83.7)	(509)
EBITDA (adjusted for special factors)		2,384	2,439	2,490	2,523	(1.3)	7,313	7,260	0.7	9,618
EBITDA margin (adjusted for special factors)	%	39.7	40.7	41.5	39.9		40.6	38.8		38.3
Cash capex[b]		(815)	(811)	(979)	(862)	(13.6)	(2,605)	(3,587)	27.4	(4,765)
Average number of employees		76,598	76,065	75,994	79,318	(4.2)	76,219	79,925	(4.6)	79,364

[a] As part of the One Company initiative, we have aligned our business structure even more closely with the needs of customers. From the first quarter of 2011, we have reported revenue for the consolidated customer segments within the Germany operating segment. The prior-year figures have been adjusted for better comparability.
[b] The prior-year figures have been adjusted to reflect the change in the reporting of the acquisition of LTE licenses (spectrum).

Total revenue.

Total revenue in the first three quarters of 2011 amounted to EUR 18.0 billion. The 3.8-percent decline year-on-year was mainly attributable to the downward trend in voice telephony, both in mobile business (due to the cut in termination rates) and fixed-network business. Adjusted for the price effect of regulatory decisions – mainly the reduction in termination rates from December 2010 and the decrease in interconnection rates in July 2011 – and the discontinuation of trade with mobile prepaid cards of other carriers, which was stopped as part of the measures for value-driven growth, we reduced the year-on-year decline in our revenue to 2.3 percent. Management's intensified focus on high-value business development in the Germany operating segment resulted in a consistent increase of the EBITDA margin despite declining revenue. The decline in revenue was partially offset by growing demand for complete packages with mobile Internet and TV services, and the positive trend in smartphone revenue.

Revenue from **Consumers** was down by 4.1 percent to EUR 9.4 billion. The decline was mainly attributable to continuing losses of fixed-network lines and a price effect from the reduction in mobile termination rates. New, favorable mobile rate plans including minute buckets for calls into third-party networks also contributed to the lower revenue. This revenue decrease was partially offset by 35.7-percent growth in TV revenue and 37.1-percent growth in mobile data revenue compared with the prior-year period.

In the **Business Customers** area, total revenue increased in the first three quarters of 2011 by 0.2 percent to EUR 4.2 billion, despite the reduction in termination rates. Growth in mobile data and broadband revenue slightly more than offset the decline in revenue from voice telephony in the traditional fixed-network business.

The 6.2-percent decline in revenue in the **Wholesale** area to EUR 3.2 billion was largely attributable to regulation-induced price cuts for digital leased lines, unbundled local loop lines and interconnection (as of July 1, 2011) and the reduced usage of interconnection. Volume growth in the sale of unbundled wholesale lines partially offset the revenue decline.

Revenue in the **Digital Services** area decreased by 12.2 percent to EUR 0.5 billion compared with the first three quarters of 2010. However, its core business remained stable in the reporting period, driven primarily by growth in the Scout24 group and increases in online advertising. At the beginning of 2011, this area was broken down into areas to focus on in the longer term and areas that will no longer be pursued as part of the growth strategy, which ultimately accounts for the decline in revenue from Digital Services, in particular as a result of the discontinuation of trade with mobile prepaid cards of other carriers.

The decreased use of premium rate numbers, such as directory inquiry services, and public telephones, resulted in a decline in revenue from **Value-Added Services**.

EBITDA, adjusted EBITDA.

Adjusted EBITDA as a percentage of total revenue – the adjusted EBITDA margin – increased by 1.8 percentage points to 40.6 percent compared with the first three quarters of the prior year. Adjusted for special factors, EBITDA increased year-on-year by EUR 0.1 billion to EUR 7.3 billion despite the revenue decline.

A key contribution came from our effective cost management measures as part of Save for Service. Various technology and sales initiatives and the improvement of support processes further reduced operational costs. In addition, the reduction in termination rates and the discontinuation of certain operations as part of our strategy of value-driven growth also contributed to lowering the cost base.

In the first three quarters of 2011, adverse effects on EBITDA mainly related to early retirement expenses, which were recognized as a special factor.

EBIT.

Profit from operations decreased by EUR 0.4 billion compared with the first three quarters of 2010, to EUR 3.5 billion. This decline was principally the result of increased depreciation, amortization and impairment losses and the early retirement expenses included under special factors. Increased depreciation, amortization and impairment losses mainly related to intangible assets which, among other factors, were impacted by the recognition of LTE licenses in the prior year.

Cash capex.

The decrease in cash capex compared with the first three quarters of the prior year was mainly due to cash outflow for the acquisition of LTE licenses (spectrum) in the second quarter of 2010. In the first three quarters of 2011, we primarily invested in network infrastructure for the next-generation gigabit society, the connection of high-bit-rate base stations, and the transmission network to support the new mobile cells.

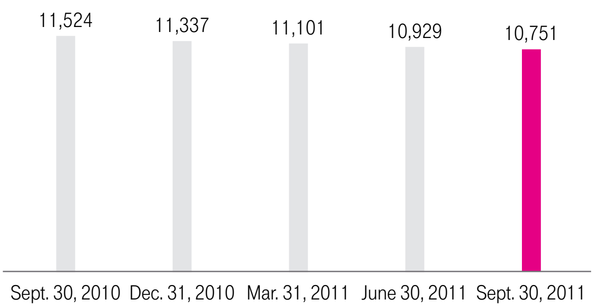
Employees.

In the first three quarters of 2011, we had an average headcount of 76,219 in the Germany operating segment. The decline in headcount compared with the first three quarters of 2010 is mainly attributable to our socially responsible staff restructuring and downsizing measures, and to staffing changes within the Group.

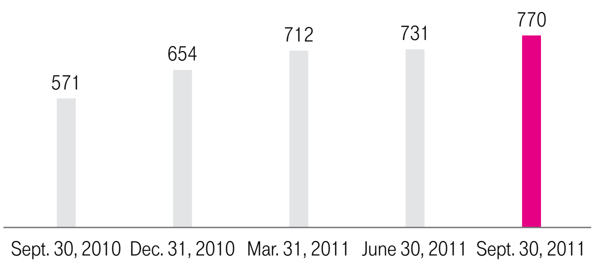
Europe.

Customer development.

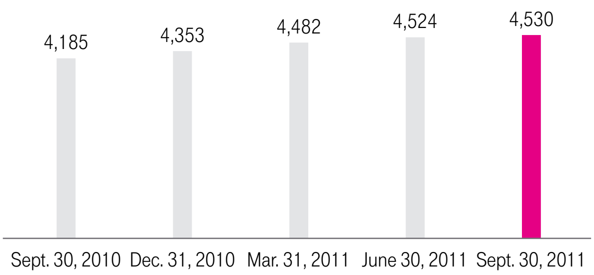
Fixed-network lines ('000)



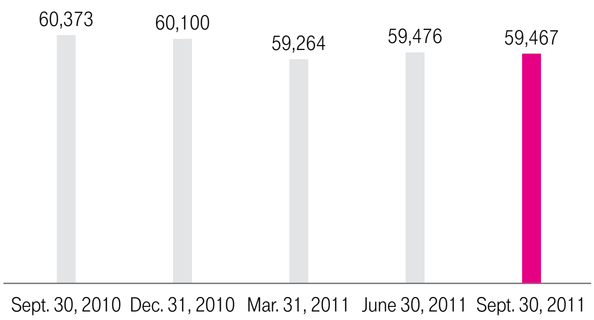
IPTV customers ('000)



Retail broadband lines ('000)



Mobile customers ('000)



		Sept. 30, 2011 millions	June 30, 2011 millions	Change Sept. 30, 2011/ June 30, 2011 %	Dec. 31, 2010 millions	Change Sept. 30, 2011/ Dec. 31, 2010 %	Sept. 30, 2010 millions	Change Sept. 30, 2011/ Sept. 30, 2010 %
Europe, total[a,b]	Fixed-network lines	10.8	10.9	(0.9)	11.3	(4.4)	11.5	(6.1)
	Retail broadband lines	4.5	4.5	–	4.4	2.3	4.2	7.1
	Wholesale bundled lines	0.2	0.2	–	0.2	–	0.2	–
	Unbundled local loop lines (ULLs)	1.7	1.7	–	1.5	13.3	1.4	21.4
	Mobile customers	59.5	59.5	–	60.1	(1.0)	60.4	(1.5)
Greece	Fixed-network lines	3.4	3.5	(2.9)	3.7	(8.1)	3.9	(12.8)
	Broadband lines	1.1	1.1	–	1.1	–	1.1	–
	Mobile customers	7.9	7.7	2.6	8.0	(1.3)	8.3	(4.8)
Romania	Fixed-network lines	2.5	2.6	(3.8)	2.6	(3.8)	2.6	(3.8)
	Broadband lines	1.1	1.1	–	1.0	10.0	0.9	22.2
	Mobile customers	6.5	6.6	(1.5)	6.8	(4.4)	7.1	(8.5)
Hungary[b]	Fixed-network lines	1.5	1.5	–	1.7	(11.8)	1.7	(11.8)
	Broadband lines	0.8	0.8	–	0.8	–	0.8	–
	Mobile customers	4.8	4.8	–	5.2	(7.7)	5.1	(5.9)
Poland	Mobile customers	13.4	13.2	1.5	13.3	0.8	13.3	0.8
Czech Republic	Fixed-network lines	0.1	0.1	–	0.1	–	0.1	–
	Broadband lines	0.1	0.1	–	0.1	–	0.1	–
	Mobile customers	5.4	5.4	–	5.5	(1.8)	5.5	(1.8)
Croatia	Fixed-network lines	1.4	1.4	–	1.4	–	1.4	–
	Broadband lines	0.6	0.6	–	0.6	–	0.6	–
	Mobile customers	2.5	3.0	(16.7)	2.9	(13.8)	2.8	(10.7)
Netherlands	Fixed-network lines	0.3	0.3	–	0.3	–	0.3	–
	Broadband lines	0.3	0.3	–	0.3	–	0.3	–
	Mobile customers	4.9	4.8	2.1	4.5	8.9	4.5	8.9
Slovakia	Fixed-network lines	1.0	1.0	–	1.1	(9.1)	1.1	(9.1)
	Broadband lines	0.5	0.5	–	0.4	25.0	0.4	25.0
	Mobile customers	2.3	2.3	–	2.4	(4.2)	2.4	(4.2)
Austria	Mobile customers	3.9	3.9	–	3.8	2.6	3.7	5.4
Other[c]	Fixed-network lines	0.5	0.5	–	0.5	–	0.5	–
	Broadband lines	0.2	0.2	–	0.2	–	0.2	–
	Mobile customers	7.8	7.7	1.3	7.7	1.3	7.7	1.3

[a] For better comparability, the customers of T-Mobile UK, who were transferred to the Everything Everywhere joint venture as of April 1, 2010 following the merger of T-Mobile UK and Orange UK, were subtracted from all historical customer figures.
[b] With effect from January 1, 2011, the business customer base was reclassified and divided between the Europe and Systems Solutions operating segments. As part of this process, mobile corporate customers and the fixed-network lines of corporate customers in Hungary were reassigned to T-Systems.
[c] Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro.

Total.

In the first nine months of 2011, customer development in the Europe segment was impacted by various factors. Our customer base was adversely affected by the strained macroeconomic situation, especially in Greece. In addition, we were unable to further expand our customer base in Greece, because the Greek regulatory authority obstructed the introduction of our proposed competitive fixed-network calling plans. Overall, we faced major challenges from intense competition on our increasingly saturated markets. The reclassification of our business customer base, dividing it between the Europe and Systems Solutions operating segments as of January 1, 2011, whereby we reassigned the mobile and fixed-network lines of our corporate customers in Hungary to T-Systems, also reduced the customer base. In countries where we offer mobile and fixed-network communications, we bundle all kinds of mobile communications, broadband and fixed-network services. As a result, we partially offset line losses in the fixed network with an increase in broadband lines. But even in the fixed network, we succeeded in our efforts to reduce line losses in the course of 2011, such that we lost less than 2 percent in each of the last two quarters. Despite the adverse effect from the customer reclassification in Hungary, our total mobile customer base was almost on a par with the end of 2010.

Fixed network.

Connected worlds: telephone, Internet and television.

At the reporting date of September 30, 2011, some 10.8 million customers in the Europe segment had a fixed-network line. This represents a decrease of 4.4 percent against the end of 2010. This development is largely attributable to Greece, Hungary and Romania, which together accounted for some 90 percent of the line losses in traditional fixed-network business. In Greece and Romania, the economic situation and the resulting intense competitive pressure led to a decline in the number of customers. In Hungary, the number of fixed-network lines also decreased as a result of the reclassification of the business customer base. In Slovakia too, the number of lines declined compared with the end of 2010. In line with our strategic orientation, we focus on fast and efficient telecommunication networks. For this reason, we are consistently building out our broadband network. As a result, the number of retail broadband lines marketed has increased steadily each quarter. In the first nine months of 2011, the number of retail broadband lines and bundled and unbundled wholesale broadband lines rose by more than 3 percent from the end of 2010 to 4.7 million lines in total. Most countries in our Europe operating segment contributed to this result. In Romania in particular, but also in the Czech Republic and in Slovakia, we successfully marketed our products, thereby generating encouraging absolute growth. The number of IPTV customers also grew steadily: Compared with the end of 2010, we generated strong growth of around 18 percent. The main drivers of absolute growth in this regard were Hungary and Croatia.

Mobile communications.

At the heart of life everywhere: mobile telephony and data applications.

We had a total of 59.5 million mobile customers in our Europe segment in the first nine months of this year. Our efforts to put the brakes on losses in mobile communications took effect. We succeeded, for example, in slowing the downward trend compared with the end of 2010, and in stabilizing our customer base at the level as of June 30, 2011. Above all, the Netherlands, Bulgaria, Austria and Poland recorded increases in their total customer base, which fully offset customer losses, especially in Hungary, Croatia and Romania. The largest customer losses were incurred in the prepay segment. In Croatia, the number of prepay customers decreased by around 0.5 million customers as of September 30, 2011, because the reporting logic was switched to the definition prescribed by the local regulatory authority. According to this definition, only prepay customers that have been active in the last 90 days are counted. The number of prepay customers also declined in Romania, firstly because inactive customers were deregistered and secondly due to the difficult economic situation. Since the process of deregistering inactive cards in Greece was completed, the prepay customer base has been recovering slightly. Nevertheless, there was still a net decline in the prepay customer base compared with the end of 2010. In Poland, a change in the prepay deregistration logic had a positive effect on the customer base as of September 30, 2011.

High-value contract customer business showed consistently stable growth. Thanks to encouraging increases, mainly in the Netherlands, the Czech Republic, Bulgaria and Austria, we were able to compensate for customer losses resulting from the reclassification in Hungary, such that the contract customer base was once again on a par with the level at the end of 2010. Overall, contract customers as a proportion of the total number of customers in the Europe operating segment increased slightly to over 44 percent compared with the end of 2010. This positive development was the result of our focus on our strategic aim of winning and retaining high-value customers. The marketing of attractive bundle rates including minute buckets, and mobile broadband played a central role. As part of our connected life and work strategy, we successfully targeted new groups of customers with innovative data and content services for the mobile Internet and innovative mobile devices. By continuously upgrading our networks, for example with HSPA+ technology, we offer our customers fast, mobile Internet connection, which our customers use, for example, for mobile surfing with smartphones. Owing to high demand for these devices, especially in the Netherlands and Austria, smartphones as a proportion of all terminal devices marketed in the Europe operating segment increased yet again.

Development of operations.

		Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Total revenue		3,672	3,807	3,873	4,123	(6.1)	11,352	12,927	(12.2)	16,840
Of which: Greece		863	886	930	979	(5.0)	2,679	2,939	(8.8)	3,876
Of which: Romania		262	269	268	294	(8.8)	799	878	(9.0)	1,165
Of which: Hungary		352	370	366	390	(6.2)	1,088	1,194	(8.9)	1,517
Of which: Poland		440	453	438	472	(7.2)	1,331	1,364	(2.4)	1,839
Of which: Czech Republic		268	282	272	296	(8.1)	822	866	(5.1)	1,157
Of which: Croatia		256	269	296	314	(5.7)	821	870	(5.6)	1,148
Of which: Netherlands		418	436	428	450	(4.9)	1,282	1,340	(4.3)	1,767
Of which: Slovakia		202	230	223	239	(6.7)	655	702	(6.7)	934
Of which: Austria		229	227	234	254	(7.9)	690	745	(7.4)	983
Of which: United Kingdom		–	–	–	–	–	–	783	n. a.	783
Of which: Other[a]		435	447	481	503	(4.4)	1,363	1,446	(5.7)	1,937
Profit from operations **(EBIT)**		365	465	551	622	(11.4)	1,381	1,463	(5.6)	985
EBIT margin	%	9.9	12.2	14.2	15.1		12.2	11.3		5.8
Depreciation, amortization and impairment losses		(801)	(780)	(800)	(835)	4.2	(2,381)	(2,586)	7.9	(4,157)
EBITDA		1,166	1,245	1,351	1,457	(7.3)	3,762	4,049	(7.1)	5,142
Special factors affecting EBITDA		(60)	(71)	(37)	(8)	n. a.	(168)	(434)	61.3	(606)
EBITDA (adjusted for special factors)		1,226	1,316	1,388	1,465	(5.3)	3,930	4,483	(12.3)	5,748
Of which: Greece		327	303	349	376	(7.2)	979	1,098	(10.8)	1,433
Of which: Romania		61	68	72	71	1.4	201	214	(6.1)	281
Of which: Hungary		145	144	143	174	(17.8)	432	507	(14.8)	567
Of which: Poland		144	176	156	159	(1.9)	476	504	(5.6)	691
Of which: Czech Republic		136	139	116	143	(18.9)	391	417	(6.2)	551
Of which: Croatia		104	122	151	157	(3.8)	377	394	(4.3)	507
Of which: Netherlands		82	128	121	98	23.5	331	339	(2.4)	461
Of which: Slovakia		95	100	102	109	(6.4)	297	321	(7.5)	403
Of which: Austria		60	68	69	69	–	197	213	(7.5)	283
Of which: United Kingdom		–	–	–	–	–	–	167	n. a.	167
Of which: Other[a]		69	71	110	111	(0.9)	250	332	(24.7)	426
EBITDA margin (adjusted for special factors)	%	33.3	34.5	35.8	35.5		34.6	34.7		34.1
Cash capex		(512)	(356)	(437)	(396)	(10.4)	(1,305)	(1,418)	8.0	(2,012)
Average number of employees		62,366	60,509	59,229	63,747	(7.1)	60,701	66,077	(8.1)	65,435

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

[a] Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales and Services), Europe Headquarters, and up to the end of May 2010, Deutsche Telekom UK (formerly T-Mobile International UK).

Total revenue.

In the first nine months of the current financial year, the Europe operating segment generated total revenue of EUR 11.4 billion, a decrease of 12.2 percent compared with the prior-year period. Half of this decline was attributable to the deconsolidation of T-Mobile UK effective April 1, 2010. In addition, the special tax in Hungary had a negative impact on segment revenue. Slightly positive overall exchange rate effects against the euro, primarily driven by the translation of Czech koruna and the Hungarian forint, partially offset the negative revenue effects. Adjusted for the aforementioned factors, segment revenue was down just 6.3 percent. This decline was primarily due to price erosion in almost all European countries. Price reductions were firstly the result of lower mobile termination rates imposed by the regulation, which particularly led to substantial revenue losses in the Netherlands, the Czech Republic and Austria. And secondly, high competitive pressure had a negative impact on revenue. The difficult macroeconomic situation in the countries of Southern and Eastern Europe in particular had a considerable impact on total revenue. The OTE group was hit especially hard. It accounted for almost half of the decline in operating revenue. The negative effects were partially offset by encouraging revenue growth in the fixed-network business, primarily in broadband/TV, and wholesale. In addition, strong mobile data revenue growth of around 15 percent had a positive impact on segment revenue. Almost all countries in the segment, especially the Netherlands, Greece and Poland, contributed to this growth.

EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 3.9 billion in the first nine months of 2011, a year-on-year reduction of 12.3 percent. Almost a third of the decline in EBITDA was attributable to the deconsolidation of T-Mobile UK as of April 1, 2010. In addition, the special tax imposed in Hungary and the real estate tax introduced by the Greek government in September 2011 had an adverse effect on the segment's adjusted EBITDA. The slightly positive exchange rate effects against the euro were driven by the Czech koruna and the Hungarian forint. Excluding the aforementioned effects, adjusted EBITDA declined by 7.7 percent.

The decrease in adjusted EBITDA was largely driven by negative effects from the decline in revenue. By systematically reducing our overhead costs, for example by means of efficient measures in Hungary and Greece in particular, we partially offset the negative effects in the Europe operating segment resulting from the year-on-year revenue decline. Last but not least, one-time effects, for instance in Poland, also affected EBITDA positively in the current financial year.

Development of operations in selected countries.

Greece. In Greece, revenue decreased by 8.8 percent year-on-year to EUR 2.7 billion in the first nine months of 2011. This decline affected fixed-network and mobile business in almost equal measure. The revenue decrease in the fixed network was mainly the result of line losses in traditional fixed-network business. However, the significant growth in wholesale revenues largely balanced out these reductions. Since fixed-network business is still subject to strict regulation, broadband customer acquisition targets – and the associated revenue – were not achieved. Mobile business in the first nine months was mainly influenced by the difficult macroeconomic situation and intense competition. In addition, the regulation-induced reduction in termination rates and the prepay registration requirements had a negative impact on our revenue. This was partially offset by substantial increases in data revenue.

Adjusted EBITDA in Greece decreased by 10.8 percent to EUR 979 million in the first nine months. This decline was firstly due to lower revenue than in the prior-year period and secondly to decisions by public authorities. In September 2011, for example, the Greek government introduced a real estate tax for the 2011 financial year. The retroactive adjustment of regulated rates by the Greek regulatory authority in the second quarter of 2011 also impacted negatively on earnings. Our programs and measures to increase efficiency partially offset the decline in adjusted EBITDA.

Hungary. In Hungary, we generated revenue of EUR 1.1 billion in the first nine months of the year. It declined by 8.9 percent primarily due to two factors. Firstly, the special tax imposed by the Hungarian government at the end of last year reduced revenue by around EUR 59 million. In addition, the reclassification of the business customer base had a negative impact of around EUR 32 million on revenue. The marginally favorable development of the exchange rate of the Hungarian forint against the euro partially offset the decrease in revenue.

Adjusted for these factors, the decline in revenue from operations was only 2.7 percent year-on-year, primarily caused by the general economic situation. Higher broadband and TV revenue only partially offset the revenue losses in the traditional fixed-network business. In mobile communications, service revenues decreased as a result of lower revenues from voice telephony. These decreases were attributable to price reductions driven by intense competition and lower mobile termination rates. Slightly higher equipment revenue had an offsetting effect.

In the first nine months of 2011, adjusted EBITDA was down 14.8 percent year-on-year to EUR 432 million. This result was driven in particular by the introduction at the end of 2010 of a new special tax which affected revenue. In addition, the reclassification of the business customer base had a negative effect on earnings. Adjusted for these two factors and the slightly positive exchange rate effects from the translation of Hungarian forints into euros, EBITDA declined slightly by 1.1 percent. Savings in overheads and in customer acquisition costs cushioned the negative effects of the decline in revenue from operations.

Poland. In Poland, we recorded a slight decrease in revenue of 2.4 percent to EUR 1.3 billion in the first nine months of 2011, driven by lower service revenues as a result of intense competition. Substantial increases in data revenue had an offsetting effect. We increased equipment revenue by successfully marketing smartphones, which had a positive impact on total revenue.

Adjusted EBITDA decreased by 5.6 percent to EUR 476 million, mainly due to the costs of rebranding Era to T-Mobile in June 2011. As a result of this initiative, not only did marketing expenditure rise substantially, selling and customer service expenses also increased. We also invested in targeted marketing aimed at high-value customers, mainly increasing customer retention costs year-on-year. Positive one-time factors partially compensated for the negative effects of the higher costs.

Netherlands. In the Netherlands, revenue declined by 4.3 percent year-on-year to EUR 1.3 billion in the first nine months of 2011, mainly due to repeated reductions in termination rates by the Dutch regulatory authority. This resulted in lower service revenues. It was partially possible to offset the negative revenue effects of the termination rates, thanks to substantially increased data revenues. Higher proceeds from the sale of terminal devices, driven by very high customer demand for smartphones, also had a positive effect on revenue. Fixed-network business remained stable.

Adjusted EBITDA in the Netherlands decreased by 2.4 percent to EUR 331 million as a result of the year-on-year decline in revenue. By targeting specific customer groups, we made savings in customer acquisition and retention costs in the Dutch mobile market, which has a high degree of smartphone penetration. Savings in overheads also helped to stabilize EBITDA and these measures even produced a slight year-on-year improvement in our adjusted EBITDA margin.

EBIT.

In our Europe operating segment, EBIT declined year-on-year to EUR 1.4 billion in the first nine months of 2011. This 5.6-percent decrease was primarily attributable to the decline in EBITDA. By contrast, lower depreciation, amortization and impairment losses at segment level, especially in Greece, had a positive effect on EBIT, which partially offset the negative effects of the decline in adjusted EBITDA.

Cash capex.

In the first nine months of 2011, our Europe operating segment reported total cash capex of EUR 1.3 billion. This corresponds to a year-on-year decline of 8.0 percent, most of which is attributable to the deconsolidation of T-Mobile UK. In addition, the difficult market situation, decisions by regulatory authorities and charges such as the special tax in Hungary, resulted in restrained investment activity in most countries in our segment. In some countries, however, cash capex increased: in Slovakia, for example, due to the extension of the mobile communications license and, in Albania, due to a new UMTS license.

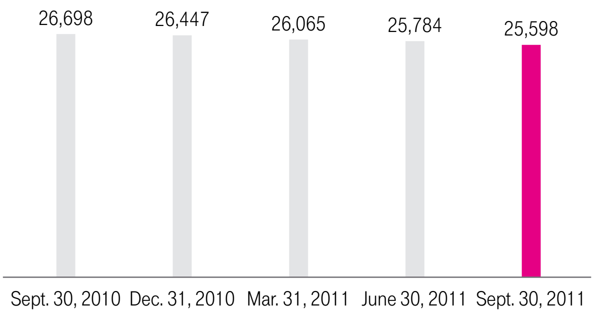
Employees.

In the first nine months of 2011, we had an average headcount of 60,701 in the Europe operating segment. Headcount decreased by 8.1 percent year-on-year, largely due to the deconsolidation of T-Mobile UK. Downsizing programs as part of efficiency enhancement measures in almost all countries also reduced the average headcount.

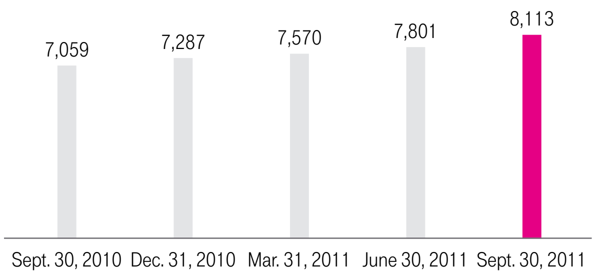
United States (discontinued operations).

Customer development.

Contract customers* ('000)



Prepay customers* ('000)



* Prior-quarter amounts have been restated to conform to current period customer reporting classifications.

	Sept. 30, 2011 millions	June 30, 2011 millions	Change Sept. 30, 2011/ June 30, 2011 %	Dec. 31, 2010 millions	Change Sept. 30, 2011/ Dec. 31, 2010 %	Sept. 30, 2010 millions	Change Sept. 30, 2011/ Sept. 30, 2010 %
United States							
Mobile customers	33.7	33.6	0.3	33.7	–	33.8	(0.3)

At September 30, 2011, the United States operating segment (T-Mobile USA) had 33.7 million customers, a net decrease in customers of 24,000 for the first nine months of 2011 compared to a net decrease of 34,000 for the first nine months of 2010. Compared to the first nine months of 2010, contract customer losses were offset by prepaid net additions. In the first nine months of 2011, T-Mobile USA had 849,000 net contract customer losses compared to 66,000 net contract customer losses in the first nine months of 2010. In the first nine months of 2011, contract customer losses were impacted by a decline in post-pay customer gross additions and the strategic phase out of certain hybrid products, partially offset by customer growth in partner branded services and mobile broadband. In the third quarter of 2011, T-Mobile USA introduced new unlimited Value plans, which resulted in an improvement in net contract customer losses during the quarter. This is in line with T-Mobile USA's focus on improving customer quality and simplified plans offered to customers. Additionally, connected devices contributed strong net customer additions in the first nine months and totaled 2.5 million at September 30, 2011. In the first nine months of 2011, T-Mobile USA had 825,000 net prepaid customer additions compared to 33,000 net prepaid customer additions in the first nine months of 2010. The significant improvement in net prepaid customer additions in the first three quarters of 2011 was due primarily to unlimited prepaid monthly 4G and MVNO customer growth. At September 30, 2011, T-Mobile USA had 3.5 million MVNO customers.

In the third quarter of 2011, T-Mobile USA had 126,000 total net customer additions, compared to 50,000 total net customer losses in the second quarter of 2011 and 137,000 total net customer additions in the third quarter of 2010. Compared to the second quarter of 2011, the increase in net customer additions was driven by prepaid customer growth and improvements in contract customer development. T-Mobile USA had 186,000 contract customer losses in the third quarter of 2011 compared to 281,000 net contract customer losses in the second quarter of 2011, benefiting from improved postpay customer gross additions related to new unlimited Value plans introduced in the third quarter of 2011. Prepaid net customer additions of 312,000 in the third quarter of 2011 compared to 231,000 in the second quarter of 2011 as monthly unlimited prepaid customer growth continued. Compared to the third quarter of 2010, T-Mobile USA had 186,000 net contract customer losses in the third quarter of 2011, an increase year-on-year from 54,000 net contract customer losses. The year-on-year change was driven primarily by fewer gross customer additions due in part to the implementation of strengthened credit standards as part of T-Mobile USA's focus on improving customer quality. Net prepaid customers increased by 312,000 in the third quarter of 2011, compared to 190,000 net prepaid customer additions in the third quarter of 2010. This increase in year-on-year net prepaid performance was driven by sales of monthly unlimited prepaid products offset by the phase out of certain hybrid products and higher MVNO customer churn.

T-Mobile USA's blended churn increased to 3.4 percent per month in the first nine months of 2011, compared to 3.3 percent per month in the first nine months of 2010 as consistent churn from branded customers was offset by higher MVNO churn. Additionally, T-Mobile USA's blended churn increased to 3.5 percent per month in the third quarter 2011, compared to 3.3 percent per month in the second quarter of 2011 and 3.4 percent per month in the third quarter of 2010 also driven primarily by increased MVNO churn.

Development of operations.

		Q1 2011 millions of €	Q2 2011 millions of €	**Q3 2011 millions of €**	Q3 2010 millions of €	Change %	**Q1 – Q3 2011 millions of €**	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Total revenue		3,770	3,510	3,683	4,143	(11.1)	10,963	12,145	(9.7)	16,087
Profit from operations **(EBIT)**		401	868	976	476	n. a.	2,245	1,620	38.6	2,092
EBIT margin	%	10.6	24.7	26.5	11.5		20.5	13.3		13.0
Depreciation, amortization and impairment losses		(463)	–	–	(552)	n. a.	(463)	(1,536)	69.9	(2,064)
EBITDA		864	868	976	1,028	(5.1)	2,708	3,156	(14.2)	4,156
Special factors affecting EBITDA		(7)	(24)	(49)	–	n. a.	(80)	–	n. a.	–
EBITDA (adjusted for special factors)		871	892	1,025	1,028	(0.3)	2,788	3,156	(11.7)	4,156
EBITDA margin (adjusted for special factors)	%	23.1	25.4	27.8	24.8		25.4	26.0		25.8
Cash capex		(546)	(477)	(527)	(496)	(6.3)	(1,550)	(1,511)	(2.6)	(2,121)
Average number of employees		36,237	35,121	34,005	37,563	(9.5)	35,121	37,946	(7.4)	37,795

Total revenue.

Total revenue at the United States operating segment (T-Mobile USA) of EUR 11.0 billion for the first nine months of 2011 decreased by 9.7 percent compared to EUR 12.1 billion for the first nine months of 2010, due in part to fluctuations in the currency exchange rate. In U.S. dollars, revenues of T-Mobile USA declined by 3.3 percent year-on-year, due primarily to the decrease in T-Mobile USA branded customers (total customers excluding MVNO and connected devices) resulting in service revenue declines. Service revenues declined due to lower access and voice revenues partially offset by continued strong growth in data revenues from customers using smartphones with mobile broadband data plans. The number of customers using 3G and 4G smartphones (which include UMTS/HSPA/HSPA+ enabled smartphones) was 10.1 million at the end of the third quarter of 2011, an increase of over 40 percent compared to the 7.2 million at the end of the third quarter of 2010. Additionally, T-Mobile USA's first nine months of 2011 total revenues were impacted by lower equipment revenues from decreased volumes and only partially offset by T-Mobile USA benefiting from the launch of its handset protection insurance program in the fourth quarter of 2010.

EBITDA, adjusted EBITDA.

Adjusted EBITDA, excluding EUR 80 million in transaction-related expenses associated with the pending AT&T acquisition of T-Mobile USA, decreased year-on-year in the first nine months of 2011 by 11.7 percent to EUR 2.8 billion compared to EUR 3.2 billion in the first nine months of 2010. In U.S. dollars, adjusted EBITDA fell by 5.3 percent primarily due to the decrease in revenues as discussed above. Operating expenses in U.S. dollars decreased 1.7 percent year-on-year due primarily to lower volume-driven handset and commission costs. These costs were offset in part by higher marketing expenses related to advertising America's largest 4G network and increased network costs associated with the build out of the 4G HSPA+ network. Additionally, the ongoing expense management programs in the first nine months of 2011 have been effective in optimizing the cost base.

EBIT.

EBIT increased year-on-year by 38.6 percent (43.5 percent after adjusting for costs associated with the AT&T transaction) to EUR 2.2 billion in the first nine months of 2011 from EUR 1.6 billion in the first nine months of 2010 due primarily to a change in accounting impacting depreciation expense. In March 2011, T-Mobile USA's non-current assets were classified as held-for-sale in relation to the pending sale to AT&T. Accordingly, T-Mobile USA discontinued depreciating these assets for accounting purposes as of the announcement of the pending transaction. If the assets had continued to be depreciated for the full nine months ended September 30, 2011, EBIT would have decreased year-on-year due to the factors described above.

Cash capex.

Cash capex increased 2.6 percent year-on-year to EUR 1.6 billion in the first nine months of 2011 compared to EUR 1.5 billion in the first nine months of 2010. In U.S. dollars, cash capex increased by 9.8 percent due primarily to spending on system development projects to support T-Mobile USA operations, network coverage expansion and the upgrade to HSPA+ 42. T-Mobile USA operates America's largest 4G network with HSPA+ service reaching customers nationwide. Additionally with HSPA+ 42, more than 170 million Americans now have access to T-Mobile USA's most advanced 4G mobile broadband network with theoretical download speeds of 42 Mbit/s with increased network capacity and reliability.

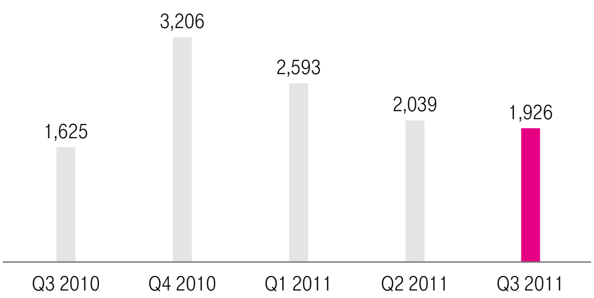
Employees.

The average number of employees decreased in the first three quarters of 2011 by 7.4 percent compared to the first three quarters of 2010. This decrease was due in part to fewer customer support employees driven by lower customer care call volumes and a decrease in the number of retail employees due to the implementation of labor efficiency and store rationalization programs.

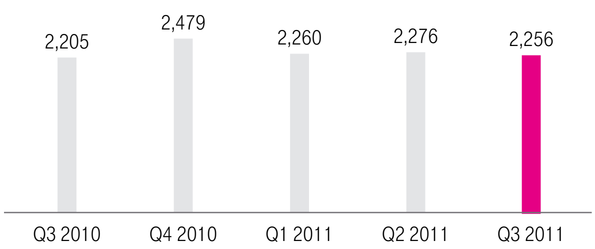
Systems Solutions.

Selected KPIs.

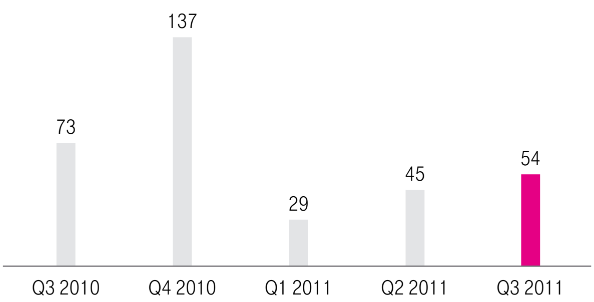
New orders (millions of €)



Revenue (millions of €)



Adjusted EBIT (millions of €)



		Sept. 30, 2011	June 30, 2011	Change Sept. 30, 2011/ June 30, 2011 %	Dec. 31, 2010	Change Sept. 30, 2011/ Dec. 31, 2010 %	Sept. 30, 2010	Change Sept. 30, 2011/ Sept. 30, 2010 %
New orders	millions of €	6,558	4,632	n. a.	9,281	n. a.	6,075	8.0
Computing & Desktop Services								
Number of servers managed and serviced	units	57,231	58,111	(1.5)	58,073	(1.4)	58,498	(2.2)
Number of workstations managed and serviced	millions	1.99	1.99	0.0	1.95	2.1	1.96	1.5
Systems Integration								
Hours billed	millions	7.2	4.9	n. a.	9.2	n. a.	6.9	4.3
Utilization rate	%	84.0	84.2	(0.2) p	84.0	0.0 p	83.1	0.9 p

Development of business.

In the first nine months of the 2011 financial year, our Systems Solutions operating segment (T-Systems) secured strategically significant new deals in the ICT corporate customer market. In addition to big deals concluded with Shell, Daimler and others such as the large-scale outsourcing agreement with Everything Everywhere, the joint venture between Deutsche Telekom and France Télécom in the United Kingdom, a significant number of contracts were also concluded in the growth area of cloud computing. These dynamic services allow customers to receive bandwidth, computing capacity, and memory on demand, pay for what they use and share the infrastructure. In addition, companies are increasingly using software securely via the Net (private cloud) to manage their business processes. T-Systems has significantly expanded these dynamic resources in the past few months. New deals in this area increased the level of new orders by around 8.0 percent year-on-year.

The number of servers managed and serviced decreased by 2.2 percent in the reporting period compared with the prior year, mainly as a consequence of the consolidation of data centers and the higher utilization rate of more powerful servers. The number of workstations managed and serviced increased by 1.5 percent, mainly due to new orders, such as the extensive outsourcing agreement with Everything Everywhere. Systems Integration also continued to perform well, with T-Systems billing substantially more hours than in the prior-year period and increasing the utilization rate once again. In addition to traditional ICT services, intelligent network business (energy, healthcare and connected vehicles) also picked up. In the energy sector, for example, we secured new deals in the first nine months of 2011, most recently with E.ON to trial the sale of smart electricity meters and green power rates in more than 50 Telekom shops and with the meter operator VOLTARIS concerning the recording, transmission and processing of energy data.

Development of operations.

		Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Total revenue		2,260	2,276	2,256	2,205	2.3	6,792	6,578	3.3	9,057
Profit (loss) from operations **(EBIT)**		(11)	22	(62)	(25)	n. a.	(51)	49	n. a.	44
Special factors affecting EBIT		(40)	(23)	(116)	(98)	(18.4)	(179)	(147)	(21.8)	(289)
EBIT (adjusted for special factors)		29	45	54	73	(26.0)	128	196	(34.7)	333
EBIT margin (adjusted for special factors)	%	1.3	2.0	2.4	3.3		1.9	3.0		3.7
Depreciation, amortization and impairment losses		(160)	(152)	(160)	(151)	(6.0)	(472)	(456)	(3.5)	(623)
EBITDA		149	174	98	126	(22.2)	421	505	(16.6)	667
Special factors affecting EBITDA		(40)	(23)	(106)	(96)	(10.4)	(169)	(144)	(17.4)	(281)
EBITDA (adjusted for special factors)		189	197	204	222	(8.1)	590	649	(9.1)	948
EBITDA margin (adjusted for special factors)	%	8.4	8.7	9.0	10.1		8.7	9.9		10.5
Cash capex		(123)	(128)	(142)	(207)	31.4	(393)	(575)	31.7	(725)
Average number of employees		48,191	48,254	48,255	47,654	1.3	48,234	47,527	1.5	47,588

Total revenue.

Total revenue in our Systems Solutions operating segment in the first nine months of the financial year amounted to EUR 6.8 billion, a year-on-year increase of 3.3 percent. This increase is partly attributable to deals secured with E.ON and Deutsche Post DHL in the prior year as well as contracts signed with companies such as Everything Everywhere, Magna and TOTAL in 2011. The new deals offset the general negative price trend in IT and communications. Revenue generated with Deutsche Telekom's other operating segments amounted to EUR 2.0 billion in the reporting period, an increase of 3.7 percent. As a service provider for the Group, T-Systems continues to develop Deutsche Telekom's IT landscape on an ongoing basis. As part of this process, standardized systems contribute significantly to reducing the Group's IT costs.

Net revenue.

T-Systems expanded business with customers outside the Deutsche Telekom Group. The Swiss trading company Valora, for example, commissioned T-Systems with the operation of its data centers and ICT infrastructure. The operating segment generated net revenue of EUR 4.8 billion, 3.1 percent more than in the prior-year period, due to growth in systems integration business, especially as a result of the development and operation of customer applications (Application Management & Development). Revenue also increased in the intensely competitive telecommunications business, where the agreement entered into last year with E.ON provides further positive impetus.

EBITDA, adjusted EBITDA.

In the reporting period, the Systems Solutions operating segment generated EBITDA of EUR 0.4 billion. The 16.6-percent decline compared with the same period of 2010 is attributable to increased contract-related expenses, such as for the successful migration of the customer infrastructure in T-Systems' operational business, start-up expenses for new contracts, and the development of new business areas, such as intelligent networks for energy, healthcare and connected vehicles. Savings generated by the comprehensive restructuring and efficiency enhancement program Save for Service did not offset the rise in costs. In addition, EBITDA was negatively affected by stronger special effects than in the prior-year period, primarily attributable to measures to improve competitiveness such as the roll-out and expansion of an internal nearshore and offshore delivery network and staff restructuring measures. Accordingly, adjusted EBITDA declined to a lesser extent, by 9.1 percent, to EUR 0.6 billion in the first nine months of 2011.

EBIT, adjusted EBIT.

Adjusted EBIT is EUR 68 million lower than in the prior-year period. This decrease is attributable not only to effects of increased expenses related to contracts, but also to increased depreciation, amortization and impairment losses following capital expenditure to expand business in the prior year. The comprehensive Save for Service restructuring and efficiency enhancement program offset this development only partially. The adjusted EBIT margin decreased from 3.0 percent in the first nine months of 2010 to 1.9 percent in the reporting period.

Cash capex.

At EUR 0.4 billion, cash capex in the reporting period was well below the prior-year level. This was primarily due to the fact that T-Systems significantly expanded its Dynamic Computing platform in the prior year. The consistent implementation of efficiency enhancement measures, such as the increasing standardization of our ICT platforms, also contributed to the reduction in capital expenditure.

Employees.

The average number of employees increased by 707 in the first nine months of 2011 to 48,234, a year-on-year increase of 1.5 percent. The average number of employees in Germany increased by 436 or 1.7 percent to 25,508, internationally by 271 or 1.2 percent. The increase is largely due to staff taken on in connection with large-scale contracts, an increase in insourcing, i.e., the provision of services previously rendered by third parties, and the set-up and expansion of nearshore and offshore sites. Measures taken to cut costs partially offset this increase.

Group Headquarters & Shared Services.

Group Headquarters & Shared Services performs strategic and cross-segment management functions for the Deutsche Telekom Group and is responsible for operating activities that are not directly related to the core business of the operating segments.

Vivento, our personnel service provider, consistently supported us in the first three quarters of the 2011 financial year with staff restructuring in the Group. The focus was on securing external employment opportunities for civil servants and employees, predominantly in the public sector. In addition, Vivento offers Group employees employment opportunities at Vivento Customer Services GmbH.

As of September 30, 2011, Vivento had a workforce of about 8,800. These included around 3,500 employees who were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,400 or so were employed within the Group, especially in service centers. Around 1,900 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Vivento took on approximately 1,300 employees in the first nine months of the 2011 financial year, while around 1,400 staff left Vivento in the reporting period to pursue new opportunities.

Development of operations.

	Q1 2011 millions of €	Q2 2011 millions of €	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Total revenue	537	539	547	567	(3.5)	1,623	1,715	(5.4)	2,166
Loss from operations **(EBIT)**	(347)	(619)	(399)	(462)	13.6	(1,365)	(1,253)	(8.9)	(2,479)
Depreciation, amortization and impairment losses	(178)	(205)	(205)	(231)	11.3	(588)	(600)	2.0	(840)
EBITDA	(169)	(414)	(194)	(231)	16.0	(777)	(653)	(19.0)	(1,639)
Special factors affecting EBITDA	(6)	(274)	(44)	(39)	(12.8)	(324)	(107)	n. a.	(769)
EBITDA (adjusted for special factors)	(163)	(140)	(150)	(192)	21.9	(453)	(546)	17.0	(870)
Cash capex	(116)	(105)	(125)	(99)	(26.3)	(346)	(278)	(24.5)	(406)
Average number of employees	21,574	21,634	21,502	22,547	(4.6)	21,570	22,339	(3.4)	22,312
Of which: Vivento[a]	9,000	9,000	8,800	9,900	(11.1)	8,800	9,900	(11.1)	8,900

[a] Number of employees at the reporting date, including Vivento's own staff and management; figures rounded.

Total revenue.

Total revenue at Group Headquarters & Shared Services in the reporting period decreased by 5.4 percent year-on-year, mainly due to the decline in revenue in the Real Estate Services unit in connection with the more efficient use of floor space by the operating segments, especially for technical facilities.

EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Shared Services improved year-on-year in the first three quarters of the 2011 financial year, mainly as a result of the non-recurrence of litigation risks recognized in the past. The decrease in headcount at Vivento also had a positive effect on adjusted EBITDA. The continued positive trend was partly offset by the more efficient use of floor space by the operating segments. Adjusted EBITDA in the reporting period was also negatively affected by higher income in the prior year from the reclassification of real estate from assets held for sale to non-current assets. Overall, EBITDA was negatively impacted by special factors of EUR 324 million in the reporting period, which essentially relate to expenses for staff-related measures, primarily for early retirement, and expenses in connection with the sale of T-Mobile USA. In the same period in 2010, special factors of EUR 107 million had a negative effect on EBITDA – mainly as a result of expenses for staff-related measures.

EBIT.

Loss from operations (EBIT) increased by EUR 112 million compared with the prior-year period. This was mainly due to the increase in negative special factors. By contrast, the improvement in adjusted EBITDA had a positive effect.

Employees.

The average number of employees in the first nine months of 2011 was 21,570. The decrease of 769 compared with the prior-year period was mainly due to the headcount decrease at Vivento.

Risks and opportunities.

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2010 financial year. Readers are also referred to the Disclaimer at the end of this report.

Risks related to the sale of T-Mobile USA. The U.S. Department of Justice (DOJ) initiated legal proceedings against the transaction at the U.S. District Court in Washington, District of Columbia. The successful closing of the sale of T-Mobile USA to AT&T is therefore subject to the rejection of the case by the court or a settlement. The judge assigned to the case has set the start of the hearing for February 13, 2012. Sprint Nextel Corporation und Cellular South, Inc. have also filed complaints against the transaction in the same U.S. District Court. On November 2, 2011, the judge decided to partially allow the complaints to go forward in selected areas, however no trial date has been set. The review by the Federal Communications Commission (FCC) is continuing at the same time. The uncertainty regarding the closing of the deal may also impact T-Mobile USA's business operations in the course of the year. We have committed to have T-Mobile USA operate in the ordinary course until the transaction is closed.

The consummation of the planned sale may reduce the size of our global mobile telecommunications business, which may have adverse effects on our economies of scale and the diversification of our business.

The portion of the consideration for T-Mobile USA to be paid in AT&T common stock may be reduced in return for a higher cash portion. For further details on the T-Mobile USA deal, please refer to the disclosures in the notes to the interim consolidated financial statements under "Non-current assets and disposal groups held for sale."

Economic situation in Greece. The recession in Greece is continuing. Cuts in tax policy and government spending are additionally impacting on economic development. The continued rise in unemployment, falling incomes, and general uncertainty are negatively affecting private consumption. Further cuts in government spending and a sustained drop in private consumption may continue to negatively affect telecommunications consumption. The possibility of a debt haircut has become less certain in view of the current political situation, which may have repercussions for our future business development and interest rates, especially in Greece.

Litigation.

Payment of damages from KfW Bankengruppe. In a class action lawsuit by shareholders in the United States, Deutsche Telekom was accused of providing false information in the prospectus in the course of the third public offering in 2000 and of not providing sufficient information about the shares offered. In 2005, Deutsche Telekom had paid out some USD 120 million in a settlement to shareholders in the United States, with part of this amount being refunded from insurance. The settlement was expressly made without acknowledgement of guilt or misconduct. Deutsche Telekom demanded repayment of the settlement amount plus costs from KfW Bankengruppe. The Federal Court of Justice ruled to Deutsche Telekom's benefit. To determine the precise amount of the damages to be paid to Deutsche Telekom AG, the proceedings have been referred back to the Cologne Higher Regional Court. It is expected that Deutsche Telekom will have to repay part of these damages to the insurance company due to the payment previously received.

Lawsuit on prospectus liability. In the proceedings pending before Frankfurt/Main Higher Regional Court, the continuation of the oral hearing is scheduled for the first half of 2012.

Claims for damages due to price squeeze. Competitors have claimed for damages from Deutsche Telekom on the grounds of a price squeeze between local-network wholesale and retail prices that the European Commission had identified in 2003 as part of a ruling to impose fines. This ruling, which imposed a fine of EUR 12.6 million plus interest, became final and non-appealable in October 2010 following the end of court proceedings. The amount of the loss suffered by competitors was not the subject of the case brought before the European Court of Justice. Vodafone (formerly Arcor) is seeking damages of EUR 223 million plus interest. The claims for damages filed against Telekom Deutschland GmbH by other competitors are: by Versatel for approximately EUR 70 million, by EWE Tel for approximately EUR 82 million, by NetCologne for approximately EUR 73 million, by M-net for EUR 27.3 million, and by HanseNet for EUR 126.4 million, plus interest in each case.

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. As reported previously, Magyar Telekom's and Deutsche Telekom's legal representatives are currently in talks with the U.S. authorities (Department of Justice (DOJ) and Securities and Exchange Commission (SEC)) about the status of the investigation and the possibility of bringing the proceedings to a close. Magyar Telekom and Deutsche Telekom have already reached an agreement with the representatives of the SEC on the terms and conditions for bringing the proceedings to a close by way of settlement; these are still subject to the final approval by the SEC. A provision in the amount of EUR 69 million has been recognized by Magyar Telekom in light of the agreement and the continued discussions with the DOJ. The ultimate outcome of these ongoing negotiations cannot be foreseen. It is also not foreseeable at present whether the U.S. authorities will take action and, if so, what kind, if final agreements cannot be reached to conclude their proceedings.

Claim for compensation – Slovak Telekom. In 1999, a lawsuit was filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The claimant is demanding EUR 0.1 billion for damages and loss of profit plus interest. The proceedings are pending at Bratislava Regional Court.

Eutelsat arbitration proceedings. On April 12, 2011, Deutsche Telekom AG received an application from Eutelsat S.A. for initiation of ICC arbitration proceedings against Deutsche Telekom AG and Media Broadcast GmbH. Eutelsat particularly requested clarification regarding a right of use of a certain orbit position to which Eutelsat believes it has a long-standing entitlement and the term of an agreement concluded between Deutsche Telekom AG and Eutelsat S.A. on the use of this orbit position by Eutelsat satellites. Furthermore, Eutelsat is asserting claims to various payments depending on the term of this agreement. Deutsche Telekom had transferred its satellite business to Media Broadcast GmbH, a company with which it is no longer associated. As part of this transaction, Deutsche Telekom AG indemnified the buyer of Media Broadcast GmbH against certain claims, some of which also relate to the agreements with Eutelsat.

Patent disputes concerning mobile communications and ADSL.
Patent management company IPCom GmbH & Co. KG has initiated proceedings against Deutsche Telekom AG and individual members of the Board of Management of Deutsche Telekom AG and Telekom Deutschland GmbH for alleged infringement of patents that are supposedly essential to certain standards in the field of mobile communications. In addition to damages, IPCom is seeking abstention from the use of patents in connection with important mobile services, which could lead to their deactivation. Eight infringement proceedings relating to six different patents are currently pending. IPCom lost two of the proceedings on all counts in the court of first instance and has lodged an appeal in each case; others have been suspended. In the remaining cases, hearings will not take place until 2012. Several nullity suits and opposition proceedings are running in parallel to the infringement proceedings to review the validity of the patents that IPCom alleges have been infringed. Further rulings on the pending proceedings are not expected until 2012.

CIF Licensing LLC had initiated proceedings against Deutsche Telekom AG for alleged infringement of four patents relating to the use of ADSL devices and processes. After the German Federal Patent Court had declared two of the allegedly infringed patents void in the first instance following a nullity suit filed by Deutsche Telekom, CIF Licensing LLC and Deutsche Telekom signed a settlement on October 20, 2011 under the terms of which CIF Licensing LLC withdrew its infringement proceedings and Deutsche Telekom AG its nullity suits, and Deutsche Telekom AG was granted licenses to the contested patents.

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. The court hearing set for February 17, 2011 was postponed until May 30, 2013.

Anti-trust proceedings.

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. In 2011, these investigations were extended to include further proceedings against PTC. The UOKiK suspects the providers of illegal price fixing. The UOKiK also accuses PTC of infringing customer interests in various ways. PTC believes these allegations are unfounded. The outcome and any associated fine cannot be determined at present, nor is it clear how a potential fine would be set. In Poland, the maximum fine is set at 10 percent of the revenues from telecommunications services or 10 percent of taxable revenues.

Spectrum allocation proceedings.

Auction of LTE frequencies. In April/May 2010, the Federal Network Agency auctioned off additional frequencies in the 800 MHz, 1.8 GHz, 2.0 and 2.6 GHz ranges to the four mobile network operators in Germany. The frequency auction in April/May 2010 was carried out on the legal basis of a general order issued by the Federal Network Agency from October 12, 2009 (Decision of the President's Chamber). Several mobile communications, cable TV and radio providers have filed actions to rescind this general order with the Cologne Administrative Court. Telekom Deutschland GmbH has not filed a complaint itself and is not involved in the proceedings. The Cologne Administrative Court has already ruled on most of the proceedings and has rejected them in the first instance. On one set of proceedings, the ruling of the Federal Administrative Court was published at the end of April 2011. Essentially, the Federal Administrative Court found that the facts relevant to the decision were insufficiently investigated and referred the proceedings back to the administrative court for further investigation and reconsideration. Accordingly, no final ruling has yet been made on the validity of the Decision of the President's Chamber.

Extension of GSM frequency usage period. In an administrative act issued on July 31, 2009, the Federal Network Agency extended the usage period of the GSM frequencies assigned to T-Mobile Deutschland GmbH (today Telekom Deutschland GmbH), which were originally assigned until December 31, 2009, until December 31, 2016. E-Plus, Telefónica and Airdata objected to the Federal Network Agency's decision to extend the usage period. Telefónica withdrew its objection; E-Plus' protest proceedings have meanwhile been suspended. Airdata's objection was rejected by the Federal Network Agency. On May 16, 2011, Deutsche Telekom learned of a legal action brought by Airdata. An application was immediately submitted to the Cologne Administrative Court on behalf of Telekom Deutschland GmbH for a summons to interested parties to the legal proceedings and for access to the files. This application has not yet been ruled upon.

Furthermore, in connection with the aforementioned two proceedings, a shareholder has filed a nullity and rescission suit against Deutsche Telekom AG with the Cologne Regional Court seeking declaration of the nullity of the resolutions passed by the Deutsche Telekom shareholders' meeting on May 12, 2011 concerning approval of the actions of the members of the Board of Management and Supervisory Board of Deutsche Telekom for financial year 2010 (items 3 and 5 on the agenda) and the nullity of the annual financial statements for the 2010 financial year.

Events after the reporting period (September 30, 2011).

2011 amendment to the Telecommunications Act.

The German national parliament, the Bundestag, passed the amendment to the Telecommunications Act on October 27, 2011. The amendment has to be approved by the Bundesrat, however, the chamber representing the federal states, before it can enter into force. Amended to enforce changed EU directives, the Telecommunications Act is to provide more incentives for investment in new infrastructure on the one hand and, on the other, includes further consumer protection requirements.

EU consultation on costing methodologies for access networks.

On October 3, 2011, the European Commission launched a consultation on costing methodologies for access networks in which it favors a concept whereby regulated wholesale prices based on copper networks will be reduced if the regulated company does not invest in fiber to the home (FTTH). If this concept is included in a European Commission recommendation, it could lead to a loss of revenue in the wholesale business in the medium term and, rather than promoting next-generation access networks, would make investing in them much more difficult.

Deutsche Telekom and France Télécom-Orange procurement joint venture BUYIN commences operations.

On October 7, 2011, after making all the corresponding announcements and obtaining all necessary approvals, Deutsche Telekom and France Télécom-Orange announced the successful launch of their joint procurement entity BUYIN. The partners have pooled their procurement activities in the areas of terminal devices, mobile communications networks, and in significant portions of their fixed-network equipment and service platforms in a 50/50 joint venture. In addition, the two companies intend to launch pilot projects to explore other areas for inclusion in the joint venture at a later stage, including IT infrastructure and further IT areas. The inclusion of additional fixed-network components is currently under review by the German Federal Cartel Office. In addition to the cost savings that both partners will generate through this joint venture in the future, Deutsche Telekom will receive a conditional compensation payment.

Development of revenue and profits.[1]

The statements in this section reflect the current views of our management. Expectations of business developments are based on the opportunities and risks that arise as the year progresses as a result of the conditions on the market and the competitive environment. For more information on existing opportunities and risks, please also refer to the disclosures in the Annual Report as of December 31, 2010 and in this Interim Group Report. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report.

Expectations for the Group.

We aim to achieve organic revenue growth with a broader revenue mix. Revenue in the new growth areas is expected to increase sharply in the next few years; these areas are mobile Internet, the connected home, Internet services, T-Systems (external revenue), and intelligent network solutions. In order to achieve these targets, we will invest further in next-generation technologies. In 2011 and 2012, for instance, in addition to expanding the fast broadband network in Germany, we intend to acquire high-performance mobile spectrum in other countries in Europe. We have set ourselves ambitious targets that will have a positive effect on profitability: In the second phase of the Save for Service program, costs are to be cut by a further EUR 4.2 billion by 2012 compared with their 2009 level. Also by 2012, return on capital employed (ROCE) throughout the Group is to increase by around 150 basis points.

We maintain our guidance for the Group as communicated. T-Mobile USA's profit/loss after taxes is included in aggregate form in the item "Discontinued operations" in the consolidated income statement as a consequence of the planned sale of the company to AT&T. This did not result in any change in the reporting of free cash flow and capital expenditure.

These changes affect the guidance set out in the 2010 Annual Report as the Group's adjusted EBITDA no longer includes T-Mobile USA's adjusted EBITDA. Adjusted for the change in the disclosure of T-Mobile USA, we expect to generate adjusted EBITDA of around EUR 14.9 billion in 2011. Without any change in reporting, we likewise expect free cash flow to remain stable or increase slightly in 2011 compared with 2010, at around EUR 6.5 billion (excluding the effects from the PTC transaction completed in January 2011, totaling EUR 0.4 billion) and capital expenditure to amount to around EUR 9 billion (before any investments in spectrum).

In 2012, we expect sustained high levels of adjusted EBITDA and free cash flow.

Despite high levels of investment in our future viability, we also want to remunerate our shareholders appropriately in 2011 and 2012, subject to the achievement of a corresponding level of unappropriated net income. A minimum dividend of EUR 0.70 per share is to be paid out to Deutsche Telekom AG shareholders. Including the share buy-backs to be carried out until 2012, this amounts to a total shareholder remuneration of EUR 3.4 billion per year.[2] The dual policy of dividend payments and share buy-back aims to ensure the cash inflow for our shareholders and also to support our share price.

We intend to continue leveraging international economies of scale and synergies in the future, through appropriate acquisitions in markets where we are already represented. There are no plans, however, for major acquisitions or expansion in emerging markets.

[1] The forecasts for the development of revenue and profits contain forward-looking statements that reflect management's current views with respect to future events. Words such as "assume," "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "plan," "project," "should," "want," and similar expressions identify forward-looking statements. These forward-looking statements include statements on the expected development of key performance indicators until 2012. Such statements are subject to risks and uncertainties, such as an economic downturn in Europe or North America, changes in exchange and interest rates, the outcome of disputes in which Deutsche Telekom is involved, and competitive and regulatory developments. Some uncertainties or other imponderabilities that might influence Deutsche Telekom's ability to achieve its objectives, are described in the "Risk and opportunities management" section in the combined management report and the disclaimer at the end of the Annual Report as well as in the "Risks and opportunities" section of this interim Group management report. Should these or other uncertainties and imponderabilities materialize or the assumptions underlying any of these statements prove incorrect, the actual results may be materially different from those expressed or implied by such statements. We do not guarantee that our forward-looking statements will prove correct. The forward-looking statements presented here are based on the current structure of the Group, without regard to significant acquisitions, dispositions, business combinations or joint ventures Deutsche Telekom may choose to undertake. These statements are made with respect to conditions as of the date of this document's publication. Without prejudice to existing obligations under capital market law, we do not intend or assume any obligation to update forward-looking statements.

[2] 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 and compliance with the requisite legal framework for a 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.

The general mood on the international financial markets in recent months was dominated by the international debt crisis, which causes difficulties for some countries to refinance their due debts on the international capital markets. Over the coming months, the performance of the financial markets is expected to depend largely on the implementation of suitable measures to tackle the debt crisis. The major Western industrialized countries will see their economic development slow down markedly in the coming months. While the emerging markets continue to record buoyant demand, this upward trend will lose further momentum. Overshadowed by the ongoing debt crisis and the possibility of a new banking crisis, the forecasts for the global economy's future development fluctuate widely. Governments, international organizations and economic researchers downgraded their forecasts in the course of 2011 considerably. The German government, for example, recently cut its economic forecast for Germany for 2012 from 1.8 percent to 1.0 percent. The OECD cut its forecast for 2012 for economic development in the euro zone from plus 2.0 percent to just plus 0.3 percent.

At the beginning of April 2011, Deutsche Telekom issued a five-year bond with a volume of USD 1.25 billion through its financing arm Deutsche Telekom International Finance B.V. We expect the financial markets to remain open to Deutsche Telekom for any further financing measures in 2011.

As of September 30, 2011, we had a comfortable liquidity reserve of EUR 12.7 billion. We also plan to maintain a liquidity reserve during the remainder of 2011 at a level that enables us to meet all maturities in the next 24 months.

As of September 30, 2011, the rating agencies Fitch, Moody's, and Standard & Poor's rated us as a solid investment-grade company at BBB+/Baa1/BBB+. All three agencies upgraded their outlook for our rating following the announcement of the sale of T-Mobile USA. Fitch and S&P both increased their outlook from stable to positive, while Moody's put our rating on a watchlist pending a possible upgrade. In order to retain secure access to the international financial markets in the future, a solid investment-grade rating also remains part of our financial strategy.

As the parent company of the Group, Deutsche Telekom AG continues to expect positive income after taxes for 2011 and 2012.

Expectations for the operating segments.

Germany.

In the next few years, we will focus our strategy on areas that form the basis of our successful German operations:

- First-class product and service quality for our customers
- LTE and fiber-optic roll-out – investment in broadband in Germany
- Entertain – innovative television and entertainment platform of the future
- Save for Service – we are making our Company fit for the future.

We expect revenue in the Germany operating segment to decrease in 2011, mainly as a consequence of regulatory intervention and our focus on high-value business. We intend to counter this decrease in the coming years by continuing the broadband roll-out, developing our mobile data business further, investing in intelligent and innovative network structures, developing our product portfolio further, and continually improving our service. All these activities are intended to contribute to stabilizing revenue in 2012, too. We expect adjusted EBITDA on a like-for-like basis to remain almost stable year-on-year in 2011 and 2012; and we expect the EBITDA margin to develop positively.

The fixed-network and broadband markets are almost saturated, however, and will be characterized by line losses. Nevertheless we will be able to maintain our market leadership. We intend to further establish our television service Entertain in the mass market, for example, by offering an extended range of 3D and HD programs. We are well prepared for intense competition in the German mobile communications market with our attractive calling plan structure. Our broad range of handsets includes innovative, high-class smartphones running all operating systems as well as the Apple iPhone with exclusive applications for our customers.

The Federal Network Agency has decided to reduce mobile call termination rates by almost 50 percent to 3.38 eurocents per minute. In addition, the Agency has lowered fixed-network interconnection rates by around 16 percent from July 1, 2011. These decisions will have a negative impact both on our fixed-network revenue and on our mobile service revenues.

We plan to invest more than EUR 10 billion in the Germany operating segment between 2010 and 2012, concentrating on our strategic growth and innovation areas, such as our fixed-network and mobile network infrastructures, to respond to our customers' increasing need for bandwidth. We have been rolling out our LTE sites in rural areas since 2010. The roll-out of optical fiber will also play an ever increasing role in the next few years, following a number of successful pilot projects.

Europe.

In the Europe operating segment, we intend to continue to defend our strong market position and expand our market shares in some countries. In line with our strategy of connected life, we aim to win over our consumers and business customers with new, intelligent handsets and attractive rate plans. Moreover, we intend to improve our range of innovative data and content services for smartphones and laptops. In countries where we offer both fixed-network and mobile services, we will push our product portfolio by increasing the number of innovative bundled offers. IPTV and satellite TV will be important elements of this strategy. Intelligent ICT solutions will also become more important in the Europe operating segment as part of our "connected work" strategy.

In order to strengthen our competitiveness, we will focus our capital expenditure on upgrading the network infrastructure. In mobile communications, we will concentrate our efforts on introducing LTE as the fourth-generation mobile technology in Austria and various other countries in our Europe segment. In Croatia, for example, selected customers have been given the opportunity to test the LTE network under real-life conditions. At the same time, capital expenditures are planned to build out the UMTS networks and modernize them with high-speed HSPA+-technology and to upgrade the GSM networks. More investments are to be made in the fixed network to increase broadband coverage. Further investments are planned to improve customer service and make processes more efficient.

The overall economic situation in the Europe operating segment remains tense. In Greece and Romania in particular, we expect the economic situation to remain critical this year. We expect a highly volatile future development in the overall macroeconomic environment in Greece in particular. On top of that, we continue to fight intense competition and the associated price erosion. Regulatory measures and changes in legislation (e.g., as part of government austerity programs) could have a negative impact on revenue and earnings. In Hungary, for example, the special tax for large corporations in the trade, energy, and telecommunications sector passed in October 2010 will continue to reduce revenue and earnings and limit investment potential in the country this year, too. In addition, exchange rate effects could adversely affect earnings on a euro basis. On the other hand, cost-cutting measures and strategic initiatives, some of them part of the Save for Service program, should partially offset any negative effects. We will continue to increase productivity by cutting costs, which will entail further headcount reductions in some of the countries in our segment. We also intend to look into the possibility of more network cooperations with competitors in the countries of our Europe operating segment. Following Poland with PTK Centertel, we now also have an agreement with Telefónica O_2 in the Czech Republic for shared use of the 3G network.

Based on these general parameters, we expect revenue and adjusted EBITDA in the Europe operating segment – adjusted for the effect from the establishment of the Everything Everywhere joint venture in the United Kingdom – to decline year-on-year in 2011. In 2012, we expect the decline in revenue and adjusted EBITDA to slow compared with 2011.

United States.

On March 20, 2011, Deutsche Telekom AG and AT&T Inc., Dallas, United States (AT&T) entered into an agreement on the sale of T-Mobile USA (United States operating segment) to AT&T. The agreement provides for a purchase price of USD 39 billion, consisting of USD 25 billion in cash and approximately USD 14 billion of the AT&T common stock. AT&T has the right to increase the cash portion of the purchase price by up to USD 4.2 billion and to decrease the number of AT&T shares correspondingly. The final purchase price remains subject to certain contractually agreed conditions. The development of the exchange rate of the U.S. dollar against the euro will also affect the valuation of the transaction in euros.

As a result of this agreement, Deutsche Telekom recognizes the assets of T-Mobile USA (United States operating segment) and the directly associated liabilities in the consolidated statement of financial position as held for sale. The discontinued operation's profit/loss after taxes is shown in aggregate form in the consolidated income statement as profit/loss from discontinued operations. Upon closing of the transaction, Deutsche Telekom will deconsolidate the assets and the liabilities directly associated with T-Mobile USA. Any gains or losses arising from the deconsolidation will have to be recognized in profit/loss.

The U.S. Department of Justice (DOJ) initiated legal proceedings against the transaction at the U.S. District Court in Washington, District of Columbia. The successful closing of the sale of T-Mobile USA to AT&T is therefore subject to rejection of the case by the court or a settlement. The judge assigned to the case has set the start of the hearing for February 13, 2012. Sprint Nextel Corporation und Cellular South, Inc. have also filed complaints against the transaction in the same U.S. District Court. On November 2, 2011, the judge decided to partially allow the complaints to go forward in selected areas, however no trial date has been set. The review by the Federal Communications Commission (FCC) is continuing at the same time. We remain confident that the transaction can be closed in the first half of 2012.

For further explanation of the agreement and the conditions that may lead to adjustment of the purchase price, please refer to the interim consolidated financial statements.

Systems Solutions.

T-Systems continues to focus on the growing ICT services market where it provides solutions for corporate customers. Demand for international ICT solutions is increasing – not least as a result of the further globalization of corporations. Drawing on a global infrastructure of data centers and networks, T-Systems manages information and communication services for some 400 corporate customers, including multinational corporations and public-sector and public-health institutions. On this basis, our corporate customers arm provides integrated solutions for the networked future of business and society. We laid the foundations for our revenue development over the next few years with the deals concluded in recent quarters. It nevertheless remains to be seen how T-Systems' business will develop in the current economic environment.

We will continue on the path we have taken to reduce our costs. Cost-cutting measures are already showing effects and will continue. Earnings are being negatively impacted by increased contract-related expenses, such as for the successful migration of the customer infrastructure to T-Systems' operational business, start-up expenses for new contracts, and the development of new business areas, such as intelligent networks. Taking into account the measures described, we therefore expect revenue to increase slightly and adjusted EBITDA to remain slightly below the prior-year level in 2011, and revenue to improve marginally and a stable development in adjusted EBITDA in the operating segment in 2012.

Group Headquarters & Shared Services.

In the 2011 financial year, we expect adjusted EBITDA at Group Headquarters & Shared Services to be at approximately the same level as in the prior year. Adjusted EBITDA will be impacted in particular by expenditure at Group Headquarters and staff restructuring activities at Vivento. This will be contrasted by higher earnings contributions from Shared Services.

Save for Service program.

We have set ourselves ambitious targets that have a positive effect on profitability: In the second phase of the Save for Service program, costs are to be cut by a further EUR 4.2 billion by 2012 compared with their 2009 level.

Interim consolidated financial statements.
Consolidated statement of financial position.

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Sept. 30, 2010[a] millions of €
Assets					
Current assets	**50,086**	**15,243**	**34,843**	**n. a.**	**13,918**
Cash and cash equivalents	2,130	2,808	(678)	(24.1)	2,074
Trade and other receivables	4,649	6,889	(2,240)	(32.5)	7,080
Current recoverable income taxes	119	224	(105)	(46.9)	221
Other financial assets	2,276	2,372	(96)	(4.0)	1,525
Inventories	779	1,310	(531)	(40.5)	1,293
Non-current assets and disposal groups held for sale	38,846	51	38,795	n. a.	75
Other assets	1,287	1,589	(302)	(19.0)	1,650
Non-current assets	**74,527**	**112,569**	**(38,042)**	**(33.8)**	**113,849**
Intangible assets	28,337	53,807	(25,470)	(47.3)	53,702
Property, plant and equipment	33,780	44,298	(10,518)	(23.7)	44,312
Investments accounted for using the equity method	6,665	7,242	(577)	(8.0)	7,601
Other financial assets	2,267	1,695	572	33.7	2,609
Deferred tax assets	3,184	5,129	(1,945)	(37.9)	5,208
Other assets	294	398	(104)	(26.1)	417
Total assets	**124,613**	**127,812**	**(3,199)**	**(2.5)**	**127,767**
Liabilities and shareholders' equity					
Current liabilities	**34,585**	**26,452**	**8,133**	**30.7**	**25,288**
Financial liabilities	11,959	11,689	270	2.3	11,014
Trade and other payables	4,226	6,750	(2,524)	(37.4)	5,962
Income tax liabilities	280	545	(265)	(48.6)	693
Other provisions	2,548	3,193	(645)	(20.2)	3,098
Liabilities directly associated with non-current assets and disposal groups held for sale	11,644	–	11,644	n. a.	–
Other liabilities	3,928	4,275	(347)	(8.1)	4,521
Non-current liabilities	**49,338**	**58,332**	**(8,994)**	**(15.4)**	**59,080**
Financial liabilities	37,816	38,857	(1,041)	(2.7)	39,159
Provisions for pensions and other employee benefits	6,431	6,373	58	0.9	6,871
Other provisions	1,719	1,628	91	5.6	1,772
Deferred tax liabilities	814	7,635	(6,821)	(89.3)	7,605
Other liabilities	2,558	3,839	(1,281)	(33.4)	3,673
Liabilities	**83,923**	**84,784**	**(861)**	**(1.0)**	**84,368**
Shareholders' equity	**40,690**	**43,028**	**(2,338)**	**(5.4)**	**43,399**
Issued capital	11,063	11,063	0	0.0	11,165
Treasury shares	(6)	(5)	(1)	(20.0)	(5)
	11,057	**11,058**	**(1)**	**0.0**	**11,160**
Capital reserves	51,506	51,635	(129)	(0.2)	51,532
Retained earnings including carryforwards	(25,584)	(24,355)	(1,229)	(5.0)	(24,341)
Total other comprehensive income	7	(2,017)	2,024	n. a.	(2,363)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	(3,040)	–	(3,040)	n. a.	–
Net profit (loss)	1,897	1,695	202	11.9	2,209
Issued capital and reserves attributable to owners of the parent	**35,843**	**38,016**	**(2,173)**	**(5.7)**	**38,197**
Non-controlling interests	4,847	5,012	(165)	(3.3)	5,202
Total shareholders' equity and liabilities	**124,613**	**127,812**	**(3,199)**	**(2.5)**	**127,767**

[a] Figures as of September 30, 2010 adjusted to measurement and disclosure at year-end.

Consolidated income statement.

	Q3 2011 millions of €	Q3 2010[a,b] millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010[a,b] millions of €	Change %	FY 2010[b] millions of €
Continuing operations							
Net revenue	**10,990**	**11,461**	**(4.1)**	**32,788**	**34,809**	**(5.8)**	**46,346**
Cost of sales	(6,269)	(6,549)	4.3	(19,140)	(20,026)	4.4	(27,052)
Gross profit	**4,721**	**4,912**	**(3.9)**	**13,648**	**14,783**	**(7.7)**	**19,294**
Selling expenses	(2,271)	(2,359)	3.7	(6,990)	(7,274)	3.9	(9,873)
General and administrative expenses	(1,141)	(1,069)	(6.7)	(3,437)	(3,341)	(2.9)	(4,672)
Other operating income	284	366	(22.4)	867	1,008	(14.0)	1,444
Other operating expenses	(156)	(386)	59.6	(613)	(1,114)	45.0	(2,778)
Profit from operations	**1,437**	**1,464**	**(1.8)**	**3,475**	**4,062**	**(14.5)**	**3,415**
Finance costs	(574)	(673)	14.7	(1,743)	(1,914)	8.9	(2,499)
Interest income	62	67	(7.5)	195	285	(31.6)	346
Interest expense	(636)	(740)	14.1	(1,938)	(2,199)	11.9	(2,845)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(16)	(53)	69.8	(33)	(76)	56.6	(56)
Other financial income (expense)	36	(25)	n. a.	(175)	(130)	(34.6)	(248)
Profit (loss) from financial activities	**(554)**	**(751)**	**26.2**	**(1,951)**	**(2,120)**	**8.0**	**(2,803)**
Profit (loss) before income taxes	**883**	**713**	**23.8**	**1,524**	**1,942**	**(21.5)**	**612**
Income taxes	(282)	67	n. a.	(480)	(503)	4.6	(189)
Profit (loss) after taxes from continuing operations	**601**	**780**	**(22.9)**	**1,044**	**1,439**	**(27.4)**	**423**
Discontinued operations							
Profit (loss) after taxes from discontinued operations	**597**	**309**	**93.2**	**1,168**	**1,013**	**15.3**	**1,337**
Profit (loss)	**1,198**	**1,089**	**10.0**	**2,212**	**2,452**	**(9.8)**	**1,760**
Profit (loss) attributable to	1,198	1,089	10.0	2,212	2,452	(9.8)	1,760
Owners of the parent (net profit (loss))	1,069	933	14.6	1,897	2,209	(14.1)	1,695
Non-controlling interests	129	156	(17.3)	315	243	29.6	65

[a] Figures for prior-year periods adjusted to measurement and disclosure at year-end.
[b] Figures for prior-year periods adjusted, as T-Mobile USA is reported as a discontinued operation.

Earnings per share of owners of the parent.

		Q3 2011	Q3 2010[a]	Change %	Q1 – Q3 2011	Q1 – Q3 2010[a]	Change %	FY 2010
Earnings per share from continuing operations								
Basic/diluted	€	0.11	0.16	(31.3)	0.17	0.28	(39.3)	0.08
Earnings per share from discontinued operations								
Basic/diluted	€	0.14	0.06	n. a.	0.27	0.23	17.4	0.31
Earnings per share (total)								
Basic/diluted	€	0.25	0.22	13.6	0.44	0.51	(13.7)	0.39

[a] Figures for prior-year periods adjusted to measurement and disclosure at year-end.

Consolidated statement of comprehensive income.

	Q3 2011 millions of €	Q3 2010[a] millions of €	Change millions of €	Q1 – Q3 2011 millions of €	Q1 – Q3 2010[a] millions of €	Change millions of €	FY 2010 millions of €
Profit (loss)	**1,198**	**1,089**	**109**	**2,212**	**2,452**	**(240)**	**1,760**
Actuarial gains and losses on defined benefit pension plans	(285)	(298)	13	42	(595)	637	(32)
Revaluation due to business combinations	0	0	0	0	(1)	1	(2)
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	0	2,151	(2,151)	2,151
Change in other comprehensive income (not recognized in income statement)	732	(2,141)	2,873	(678)	1,355	(2,033)	1,547
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	214	0	214	224	(5)	229	(3)
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	(64)	0	(64)	36	0	36	0
Change in other comprehensive income (not recognized in income statement)	(580)	(100)	(480)	(608)	(84)	(524)	58
Share of profit (loss) of investments accounted for using the equity method	(11)	12	(23)	12	0	12	28
Other income and expense recognized directly in equity	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	269	110	159	139	195	(56)	(5)
Other comprehensive income	**275**	**(2,417)**	**2,692**	**(833)**	**3,016**	**(3,849)**	**3,742**
Total comprehensive income	**1,473**	**(1,328)**	**2,801**	**1,379**	**5,468**	**(4,089)**	**5,502**
Total comprehensive income attributable to	1,473	(1,328)	2,801	1,379	5,468	(4,089)	5,502
Owners of the parent	1,285	(1,528)	2,813	972	5,229	(4,257)	5,443
Non-controlling interests	188	200	(12)	407	239	168	59

[a] Figures for prior-year periods adjusted to measurement and disclosure at year-end.

Consolidated statement of changes in equity.

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)[a]
	millions of €	millions of €	millions of €	millions of €	millions of €
Balance at January 1, 2010	**11,165**	**(5)**	**51,530**	**(20,951)**	**353**
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				353	(353)
Dividends				(3,386)	
Proceeds from the exercise of stock options			2		
Share buy-back		0		(2)	
Profit (loss)					2,209
Other comprehensive income				(414)	
Transfer to retained earnings				59	
Balance at September 30, 2010	**11,165**	**(5)**	**51,532**	**(24,341)**	**2,209**
Balance at January 1, 2011	**11,063**	**(5)**	**51,635**	**(24,355)**	**1,695**
Changes in the composition of the Group			(131)		
Unappropriated profit (loss) carried forward				1,695	(1,695)
Dividends				(3,011)	
Proceeds from the exercise of stock options			2		
Share buy-back		(1)		(2)	
Profit (loss)					1,897
Other comprehensive income				25	
Transfer to retained earnings				64	
Balance at September 30, 2011	**11,063**	**(6)**	**51,506**	**(25,584)**	**1,897**

[a] Figures as of September 30, 2010 adjusted to measurement and disclosure at year-end.

Issued capital and reserves attributable to owners of the parent						Total[a]	Non-controlling interests	Total shareholders' equity[a]
Total other comprehensive income								
Translation of foreign operations[a]	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Other comprehensive income	Taxes			
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
(6,577)	**118**	**(3)**	**1,037**	**0**	**(313)**	**36,354**	**5,583**	**41,937**
						0	(23)	(23)
						0		0
						(3,386)	(600)	(3,986)
						2	3	5
						(2)		(2)
						2,209	243	2,452
3,501	(1)	(3)	(84)		21	3,020	(4)	3,016
	(59)					0		0
(3,076)	**58**	**(6)**	**953**	**0**	**(292)**	**38,197**	**5,202**	**43,399**
(2,843)	**37**	**(4)**	**1,122**	**0**	**(329)**	**38,016**	**5,012**	**43,028**
(1)	(1)					(133)	(77)	(210)
						0		0
						(3,011)	(497)	(3,508)
						2	2	4
						(3)		(3)
						1,897	315	2,212
(647)		96	(562)		163	(925)	92	(833)
	(64)					0		0
(3,491)	**(28)**	**92**	**560**	**0**	**(166)**	**35,843**	**4,847**	**40,690**

Consolidated statement of cash flows.

	Q3 2011 millions of €	Q3 2010[a,b] millions of €	Q1 – Q3 2011 millions of €	Q1 – Q3 2010[a,b] millions of €	FY 2010 millions of €
Profit (loss)	**1,198**	**1,089**	**2,212**	**2,452**	**1,760**
Depreciation, amortization and impairment losses	2,261	2,820	7,138	8,249	11,808
Income tax expense (benefit)	684	101	1,491	1,109	935
Interest income and interest expense	573	673	1,745	1,914	2,500
Other financial (income) expense	(83)	25	131	133	253
Share of (profit) loss of associates and joint ventures accounted for using the equity method	19	53	40	73	57
(Profit) loss on the disposal of fully consolidated subsidiaries	0	(5)	0	351	349
Other non-cash transactions	(2)	(52)	46	(7)	(21)
(Gain) loss from the disposal of intangible assets and property, plant and equipment	17	11	35	51	90
Change in assets carried as working capital	152	76	411	(452)	(243)
Change in provisions	91	38	232	(504)	(68)
Change in other liabilities carried as working capital	(499)	(379)	(1,143)	(311)	(209)
Income taxes received (paid)	(172)	(171)	(561)	(658)	(819)
Dividends received	237	9	510	11	412
Net payments from entering into or canceling interest rate swaps	0	229	0	256	265
Cash generated from operations	**4,476**	**4,517**	**12,287**	**12,667**	**17,069**
Interest paid	(918)	(831)	(2,818)	(2,752)	(3,223)
Interest received	186	157	538	641	885
Net cash from operating activities	**3,744**	**3,843**	**10,007**	**10,556**	**14,731**
Of which: from discontinued operations	**999**	**967**	**2,925**	**3,172**	**4,144**
Cash outflows for investments in					
Intangible assets	(410)	(374)	(1,134)	(2,274)	(2,978)
Property, plant and equipment	(1,767)	(1,662)	(5,042)	(5,037)	(6,873)
Non-current financial assets	(36)	(70)	(126)	(976)	(997)
Investments in fully consolidated subsidiaries and business units	(400)	(17)	(1,239)	(415)	(448)
Proceeds from disposal of					
Intangible assets	3	17	11	23	26
Property, plant and equipment	73	58	229	242	318
Non-current financial assets	10	131	56	153	162
Investments in fully consolidated subsidiaries and business units	5	1	5	4	4
Net change in short-term investments and marketable securities and receivables	(166)	(137)	128	619	491
Other	2	0	39	(416)	(416)
Net cash used in investing activities	**(2,686)**	**(2,053)**	**(7,073)**	**(8,077)**	**(10,711)**
Of which: from discontinued operations	**(512)**	**(495)**	**(1,526)**	**(1,507)**	**(2,101)**
Proceeds from issue of current financial liabilities	23,412	10,765	54,236	29,127	30,046
Repayment of current financial liabilities	(25,194)	(13,642)	(56,922)	(33,269)	(34,762)
Proceeds from issue of non-current financial liabilities	301	1,537	3,282	2,820	3,219
Repayment of non-current financial liabilities	(2)	(10)	(48)	(146)	(149)
Dividends	(104)	(145)	(3,521)	(3,989)	(4,003)
Share buy-back	(2)	(2)	(3)	(2)	(400)
Repayment of lease liabilities	(39)	(36)	(117)	(105)	(139)
Other	0	0	(187)	(8)	(181)
Net cash used in financing activities	**(1,628)**	**(1,533)**	**(3,280)**	**(5,572)**	**(6,369)**
Of which: from discontinued operations	**0**	**(42)**	**1**	**(42)**	**(42)**
Effect of exchange rate changes on cash and cash equivalents	31	(22)	(20)	145	50
Changes in cash and cash equivalents associated with assets and disposal groups held for sale	(75)	0	(312)	0	85
Net increase (decrease) in cash and cash equivalents	**(614)**	**235**	**(678)**	**(2,948)**	**(2,214)**
Cash and cash equivalents, at the beginning of the period	**2,744**	**1,839**	**2,808**	**5,022**	**5,022**
Cash and cash equivalents, at the end of the period	**2,130**	**2,074**	**2,130**	**2,074**	**2,808**

Significant events and transactions.

Accounting policies.

In accordance with § 37x (3) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Deutsche Telekom AG's quarterly financial report comprises interim consolidated financial statements and an interim management report for the Group. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the applicable provisions of the WpHG.

Statement of compliance.

The interim consolidated financial statements for the period ended September 30, 2011 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2010. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations, financial position and cash flows of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2010 for the accounting policies applied for the Group's financial reporting.

The United States operating segment (T-Mobile USA) is reported as a discontinued operation as at September 30, 2011. The consolidated income statement has been adjusted accordingly with retroactive effect. For a more detailed explanation, please refer to the section "Selected notes to the consolidated statement of financial position."

Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period.

In October 2009, the IASB issued an amendment to **IAS 32 "Financial Instruments: Presentation."** The European Union endorsed this amendment in December 2009. This amendment clarifies the classification of rights issues as equity or liabilities when the rights are denominated in a currency other than the issuer's functional currency. Previously, such rights issues had been accounted for as derivative liabilities. The amendment requires that if such rights are issued pro rata to an entity's shareholders for a fixed amount of currency, they are to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for financial years beginning on or after February 1, 2010. The amendment did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In November 2009, the IASB issued an amendment to its requirements on accounting for pension plans. The European Union endorsed the amendment in July 2010. The amendment is to **IFRIC 14 "Prepayments of a Minimum Funding Requirement,"** which is an interpretation of IAS 19 "Employee Benefits." The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements. It permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of January 1, 2011. Retrospective adoption is required. The adoption of IFRIC 14 did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In November 2009, the IASB issued the interpretation **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments."** The European Union endorsed IFRIC 19 in July 2010. The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to settle the financial liabilities fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability fully or partially. In addition, these equity instruments are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement amount of the equity instruments issued is included in the entity's profit/loss for the period. The interpretation is effective for financial years beginning on or after July 1, 2010. The adoption of IFRIC 19 did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

In May 2010, the IASB published pronouncements as part of its third **"Annual Improvements Project"** containing amendments to six standards and one interpretation. The European Union endorsed the amendments in February 2011. They do not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows and are effective for financial years beginning on or after January 1, 2011.

[a] Figures for prior-year periods adjusted to measurement and disclosure at year-end.
[b] Figures for prior-year periods adjusted to reflect the change in the reporting of the acquisition of LTE licenses (spectrum).

Changes in the composition of the Group.

Deutsche Telekom lost control over T-Mobile UK as of April 1, 2010 due to the merger of T-Mobile UK and Orange UK into a joint venture company under the name Everything Everywhere. Instead, the joint venture is included in the consolidated statement of financial position under investments accounted for using the equity method and reported in the Europe operating segment. This imposes certain limits on the comparability of the interim consolidated financial statements and the disclosures under segment reporting.

The following table shows the effect of changes in the composition of the Group on the consolidated income statement and segment reporting for the first nine months of 2011:

	Europe millions of €	Reconciliation millions of €	**Total millions of €**
Net revenue	(782)	24	(758)
Cost of sales	410	(24)	386
Gross profit (loss)	**(372)**	**0**	**(372)**
Selling expenses	205	–	205
General and administrative expenses	5	(1)	4
Other operating income	(3)	14	11
Other operating expenses	(6)	(10)	(16)
Profit (loss) from operations	**(171)**	**3**	**(168)**
Finance costs	228	20	248
Share of profit (loss) of associates and joint ventures accounted for using the equity method	–	–	–
Other financial income (expense)	6	–	6
Profit (loss) from financial activities	**234**	**20**	**254**
Profit (loss) before income taxes	**63**	**23**	**86**
Income taxes	–	(6)	(6)
Profit (loss)	**63**	**17**	**80**

Selected notes to the consolidated statement of financial position.

Cash and cash equivalents.

Cash and cash equivalents decreased from EUR 2.8 billion to EUR 2.1 billion as of September 30, 2011.

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

Non-current assets and disposal groups held for sale.

As of September 30, 2011, current assets recognized in the consolidated statement of financial position included EUR 38.8 billion in non-current assets and disposal groups held for sale as well as directly associated liabilities of EUR 11.6 billion.

United States operating segment (T-Mobile USA).

On March 20, 2011, Deutsche Telekom AG and AT&T Inc., Dallas, United States (AT&T) entered into an agreement on the sale of T-Mobile USA to AT&T.

The agreement provides for a purchase price of USD 39 billion, consisting of USD 25 billion in cash and approximately USD 14 billion of the AT&T common stock. The exact number of shares of common stock is linked to a number of parameters. Firstly, the price of the AT&T shares will be determined prior to the closing of the transaction using a contractually agreed method. In any event, the number of shares of common stock will be computed using a price of not less than USD 26.0165 and not more than USD 30.2354. Secondly, the following key parameters could have a negative effect on the exact number of shares of common stock to be received: the amount of T-Mobile USA's indebtedness as of the date of the closing of the transaction, certain divestiture and regulatory costs and any distributions to Deutsche Telekom in excess of agreed amounts of T-Mobile USA cash flow. In addition, AT&T has the right to increase the cash portion of the purchase price by up to USD 4.2 billion and instead to decrease the number of shares of common stock to be issued. However, Deutsche Telekom will receive no less than 5.0 percent of AT&T's shares under the transaction. The agreement between the two companies furthermore provides for Deutsche Telekom to be granted a seat on the board of AT&T in the future.

The purchase agreement stipulates that T-Mobile USA is to be transferred free of debt upon closing of the transaction. As of September 30, 2011, the Group-internal financing relationships between T-Mobile USA and Deutsche Telekom totaled EUR 12.1 billion.

The transaction is still subject to approval by the Federal Communications Commission (FCC). The U.S. Department of Justice (DOJ) initiated legal proceedings against the transaction at the U.S. District Court in Washington, District of Columbia. The closing of the sale of T-Mobile USA to AT&T is therefore subject to the rejection of the case by the court or a settlement. The judge assigned to the case has set the start of the hearing for February 13, 2012. Sprint Nextel Corporation und Cellular South, Inc. have also filed complaints against the transaction in the same U.S. District Court. On November 2, 2011, the judge decided to partially allow the complaints to go forward in selected areas, however no trial date has been set. The review by the FCC is continuing at the same time. Deutsche Telekom remains confident that the transaction can be closed in the first half of 2012.

As a result of this agreement, Deutsche Telekom recognizes T-Mobile USA's assets and the directly associated liabilities in the consolidated statement of financial position as held for sale. The discontinued operation's profit/loss after taxes is shown in aggregate form in the consolidated income statement as profit/loss from discontinued operations. The prior-year figures in the consolidated income statement have been adjusted accordingly with retroactive effect. T-Mobile USA's assets and the directly associated liabilities are measured at the lower of carrying amount and fair value less costs to sell. If the fair value less costs to sell is lower than the carrying amount, the difference must be recognized as an impairment loss. As of September 30, 2011, there were no indications that would have resulted in impairment.

Upon closing of the transaction, Deutsche Telekom will deconsolidate the assets and the liabilities directly associated with T-Mobile USA. In addition to the assets and liabilities disclosed in the table on the following page, T-Mobile USA accounted for EUR -3.0 billion of total other comprehensive income in shareholders' equity as of September 30, 2011.

The following table shows the carrying amounts of the major classes of assets and liabilities classified as held for sale:

	T-Mobile USA discontinued operation millions of €	Other millions of €	Sept. 30, 2011 millions of €
Current assets	3,097	–	3,097
Trade and other receivables	1,966	–	1,966
Other current assets	1,131	–	1,131
Non-current assets	35,699	50	35,749
Intangible assets	24,230	–	24,230
Property, plant and equipment	9,327	50	9,377
Other non-current assets	2,142	–	2,142
Non-current assets and disposal groups held for sale	**38,796**	**50**	**38,846**
Current liabilities	2,420	–	2,420
Trade and other payables	1,283	–	1,283
Other current liabilities	1,137	–	1,137
Non-current liabilities	9,224	–	9,224
Deferred tax liabilities	7,795	–	7,795
Other non-current liabilities	1,429	–	1,429
Liabilities directly associated with non-current assets and disposal groups held for sale	**11,644**	**–**	**11,644**

Furthermore, obligations from operating leases totaling EUR 12.1 billion existed at T-Mobile USA at the reporting date that are no longer included in future obligations from the Group's operating leases.

Intangible assets and property, plant and equipment.

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Sept. 30, 2010 millions of €
Intangible assets	28,337	53,807	(25,470)	(47.3)	53,702
Of which: UMTS licenses	5,597	6,055	(458)	(7.6)	6,208
Of which: U.S. mobile communications licenses	0	18,442	(18,442)	n. a.	18,085
Of which: goodwill	15,499	20,521	(5,022)	(24.5)	20,831
Property, plant and equipment	33,780	44,298	(10,518)	(23.7)	44,312

The EUR 25.5 billion or 47.3-percent decrease in intangible assets compared with the end of 2010 was mainly the result of the following effects: The assets of the United States operating segment (T-Mobile USA) were reported as held for sale as of March 31, 2011 with a carrying amount of EUR 22.7 billion and are therefore no longer included in intangible assets. Of this, EUR 17.4 billion was attributable to FCC licenses and EUR 4.5 billion to goodwill. Exchange rate effects of EUR 1.7 billion, mainly from the effects of translation of U.S. dollars into euros, and amortization of EUR 2.2 billion also contributed to the decrease in intangible assets. Additions of EUR 1.2 billion (including the adjustment to the carrying amount of the OTE put option II) partially offset the decrease in the carrying amounts.

The purchase price allocation for ClickandBuy was finalized in the first quarter of 2011, resulting in goodwill from ClickandBuy of EUR 76 million.

The aforementioned change in disclosure also had a significant impact on property, plant and equipment. As of March 31, 2011, property, plant and equipment with a carrying amount of EUR 8.2 billion was reported as held for sale and is therefore no longer included in this item. The figure was also reduced by depreciation and impairment losses of EUR 4.9 billion and exchange rate effects of EUR 0.7 billion, especially from the translation of U.S. dollars into euros. This was partially offset by additions of EUR 3.6 billion.

Additions to assets.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Additions to assets	1,652	3,433	(51.9)	4,748	7,190	(34.0)	10,760
Intangible assets	408	1,689	(75.8)	1,113	2,342	(52.5)	3,520
Property, plant and equipment	1,244	1,744	(28.7)	3,635	4,848	(25.0)	7,240

Investments in intangible assets decreased by EUR 1.2 billion year-on-year in the first nine months of 2011. The figure for the prior-year period had included mobile spectrum purchased for an amount of EUR 1.3 billion.

The decrease of EUR 1.2 billion in additions to property, plant and equipment was mainly attributable to the disclosure of assets of T-Mobile USA as held for sale. Additions in the second and third quarter of 2011 were no longer reported under additions to assets. Additions to assets in the first nine months of 2011 included additions of EUR 0.4 billion at T-Mobile USA in the first quarter of 2011, whereas in the prior-year period capital expenditure at T-Mobile USA had amounted to EUR 1.3 billion.

Investments accounted for using the equity method.

The carrying amount of investments accounted for using the equity method as of September 30, 2011 decreased by EUR 0.6 billion compared with December 31, 2010. This was attributable to a dividend of EUR 0.5 billion received from the Everything Everywhere joint venture.

Other financial assets.

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Sept. 30, 2010 millions of €
Other financial assets	4,543	4,067	476	11.7	4,134
Of which: current	2,276	2,372	(96)	(4.0)	1,525

Financial assets as of September 30, 2011 included an investment of EUR 0.4 billion (December 31, 2010: EUR 0.2 billion) in Telekom Srbija.

Financial liabilities.

The table below shows the composition and maturity structure of financial liabilities as of September 30, 2011.

	Sept. 30, 2011 millions of €	Due ≤ 1 year millions of €	Due > 1 years ≤ 3 years millions of €	Due > 3 years ≤ 5 years millions of €	Due > 5 years millions of €
Bonds and other securitized liabilities	37,803	7,397	9,319	7,409	13,678
Liabilities to banks	5,507	2,129	1,548	1,553	277
Lease liabilities	1,880	152	733	214	781
Liabilities to non-banks from promissory notes	1,178	0	164	434	580
Other interest-bearing liabilities	1,078	862	54	69	93
Other non-interest-bearing liabilities	1,188	1,159	14	13	2
Derivative financial liabilities	1,141	260	596	126	159
Financial liabilities	49,775	11,959	12,428	9,818	15,570

Treasury shares.

Up to September 30, 2011, Deutsche Telekom AG had purchased a total of 315,929 shares through the stock exchange.

In buying shares in the Company, the Board of Management of Deutsche Telekom AG was exercising the authorization granted by the shareholders' meeting on May 12, 2011.

As a result, the number of treasury shares increased to 2,197,437 as of September 30, 2011. The nominal amount totaling EUR 6 million was deducted from issued capital. The difference between the purchase price and the nominal amount (EUR 2 million) was offset against retained earnings.

Selected notes to the consolidated income statement.

Net revenue.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Net revenue	10,990	11,461	(4.1)	32,788	34,809	(5.8)	46,346

For details of changes in net revenue, please refer to the section "Development of business in the Group" in the interim Group management report.

Cost of sales.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Cost of sales	(6,269)	(6,549)	4.3	(19,140)	(20,026)	4.4	(27,052)

Cost of sales decreased by EUR 0.9 billion compared with the third quarter of 2010. This development was the result of the consolidation effect of EUR 0.4 billion described in the section "Changes in the composition of the Group" and of the reversal of a restructuring provision in the amount of EUR 0.1 billion. In addition, a write-off of receivables from the German Main Customs Office for the years 2005 to 2009 in the amount of EUR 0.1 billion was included in cost of sales in the prior-year period. In the first three quarters of 2011, by contrast, civil servant early retirement arrangements resulted in higher expenses of EUR 0.3 billion.

Selling expenses.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Selling expenses	(2,271)	(2,359)	3.7	(6,990)	(7,274)	3.9	(9,873)

Selling expenses were down EUR 0.3 billion compared with the prior-year period. The significant effects included were the change in the composition of the Group of EUR 0.2 billion described above and the offsetting effect of expenses for civil servant early retirement arrangements amounting to EUR 0.2 billion in the first three quarters of 2011.

General and administrative expenses.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
General and administrative expenses	(1,141)	(1,069)	(6.7)	(3,437)	(3,341)	(2.9)	(4,672)

General and administrative expenses in the first three quarters of 2011 included increased expenses for civil servant early retirement arrangements of EUR 0.2 billion.

Other operating income/expenses.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Other operating income	284	366	(22.4)	867	1,008	(14.0)	1,444
Other operating expenses	(156)	(386)	59.6	(613)	(1,114)	45.0	(2,778)

Other operating income remained essentially at the same level in the first three quarters of 2011 as in the prior-year period.

Other operating expenses decreased by EUR 0.5 billion year-on-year on account of the expenses of EUR 0.4 billion incurred in the prior-year period as a result of the deconsolidation of T-Mobile UK.

Profit/loss from financial activities.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Profit (loss) from financial activities	(554)	(751)	26.2	(1,951)	(2,120)	8.0	(2,803)
Finance costs	(574)	(673)	14.7	(1,743)	(1,914)	8.9	(2,499)
Interest income	62	67	(7.5)	195	285	(31.6)	346
Interest expense	(636)	(740)	14.1	(1,938)	(2,199)	11.9	(2,845)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(16)	(53)	69.8	(33)	(76)	56.6	(56)
Other financial income (expense)	36	(25)	n. a.	(175)	(130)	(34.6)	(248)

Loss from financial activities decreased by EUR 0.2 billion in the first three quarters compared with the prior-year period. This was due to a decrease in finance costs of EUR 0.2 billion.

Income taxes.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Income taxes	(282)	67	n. a.	(480)	(503)	4.6	(189)

Compared with the first three quarters of 2010, the decrease in income tax expense from continuing operations was relatively small in spite of a EUR 0.4 billion decline in profit before income taxes. This is mainly attributable to the lower tax rate in the prior-year period resulting from the first-time capitalization of deferred taxes of EUR 0.3 billion on temporary differences and tax loss carry-forwards in Europe. The loss resulting from the deconsolidation of T-Mobile UK, which had no tax effect, and a special tax imposed in Greece had an offsetting effect at the time but these effects were not as significant as that of the first-time capitalization of deferred taxes.

Profit/loss after taxes from discontinued operations.

The following table provides a breakdown of profit/loss from discontinued operations:

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Net revenue	**3,680**	**4,140**	**(11.1)**	**10,954**	**12,135**	**(9.7)**	**16,075**
Cost of sales	(1,536)	(2,296)	33.1	(5,105)	(6,495)	21.4	(8,673)
Gross profit (loss)	**2,144**	**1,844**	**16.3**	**5,849**	**5,640**	**3.7**	**7,402**
Selling expenses	(1,089)	(1,228)	11.3	(3,290)	(3,595)	8.5	(4,747)
General and administrative expenses	(118)	(141)	16.3	(435)	(433)	(0.5)	(580)
Other operating income	19	5	n. a.	28	37	(24.3)	54
Other operating expenses	(2)	(3)	33.3	(8)	(30)	73.3	(39)
Profit (loss) from operations	**954**	**477**	**n. a.**	**2,144**	**1,619**	**32.4**	**2,090**
Profit (loss) from financial activities	**45**	**0**	**n. a.**	**35**	**0**	**n. a.**	**(7)**
Profit (loss) before income taxes	**999**	**477**	**n. a.**	**2,179**	**1,619**	**34.6**	**2,083**
Income taxes	(402)	(168)	n. a.	(1,011)	(606)	(66.8)	(746)
Profit (loss) after taxes from discontinued operations	**597**	**309**	**93.2**	**1,168**	**1,013**	**15.3**	**1,337**

Income tax expense from discontinued operations increased year-on-year by EUR 0.4 billion, primarily due to the higher profit before income taxes in the current period. In addition, due to the classification of T-Mobile USA as a discontinued operation, deferred tax liabilities amounting to EUR 0.1 billion were recognized on the temporary differences for the first time in connection with the carrying amount of the investment.

Profit/loss from discontinued operations includes depreciation, amortization and impairment losses of EUR 0.5 billion (Q1 - Q3 2010: EUR 1.5 billion, FY 2010: EUR 2.1 billion) that are no longer included in the Group's depreciation, amortization and impairment losses.

Profit/loss from discontinued operations includes personnel costs of EUR 1.6 billion (Q1 - Q3 2010: EUR 1.6 billion, FY 2010: EUR 2.1 billion) that are no longer included in the Group's personnel costs.

Other disclosures.

Employees.

	Q3 2011	Q3 2010	Change %	Q1 – Q3 2011	Q1 – Q3 2010	Change %	FY 2010
Average number of employees	**238,985**	**250,829**	**(4.7)**	**241,845**	**253,814**	**(4.7)**	**252,494**
Domestic	122,989	127,021	(3.2)	123,156	127,540	(3.4)	126,952
International	115,996	123,808	(6.3)	118,689	126,274	(6.0)	125,542
Employees	214,425	222,836	(3.8)	216,745	225,288	(3.8)	224,428
Civil servants (domestic)	24,560	27,993	(12.3)	25,100	28,526	(12.0)	28,066
Trainees and students on cooperative degree courses	7,817	8,162	(4.2)	8,537	8,859	(3.6)	9,217
Personnel costs millions of €	**(2,924)**	**(3,098)**	**5.6**	**(9,602)**	**(9,407)**	**(2.1)**	**(12,988)**

Average headcount in Germany decreased by 3.4 percent, mainly due to workforce restructuring and reduction in the Germany operating segment and a reduction in Vivento's headcount at Group Headquarters & Shared Services. Average headcount outside Germany decreased by 6.0 percent. In the Europe operating segment, it declined due to the change in the composition of the Group explained under "Changes in the composition of the Group." Staff reduction programs implemented as a result of efficiency enhancement programs also contributed to the lower headcount. In the United States operating segment, fewer staff were employed in customer support and sales units in the first three quarters of 2011.

The average number of employees in the first three quarters of 2011 includes 35,121 employees (Q1 – Q3 2010: 37,946, FY 2010: 37,795) from discontinued operations.

Personnel costs increased by 2.1 percent to EUR 9.6 billion mainly as a result of the higher expenses for civil servant early retirement arrangements amounting to EUR 0.7 billion. This was partially offset by the aforementioned effects of the lower average headcount.

Personnel costs no longer include any amounts relating to T-Mobile USA.

Depreciation, amortization and impairment losses.

	Q3 2011 millions of €	Q3 2010 millions of €	Change %	Q1 – Q3 2011 millions of €	Q1 – Q3 2010 millions of €	Change %	FY 2010 millions of €
Amortization and impairment of intangible assets	(718)	(710)	(1.1)	(2,133)	(2,138)	0.2	(3,284)
Of which: mobile communications licenses	(207)	(187)	(10.7)	(595)	(558)	(6.6)	(743)
Of which: goodwill	–	–	–	–	–	–	(395)
Depreciation and impairment of property, plant and equipment	(1,543)	(1,558)	1.0	(4,542)	(4,575)	0.7	(6,460)
Total depreciation, amortization and impairment losses	(2,261)	(2,268)	0.3	(6,675)	(6,713)	0.6	(9,744)

Depreciation, amortization and impairment losses shown here no longer include the amounts from discontinued operations. The presentation has been adjusted with retroactive effect. The intangible assets and property, plant and equipment are shown in the statement of financial position as held for sale for the first time in the first quarter of 2011, which is why depreciation, amortization and impairment losses as shown here differ from the figures included in the statement of intangible assets and property, plant and equipment.

The level of depreciation, amortization and impairment losses remained almost unchanged compared with the first nine months of 2010.

Notes to the consolidated statement of cash flows.

Deutsche Telekom paid EUR 1.4 billion to Elektrim and Vivendi in the first quarter of 2011. This gave Deutsche Telekom full, undisputed ownership of PTC (PTC transaction). In accordance with the standards governing statements of cash flows, this total as of September 30, 2011 consisted of the following: EUR 0.4 billion net cash from operating activities, EUR 0.8 billion net cash used in investing activities and EUR 0.2 billion net cash used in financing activities.

Net cash from operating activities.

Net cash from operating activities decreased by EUR 0.5 billion year-on-year to EUR 10.0 billion in the first nine months of 2011. The decrease in cash generated from operations is the result of a number of factors, some of which offset each other. The following cash flows were the main contributors to this decrease: net cash from operating activities included cash outflows for the PTC transaction of EUR 0.4 billion in the first nine months of 2011 and cash inflows of EUR 0.3 billion from canceling interest rate swaps in the first nine months of 2010 for which there was no corresponding item in the current year; lower cash inflows from receivables sold (factoring) compared with the prior-year period amounting to EUR 0.2 billion, and lower interest received and higher interest paid totaling EUR 0.2 billion.

These effects were partially offset in particular by dividends received from the Everything Everywhere joint venture in the first nine months of 2011 amounting to EUR 0.5 billion and lower income tax payments of EUR 0.1 billion.

Net cash used in investing activities.

Net cash used in investing activities totaled EUR 7.1 billion as compared with EUR 8.1 billion in the same period of the previous year. This change was attributable to there having been the following cash outflows in the first nine months of 2010 with no comparable payments in the 2011 financial year: the acquisition of LTE licenses for EUR 1.3 billion, a bond issued by the Everything Everywhere joint venture for EUR 0.8 billion and the derecognition and related changes to cash and cash equivalents in connection with the deconsolidation of T-Mobile UK amounting to EUR 0.4 billion.

Cash outflows for the acquisition of companies, by contrast, increased by EUR 0.8 billion. While cash outflows of EUR 0.3 billion and EUR 0.1 billion were recorded for the acquisition of STRATO and ClickandBuy respectively in the prior-year period, the cash outflows relating to the PTC transaction in the first nine months of 2011 amounted to EUR 0.8 billion and those relating to the OTE put option II to EUR 0.4 billion in 2011.

The decrease of EUR 0.5 billion in cash inflows from the change in short-term investments and marketable securities and receivables was mainly attributable to the lower returns of collateral deposited for hedging and other transactions. In the prior-year period, cash collateral amounting to EUR 0.3 billion deposited in connection with the acquisition of STRATO was returned.

Net cash used in financing activities.

Net cash used in financing activities amounted to EUR 3.3 billion in the reporting period, compared with EUR 5.6 billion in the prior-year period.

This change was mostly attributable to EUR 1.5 billion lower net repayments of current financial liabilities and a EUR 0.6 billion higher net issuance of non-current financial liabilities compared with the prior year. There was also a year-on-year decrease of EUR 0.5 billion in the level of dividends paid in the first nine months of the year. Payments of EUR 0.2 billion relating to the PTC transaction, for which there were no comparable cash outflows in the prior-year period, had an offsetting effect.

The financial liabilities issued in the first nine months of 2011 mainly related to commercial paper for a net amount of EUR 3.5 billion, the utilization of credit facilities for EUR 1.2 billion by OTE, a eurobond issued by OTE for an amount of EUR 0.5 billion, a U.S. dollar bond for an amount of EUR 0.9 billion, a loan taken out with the EIB amounting to EUR 0.7 billion and current loans taken out with banks for EUR 0.4 billion. These issuances of financial liabilities were offset in the same period by repayments of eurobonds for an amount of EUR 4.9 billion, a medium-term note for an amount of EUR 0.8 billion, OTE medium-term notes for an amount of EUR 0.4 billion, a U.S. dollar bond for an amount of EUR 0.4 billion and funds from the joint venture in the United Kingdom amounting to EUR 0.3 billion net.

Segment reporting.

The following tables give an overall summary of Deutsche Telekom's operating segments and Group Headquarters & Shared Services for the third quarter and the first nine months of 2011 and 2010 as well as for the full 2010 financial year.

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

In addition to the disclosures included in the consolidated financial statements as at December 31, 2010 on products and services offered by the operating segments, the Europe operating segment also offers ICT services to business customers in individual national companies.

Segment information in the quarters.

Q3 2011 Q3 2010	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	**5,651**	**353**	**6,004**	**1,357**	**(1,115)**	**–**	**34,777**	**27**
	5,899	418	6,317	1,370	(1,026)	(9)	38,692	28
Europe	**3,695**	**178**	**3,873**	**551**	**(798)**	**(2)**	**40,429**	**6,589**
	3,951	172	4,123	622	(831)	(4)	46,754	7,488
United States	**3,680**	**3**	**3,683**	**976**	**–**	**–**	**39,527**	**25**
	4,140	3	4,143	476	(552)	–	37,458	30
Systems Solutions	**1,587**	**669**	**2,256**	**(62)**	**(160)**	**–**	**9,083**	**49**
	1,555	650	2,205	(25)	(151)	–	8,793	55
Group Headquarters & Shared Services	**57**	**490**	**547**	**(399)**	**(182)**	**(23)**	**101,985**	**–**
	56	511	567	(462)	(182)	(49)	110,684	–
Total from continuing and discontinued operations	**14,670**	**1,693**	**16,363**	**2,423**	**(2,255)**	**(25)**	**225,801**	**6,690**
	15,601	1,754	17,355	1,981	(2,742)	(62)	242,381	7,601
Reconciliation	**–**	**(1,693)**	**(1,693)**	**(32)**	**19**	**–**	**(101,188)**	**–**
	–	(1,754)	(1,754)	(40)	15	(31)	(114,614)	–
Consolidated total from continuing and discontinued operations	**14,670**	**–**	**14,670**	**2,391**	**(2,236)**	**(25)**	**124,613**	**6,690**
	15,601	–	15,601	1,941	(2,727)	(93)	127,767	7,601
Discontinued operations (United States)	**(3,680)**	**(3)**	**(3,683)**	**(976)**	**–**	**–**		**(25)**
	(4,140)	(3)	(4,143)	(476)	552	–		
Reconciliation	**–**	**3**	**3**	**22**	**–**	**–**		
	–	3	3	(1)	–	–		
Group total	**10,990**	**–**	**10,990**	**1,437**	**(2,236)**	**(25)**	**124,613**	**6,665**
	11,461	–	11,461	1,464	(2,175)	(93)	127,767	7,601

Segment information in the first nine months of 2011.

Q1 – Q3 2011 Q1 – Q3 2010	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	**16,938**	**1,046**	**17,984**	**3,455**	**(3,280)**	**(3)**	**34,777**	**27**
	17,509	1,194	18,703	3,868	(3,070)	(9)	38,692	28
Europe	**10,836**	**516**	**11,352**	**1,381**	**(2,375)**	**(6)**	**40,429**	**6,589**
	12,433	494	12,927	1,463	(2,574)	(12)	46,754	7,488
United States	**10,954**	**9**	**10,963**	**2,245**	**(463)**	**–**	**39,527**	**25**
	12,135	10	12,145	1,620	(1,535)	(1)	37,458	30
Systems Solutions	**4,841**	**1,951**	**6,792**	**(51)**	**(472)**	**–**	**9,083**	**49**
	4,697	1,881	6,578	49	(456)	–	8,793	55
Group Headquarters & Shared Services	**173**	**1,450**	**1,623**	**(1,365)**	**(530)**	**(58)**	**101,985**	**–**
	170	1,545	1,715	(1,253)	(522)	(78)	110,684	–
Total from continuing and discontinued operations	**43,742**	**4,972**	**48,714**	**5,665**	**(7,120)**	**(67)**	**225,801**	**6,690**
	46,944	5,124	52,068	5,747	(8,157)	(100)	242,381	7,601
Reconciliation	**–**	**(4,972)**	**(4,972)**	**(46)**	**49**	**–**	**(101,188)**	**–**
	–	(5,124)	(5,124)	(66)	40	(32)	(114,614)	–
Consolidated total from continuing and discontinued operations	**43,742**	**–**	**43,742**	**5,619**	**(7,071)**	**(67)**	**124,613**	**6,690**
	46,944	–	46,944	5,681	(8,117)	(132)	127,767	7,601
Discontinued operations (United States)	**(10,954)**	**(9)**	**(10,963)**	**(2,245)**	**463**	**–**		**(25)**
	(12,135)	(10)	(12,145)	(1,620)	1,535	1		
Reconciliation	**–**	**9**	**9**	**101**	**–**	**–**		
	–	10	10	1	–	–		
Group total	**32,788**	**–**	**32,788**	**3,475**	**(6,608)**	**(67)**	**124,613**	**6,665**
	34,809	–	34,809	4,062	(6,582)	(131)	127,767	7,601

Segment information for the 2010 financial year.

FY 2010	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	23,523	1,622	25,145	4,916	(4,178)	(15)	35,334	26
Europe	16,183	657	16,840	985	(3,453)	(704)	46,040	7,143
United States	16,075	12	16,087	2,092	(2,063)	(1)	38,316	24
Systems Solutions	6,411	2,646	9,057	44	(619)	(4)	8,855	49
Group Headquarters & Shared Services	229	1,937	2,166	(2,479)	(714)	(126)	107,357	–
Total from continuing and discontinued operations	**62,421**	**6,874**	**69,295**	**5,558**	**(11,027)**	**(850)**	**235,902**	**7,242**
Reconciliation	–	(6,874)	(6,874)	(53)	68	1	(108,090)	–
Consolidated total from continuing and discontinued operations	**62,421**	**–**	**62,421**	**5,505**	**(10,959)**	**(849)**	**127,812**	**7,242**
Discontinued operations (United States)	(16,075)	(12)	(16,087)	(2,092)	2,063	1		
Reconciliation	–	12	12	2	1	(1)		
Group total	**46,346**	**–**	**46,346**	**3,415**	**(8,895)**	**(849)**	**127,812**	**7,242**

Contingent liabilities.

This section provides additional information and explains recent changes in the contingencies as described in the consolidated financial statements for the 2010 financial year.

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. In 2011, these investigations were extended to include further proceedings against PTC. The UOKiK suspects the providers of illegal price fixing. The UOKiK also accuses PTC of infringing customer interests in various ways. PTC believes these allegations are unfounded. The outcome and any associated fine cannot be determined at present, nor is it clear how a potential fine would be set. In Poland, the maximum fine 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. The court hearing set for February 17, 2011 was postponed until May 30, 2013.

Eutelsat arbitration proceedings. On April 12, 2011, Deutsche Telekom AG received an application from Eutelsat S.A. for initiation of ICC arbitration proceedings against Deutsche Telekom AG and Media Broadcast GmbH. Eutelsat particularly requested clarification regarding a right of use of a certain orbit position to which Eutelsat believes it has a long-standing entitlement and the term of an agreement concluded between Deutsche Telekom AG and Eutelsat S.A. on the use of this orbit position by Eutelsat satellites. Furthermore, Eutelsat is asserting claims to various payments depending on the term of this agreement. Deutsche Telekom had transferred its satellite business to Media Broadcast GmbH, a company with which it is no longer associated. As part of this transaction, Deutsche Telekom AG indemnified the buyer of Media Broadcast GmbH against certain claims, some of which also relate to the agreements with Eutelsat. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

Patent disputes concerning mobile communications and ADSL.
Patent management company IPCom GmbH & Co. KG has initiated proceedings against Deutsche Telekom AG and individual members of the Board of Management of Deutsche Telekom AG and Telekom Deutschland GmbH for alleged infringement of patents that are supposedly essential to certain standards in the field of mobile communications. In addition to damages, IPCom is seeking abstention from the use of patents in connection with important mobile services, which could lead to their deactivation. Eight infringement proceedings relating to six different patents are currently pending. IPCom lost two of the proceedings on all counts in the court of first instance and has lodged an appeal in each case; others have been suspended. In the remaining cases, hearings will not take place until 2012. Several nullity suits and opposition proceedings are running in parallel to the infringement proceedings to review the validity of the patents that IPCom alleges have been infringed. Further rulings on the pending proceedings are not expected until 2012.

CIF Licensing LLC had initiated proceedings against Deutsche Telekom AG for alleged infringement of four patents relating to the use of ADSL devices and processes. After the German Federal Patent Court had declared two of the allegedly infringed patents void in the first instance following a nullity suit filed by Deutsche Telekom, CIF Licensing LLC and Deutsche Telekom signed a settlement on October 20, 2011 under the terms of which CIF Licensing LLC withdrew its infringement proceedings and Deutsche Telekom AG its nullity suits, and Deutsche Telekom AG was granted licenses to the contested patents.

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. As reported previously, Magyar Telekom's and Deutsche Telekom's legal representatives are currently in talks with the U.S. authorities (Department of Justice (DOJ) and Securities and Exchange Commission (SEC)) about the status of the investigation and the possibility of bringing the proceedings to a close. Magyar Telekom and Deutsche Telekom have already reached an agreement with the representatives of the SEC on the terms and conditions for bringing the proceedings to a close by way of settlement; these are still subject to the final approval by the SEC. A provision in the amount of EUR 69 million has been recognized by Magyar Telekom in light of the agreement and the continued discussions with the DOJ. The ultimate outcome of these ongoing negotiations cannot be foreseen. It is also not foreseeable at present whether the U.S. authorities will take action and, if so, what kind, if final agreements cannot be reached to conclude their proceedings.

Claim for compensation – Slovak Telekom. In 1999, a lawsuit was filed against Slovak Telekom based on the accusation that the legal predecessor of Slovak Telekom had ceased broadcast of an international radio program contrary to the underlying contract. The claimant is demanding EUR 0.1 billion for damages and loss of profit plus interest. The proceedings are pending at Bratislava Regional Court.

Contingent assets.

This section provides additional information and explains recent changes in the contingent assets as described in the consolidated financial statements for the 2010 financial year.

Payment of damages from KfW Bankengruppe. In a class action lawsuit by shareholders in the United States, Deutsche Telekom was accused of providing false information in the prospectus in the course of the third public offering in 2000 and of not providing sufficient information about the shares offered. In 2005, Deutsche Telekom had paid out some USD 120 million in a settlement to shareholders in the United States, with part of this amount being refunded from insurance. The settlement was expressly made without acknowledgement of guilt or misconduct. Deutsche Telekom demanded repayment of the settlement amount plus costs from KfW Bankengruppe. The Federal Court of Justice ruled to Deutsche Telekom's benefit. To determine the precise amount of the damages to be paid to Deutsche Telekom AG, the proceedings have been referred back to the Cologne Higher Regional Court. It is expected that Deutsche Telekom will have to repay part of these damages to the insurance company due to the payment previously received.

Disclosures on leases.

There were no significant changes at September 30, 2011 to the disclosures on leases reported in the 2010 consolidated financial statements, with the exception of the matter described below.

The expected future obligations arising from minimum lease payments from Deutsche Telekom's operating leases developed as follows since December 31, 2010:

	Sept. 30, 2011 millions of €	Dec. 31, 2010 millions of €
Maturity		
Within 1 year	965	2,627
In 1 to 3 years	1,448	4,502
In 3 to 5 years	1,023	3,767
After 5 years	1,666	6,767
	5,102	**17,663**

The decrease in obligations arising from minimum lease payments is mainly connected to the change in the disclosure of T-Mobile USA, whose liabilities were shown as held for sale.

Executive bodies.

Changes in the composition of the Board of Management.

On February 23, 2011, the Supervisory Board of Deutsche Telekom AG complied with Guido Kerkhoff's request to be released from his duties as of April 1, 2011. The Board of Management member Niek Jan van Damme assumed responsibility for the Europe Board department in an acting capacity with effect from April 1, 2011.

At its meeting on July 4, 2011, the Supervisory Board of Deutsche Telekom AG appointed Claudia Nemat as the Board member responsible for Europe with effect from October 1, 2011 and also appointed Prof. Marion Schick as the Board member responsible for Human Resources and Labor Director with effect from May 3, 2012.

Events after the reporting period (September 30, 2011).

For information on events after the reporting period, please refer to the "Events after the reporting period" section in the interim Group management report.

Bonn, November 10, 2011

Deutsche Telekom AG
Board of Management

René Obermann

Dr. Manfred Balz

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Edward R. Kozel

Claudia Nemat

Thomas Sattelberger

Review report.

To Deutsche Telekom AG, Bonn.

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2011, which are part of the quarterly financial report pursuant to § 37x (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt/Main, November 10, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

Additional information.
Reconciliation of pro forma figures.

Pro forma figures include EBITDA and EBITDA adjusted for special factors, EBITDA margin, EBITDA margin adjusted for special factors, as well as free cash flow, and gross and net debt.

Pro forma figures are not governed by International Financial Reporting Standards (IFRS). As other companies may not compute the pro forma figures presented by Deutsche Telekom by the same method, Deutsche Telekom's pro forma figures may or may not be comparable with disclosures by other companies using similar designations.

The pro forma figures in this Interim Report should not be viewed in isolation as an alternative to profit/loss from operations, net profit/loss, net cash from operating activities or the debt reported in the consolidated statement of financial position, or other Deutsche Telekom key performance indicators presented in accordance with IFRS.

EBITDA and EBITDA adjusted for special factors.

EBITDA.

EBITDA for the operating segments and for the Group as a whole is derived from profit/loss from operations (EBIT). This measure of earnings is adjusted for depreciation, amortization and impairment losses to calculate EBITDA. It should be noted that Deutsche Telekom's definition of EBITDA may differ from that used by other companies.

In this definition, profit/loss from financial activities includes finance costs, the share of the profit/loss of associates and joint ventures accounted for using the equity method, and other financial income/expense. As it is based on profit/loss from operations, this method of computation allows EBITDA to be derived in a uniform manner on the basis of a measure of earnings in accordance with IFRS published for the segments and the Group as a whole.

EBITDA is an important indicator used by Deutsche Telekom's senior operating decision-makers to manage Deutsche Telekom's operating activities and to measure the performance of the individual segments.

Adjusted EBITDA.

Deutsche Telekom defines EBITDA adjusted for special factors as profit/loss from operations (EBIT) before depreciation, amortization and impairment losses and before the effects of any special factors.

Deutsche Telekom uses EBITDA adjusted for special factors as an internal performance indicator for the management of its operational business activities, and to allow it to better evaluate and compare developments over several reporting periods. For further details concerning the effects of special factors on Group EBITDA and the EBITDA of the operating segments, please refer to the section on "Special factors."

EBITDA margin/adjusted EBITDA margin.

To compare the earnings performance of profit-oriented units of different sizes, the EBITDA margin and the EBITDA margin adjusted for special factors (EBITDA to revenue) are presented in addition to EBITDA and EBITDA adjusted for special factors. The unadjusted EBITDA margin and the EBITDA margin adjusted for special factors are calculated as the ratio of EBITDA to revenue (EBITDA divided by net revenue or EBITDA adjusted for special factors divided by revenue adjusted for special factors, respectively).

Special factors.

Deutsche Telekom's net profit/loss and EBITDA of the Group and of the operating segments were affected by a range of special factors in both the reporting period and the prior-year periods.

The underlying aim is to eliminate special factors that affect operating activities and that make it more difficult to compare EBITDA, net profit/loss and other financial measures of the Group and the operating segments with corresponding figures for prior periods. In addition, statements about the future development of EBITDA and net profit are only possible to a limited extent due to such special factors. On the basis of the unadjusted financial measures, the adjusted values are calculated by adding (expenses) or deducting (income) the special factors.

Adjustments are made irrespective of whether the relevant income and expenses are reported in profit/loss from operations, profit/loss from financial activities, or in tax expense. Income and expenses directly relating to the adjusted items are adjusted.

The following table presents a reconciliation of EBIT/EBITDA and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2010 financial year.

Reconciliation of EBIT/EBITDA and net profit/loss adjusted for special factors.

	EBITDA Q1 – Q3 2011 millions of €	EBIT/ Net profit Q1 – Q3 2011 millions of €	EBITDA Q1 – Q3 2010 millions of €	EBIT/ Net profit Q1 – Q3 2010 millions of €	EBITDA FY 2010 millions of €	EBIT/ Net profit FY 2010 millions of €
EBITDA/EBIT from continuing and discontinued operations	**12,757**	**5,619**	**13,930**	**5,681**	**17,313**	**5,505**
Germany	**(575)**	**(575)**	**(313)**	**(313)**	**(509)**	**(509)**
Staff-related measures	(507)	(507)	(202)	(202)	(401)	(401)
Non-staff-related restructuring	0	0	(10)	(10)	(11)	(11)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(68)	(68)	(101)	(101)	(97)	(97)
Europe	**(168)**	**(168)**	**(434)**	**(439)**	**(606)**	**(1,297)**
Staff-related measures	(70)	(70)	(49)	(49)	(209)	(209)
Non-staff-related restructuring	0	0	(2)	(2)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	(355)	(355)	(355)	(355)
Impairment losses	0	0	0	0	0	(680)
Other	(98)	(98)	(28)	(33)	(37)	(48)
United States	**(80)**	**(80)**	**0**	**0**	**0**	**0**
Staff-related measures	(78)	(78)	0	0	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(2)	(2)	0	0	0	0
Systems Solutions	**(169)**	**(179)**	**(144)**	**(147)**	**(281)**	**(289)**
Staff-related measures	(56)	(56)	(48)	(48)	(113)	(113)
Non-staff-related restructuring	(101)	(111)	(98)	(101)	(170)	(178)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(12)	(12)	2	2	2	2
Group Headquarters & Shared Services	**(324)**	**(324)**	**(107)**	**(107)**	**(769)**	**(769)**
Staff-related measures	(214)	(214)	(71)	(71)	(281)	(281)
Non-staff-related restructuring	(12)	(12)	(25)	(25)	(100)	(100)
Effects of deconsolidations, disposals and acquisitions	(98)	(98)	(9)	(9)	(385)	(385)
Other	0	0	(2)	(2)	(3)	(3)
Group reconciliation	**(1)**	**(1)**	**5**	**5**	**5**	**5**
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	1	1	1	1
Effects of deconsolidations, disposals and acquisitions	0	0	4	4	4	4
Other	(1)	(1)	0	0	0	0
Total special factors	**(1,317)**	**(1,327)**	**(993)**	**(1,001)**	**(2,160)**	**(2,859)**
EBITDA/EBIT (adjusted for special factors) from continuing and discontinued operations	**14,074**	**6,946**	**14,923**	**6,682**	**19,473**	**8,364**

	EBITDA Q1 – Q3 2011 millions of €	EBIT/ Net profit Q1 – Q3 2011 millions of €	EBITDA Q1 – Q3 2010 millions of €	EBIT/ Net profit Q1 – Q3 2010 millions of €	EBITDA FY 2010 millions of €	EBIT/ Net profit FY 2010 millions of €
EBITDA/EBIT (adjusted for special factors) from continuing and discontinued operations	**14,074**	**6,946**	**14,923**	**6,682**	**19,473**	**8,364**
EBITDA/EBIT (adjusted for special factors) from discontinued operations	2,788	2,325	3,155	1,619	4,154	2,090
EBITDA/EBIT (adjusted for special factors) from continuing operations	**11,286**	**4,621**	**11,768**	**5,063**	**15,319**	**6,274**
Profit (loss) from financial activities (adjusted for special factors)		(1,907)		(2,027)		(2,717)
Taxes (adjusted for special factors)		(791)		(1,155)		(1,152)
Profit (loss) after taxes (adjusted for special factors) from discontinued operations		1,419		1,013		1,337
Profit (loss) (adjusted for special factors)		**3,342**		**2,894**		**3,742**
Non-controlling interests (adjusted for special factors)		399		288		378
Net profit (loss) (adjusted for special factors)		**2,943**		**2,606**		**3,364**

Free cash flow in the Group.

Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment.

Deutsche Telekom believes that free cash flow is used by investors as a measure to assess the Group's cash generated from operations (after deductions for interest paid and cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment), in particular with regard to subsidiaries, associates and joint ventures, and the repayment of debt. In adopting this definition, Deutsche Telekom reflects the fact that investments in new technologies and efficiency enhancements in operating activities enable tied-up capital to be released. These inflows should therefore be taken into account in assessing investment expenditure and included in free cash flow accordingly.

Free cash flow should not be used to determine the financial position of the Group. A further factor to be noted is that Deutsche Telekom's definition of free cash flow and its methods of computing this measure are comparable with similarly designated measures and disclosures by other companies only to a limited extent.

Gross and net debt of the Group.

Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, derivative financial liabilities and cash collateral received for positive fair values of derivatives, as well as other interest-bearing financial liabilities.

Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due ≤ 1 year). In addition, all derivative financial assets and other financial assets are deducted from gross debt. Other financial assets include all cash collateral paid for negative fair values of derivatives as well as other interest-bearing financial assets.

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts and rating agencies.

Financial calendar.

Dates[a]	
February 23, 2012	Press conference on the 2011 financial year
May 10, 2012	Report on the first quarter of 2012, Deutsche Telekom
May 24, 2012	2012 shareholders' meeting of Deutsche Telekom
August 9, 2012	Report on the first half of 2012, Deutsche Telekom
November 8, 2012	Report on the first three quarters of 2012, Deutsche Telekom

[a] Dates not yet finalized.

Further dates are published on the Internet at www.telekom.com.

Glossary.

3G. 3G is the third-generation mobile communications standard that supports higher transmission rates. In Germany, this is the Universal Mobile Telecommunications System (UMTS) standard.

4G. See LTE.

Access. Internet access.

Adjusted EBITDA margin. EBITDA (adjusted for special factors) divided by revenue (adjusted for special factors).

ADSL, ADSL2+. See DSL.

All-IP. An all-IP network makes services such as VoIP, IPTV (Internet Protocol Television), data transfer, etc., available to all users anywhere at all times. The data is transmitted in switched packets using the Internet Protocol (IP).

ARPU – Average Revenue Per User. ARPU is predominantly used in the mobile communications industry to describe the revenue generated per customer per month.

Bandwidth. Denotes the width of the frequency band used to transmit data. The broader the bandwidth, the faster the connection.

Bitstream access. Wholesale service used by alternative telephone companies to provide broadband lines.

Call center. A company, or department of a company, that offers operator-supported voice services. A large number of operators handle inbound calls via a hotline and/or outbound calls as part of a direct marketing campaign.

Cash capex. Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the statement of cash flows.

Cloud services. Cloud computing is the dynamic provision of infrastructure, software or platform services online. Apart from a high level of automation and virtualization, the services provided have to be multi-client-capable and include standardized hardware and software. Customers source these services on demand and pay based on actual usage. The communication infrastructure may be the Internet (public cloud), a corporate network (private cloud) or a mix of the two (hybrid cloud). Dynamic Services is a T-Systems product for the flexible procurement of ICT resources and services based on the idea of dynamic net-centric sourcing.

Desktop services. Global desktop services involve a variety of support services, including the outsourcing of entire IT networks. In this context Deutsche Telekom offers a full portfolio of corporate IT services, from server infrastructure and PC workstations through to application management and call center services that provide user support.

Double play. Refers to service packages combining Internet and voice communication (telephony).

Download. Refers to the downloading of files from a remote server over networks such as the Internet or mobile communication connections onto a local computer or other client, such as a cell phone.

DSL – Digital Subscriber Line. In Deutsche Telekom's service portfolio as:

- ADSL (Asymmetrical Digital Subscriber Line) for private end-customer lines. Technology used to transmit data at fast rates (up to 8 Mbit/s downstream, 16 kbit/s to 640 kbit/s upstream) via standard copper wire pairs in the local loop within a radius of approximately three kilometers.

- ADSL2+: Successor product to ADSL that raises the maximum data rate to 16 Mbit/s (downstream) or 1 Mbit/s (upstream).

- VDSL (Very high bit rate Digital Subscriber Line) is a new technology used to transmit exceptionally high data rates (50 Mbit/s downstream, 10 Mbit/s upstream) via a fiber-optic network.

EBIT. EBIT is profit/loss from operations as shown in the consolidated income statement.

EBITDA. Profit/loss from operations before depreciation, amortization and impairment losses.

Enabling. Enabling services are a key component of our business model. We enable other companies or software developers to integrate our network and IT abilities into their own services via standard interfaces. For this purpose we bundle our products to create a toolkit of standard services, supporting the growth of our business partners and benefiting ourselves at the same time.

Entertain. Service offered by Deutsche Telekom that incorporates telephony and/or Internet services as well as television services, facilitating interactive features such as time-shift TV or access to online video stores.

Equity ratio. Ratio of shareholders' equity to total assets.

Fixed-network lines. Lines in operation excluding internal use and public telecommunications, including IP-based lines. The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

Fixed network: Resale. Sale of broadband lines based on DSL technology to alternative providers outside Deutsche Telekom, including bundled IP-Bitstream Access (IP-BSA). In the case of IP-BSA, Deutsche Telekom leases DSL lines to the competitor and transports the datastream carried over these lines.

Flat rate. Rate plan for network access with unlimited online time and data volumes.

Free cash flow. Cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill and spectrum investment) and property, plant and equipment.

Gigabit. 1 billion bits. Unit of measurement of data transmission speed.

Grid computing. Grid computing is a form of distributed computing whereby a supercomputer is created from a cluster of loosely coupled computers. The difference between grid computing and conventional computer clusters lies in the considerably looser coupling, the heterogeneity and the broad geographical distribution of the computers. In addition, a grid is usually established for a specific application and often uses standardized program libraries and middleware.

Gross debt. Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, derivative financial liabilities and cash collateral received for positive fair values of derivatives, as well as other interest-bearing financial liabilities.

GSM – Global System for Mobile Communications. Global standard for digital mobile communications.

HDTV – High Definition Television. Generic term describing a range of television standards that differ from conventional television through increased vertical, horizontal and/or temporal resolution.

Home gateway. Central device used for remotely controlling electronic household appliances from anywhere.

Hosting. Provision of storage capacity via the Internet. An Internet service provider's most important services in relation to hosting are registering and operating domains, leasing Web servers (in full or in part) and leasing space in a computer center – including Internet connections, regular and emergency power supply, etc.

HSDPA – High Speed Downlink Packet Access. Packet-based protocol that enhances data rates in UMTS networks and lifts transmission speeds into the megabit range.

HSPA+ – High Speed Packet Access Plus. A higher-performance variant of HSDPA/HSUPA that further shortens ping times and is therefore ideal for data-intensive mobile applications.

HSUPA – High Speed Uplink Packet Access. The HSUPA technology accelerates data upstreaming from mobile devices into the network and significantly reduces transfer durations (ping time).

ICT – Information and Communication Technology.

Infotainment. A contraction of the words information and entertainment.

Internet/intranet. The Internet is a worldwide Internet Protocol (IP)-based computer network that has no central network management. By contrast, intranets are managed IP networks that can be accessed only by specific user groups.

IP – Internet Protocol. Non-proprietary transport protocol in layer 3 of the OSI reference model for inter-network communications.

IPTV – Internet Protocol Television. A system whereby a digital television service is delivered using the Internet Protocol. Refers to the digital transfer of television programs and films over a digital data network using the Internet Protocol (IP).

ISP – Internet Service Provider. An Internet service provider offers various technical services that are required to use or operate Internet services, usually in return for a fee.

Joint venture. Two or more companies set up a joint enterprise for cooperation.

LAN – Local Area Network. A computer network restricted to company premises or a campus.

LTE – Long Term Evolution. LTE is a further development of 3G (UMTS, HSDPA, HSPA) and is also referred to in the industry as the fourth generation of mobile communications (4G). LTE introduces a new wireless transmission method that requires new handsets and adjustments to the mobile communications network. LTE supports speeds of over 100 Mbit/s in the downlink and 50 Mbit/s in the uplink.

M2M – Machine-to-Machine. Automatic exchange of information between machines. For example, in an emergency, alarm systems automatically send a signal to security or the police.

Mbit/s – Megabits per second. Unit of data transmission speed.

Mobile customers. For the purposes of the interim Group management report, one mobile communications card corresponds to one customer. The totals were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown (see also SIM card).

MVNO – Mobile Virtual Network Operator. Mobile virtual network operators market mobile communications products under their own brand name. They do not have a physical network infrastructure but instead use that of an established mobile network operator.

Net debt. Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due ≤ 1 year) from gross debt. In addition, all derivative financial assets and other financial assets are deducted from gross debt. Other financial assets include all cash collateral paid for negative fair values of derivatives as well as other interest-bearing financial assets.

One Company. Refers to the merger of Deutsche Telekom's previously separate mobile communications and fixed-network operations as a single company within the Group.

Optical fiber. Channel for optical data transmission.

Prepay/prepaid. In contrast to postpay contracts, prepay communication services are services for which credit has been purchased in advance with no fixed-term contractual obligations.

PSTN – Public Switched Telephone Network. Global public telephone network comprising elements such as telephones, connecting cables (twisted pairs) and exchanges. The public telephone network is also sometimes referred to as POTS (Plain Old Telephone Service).

Resale. Resale of products to competitors (see also Wholesale).

Retail. The sale of goods and services to end users; as opposed to resale or wholesale business.

Roaming. A feature of cellular mobile communications networks that ensures that activated mobile stations remain accessible, regardless of location, in all radio cells of the entire area served by the network. Roaming can also include similar networks run by different operators, as is the case with international roaming within the pan-European GSM system.

ROCE – Return On Capital Employed. Deutsche Telekom defines ROCE as the ratio of NOPAT (net operating profit after taxes) to the average NOA (net operating assets). For reporting during the year, the return in the reporting period is extrapolated as an annual return. Deutsche Telekom uses ROCE as an internal performance indicator for the management of its operational business activities and the allocation of capital within the Group, and to allow it to better evaluate and compare developments over several reporting periods.

Service revenues. Service revenues are revenues generated by mobile communications customers from services (i.e., revenues from voice services – incoming and outgoing calls – and data services), plus roaming revenues, monthly charges and visitor revenues.

SIM card – Subscriber Identification Module card. Chip card that is inserted into a cell phone to identify it in the mobile network. Deutsche Telekom's mobile subsidiaries count their customers by the number of SIM cards activated and not terminated. Customer totals include the SIM cards with which machines can communicate automatically with one another (M2M cards). The mobile communications subsidiaries count contract customers as customers for the length of their contracts, and count prepay customers as customers as long as they continue to use Deutsche Telekom's services, and then for a prescribed period thereafter, which differs according to the particular market. Generally, at the end of this period, or in the case of payment default or voluntary disconnection, the customers are canceled or churned. The churn rate for any given period represents the number of customers whose service was discontinued during that period, expressed as a percentage of the average number of customers during the period, based on beginning and period-end figures. Competitors may calculate their churn rates using different methods. In addition, the respective churn figures are not comparable across all national operations, because different general terms and conditions and thus different deactivation methodologies are used in different jurisdictions.

Smart metering. The service consists of the reading, processing, presentation, and billing of power and energy consumption, and other meters in industry and homes. In particular, it gives energy providers, meter operators and the housing sector the opportunity to offer their customers innovative products and services, as it delivers consumption information virtually in real time.

Smartphone. Smartphones are mobile handsets that can perform the functionalities of a cell phone, a Web browser, and an e-mail program simultaneously.

SMS and MMS. The Short Message Service (SMS) is a telecommunications service for the transmission of text messages. It was initially developed for GSM mobile communications and is now also available in the fixed network. The further development of SMS is the Multimedia Messaging Service (MMS) which allows the transmission of various media such as text, images, animations, video and audio clips in a single message. SMS and MMS in particular refer not only to the services, but also to the messages themselves.

Stakeholder. The stakeholder approach is an extension of the shareholder value approach widely used in business management. In contrast to the shareholder value principle, which focuses on the needs and expectations of a company's shareholders, the stakeholder approach attempts to view the company in the context of its overall social background and reconcile the needs of the different stakeholders. In addition to shareholders, stakeholders include staff, customers, suppliers, the government, and the public at large.

Triple play. Refers to packages combining fixed-network voice, data, and TV services. Broadband networks enable customers to use the IP-based services over a single line.

ULL – Unbundled Local Loop. Deutsche Telekom wholesale service that can be leased by alternative telecommunications operators without upstream technical equipment in order to offer their own customers a telephone or DSL line. The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

UMTS – Universal Mobile Telecommunications System. Third-generation international mobile communications standard that unites mobile multimedia and telematics services in the frequency spectrum of 2 GHz.

Utilization rate. Systems Integration: ratio of average number of hours billed to maximum possible hours billed per period.

VDSL. See DSL.

Visitor. Visitors are customers of international mobile communications network operators who use voice or data services in a mobile network operated by a company of the Deutsche Telekom Group. The call or the transmitted data is routed via the network of the national company in question and terminated in another mobile or fixed network in the same or another country, or in the national company's own network (see also Roaming).

VoIP – Voice over Internet Protocol. Technology used to make telephone calls via the Internet. Three methods are available: PC to PC, PC to fixed-network lines, and telephone calls via IP-based internal networks.

Wholesale. The business of selling services to third parties who in turn sell them to their own end customers either directly or after further processing (see also Resale).

Wholesale bundled lines (IP-Bitstream Access (IP-BSA)). Wholesale product for which Deutsche Telekom leases DSL lines to the competitor and transports the datastream via its concentrator network to the associated broadband point of presence (PoP) where the datastream is handed over to the competitor. In contrast to voluntary DSL resale, IP-BSA is a wholesale service required by the regulatory authority. This product is available in conjunction with a Deutsche Telekom PSTN line or as a DSL stand-alone variant (please refer to Wholesale unbundled lines). The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

Wholesale unbundled lines (e.g., IP-BSA Stand Alone (IP-BSA SA)). Wholesale product not bundled with a Deutsche Telekom PSTN line, which allows competitors to offer an all-IP product range to end-customers. The totals reported in the interim Group management report were calculated on the basis of precise figures and rounded to millions. Percentages were calculated on the basis of the figures shown.

WLAN – Wireless Local Area Network. Wireless networks for mobile Internet access. The network can also connect multiple computers to each other or to a central information system, a printer, or a scanner (often referred to as WiFi).

Disclaimer.

This Report (particularly the chapter titled "Development of revenue and profits") contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. They are generally identified by the words "expect," "anticipate," "believe," "intend," "estimate," "aim," "goal," "plan," "will," "seek," "outlook" or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA or other performance measures. Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution.

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The English version of the Interim Group Report for the first three quarters of 2011 is a translation of the German version of the Interim Group Report.

The German version of this Interim Group Report is legally binding.

This Interim Group Report is a publication of Deutsche Telekom AG

KNr. 642 200 216 (German)
KNr. 642 200 217 (English)

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

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