H1 11

Interim Group Report.

January 1 to June 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. –

		Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Revenue and earnings from continuing and discontinued operations								
Net revenue		14,475	15,531	(6.8)	29,072	31,343	(7.2)	62,421
Profit from operations (EBIT)		1,584	1,711	(7.4)	3,228	3,740	(13.7)	5,505
EBITDA		3,807	4,479	(15.0)	8,105	9,169	(11.6)	17,313
EBITDA (adjusted for special factors)		4,687	5,012	(6.5)	9,167	9,902	(7.4)	19,473
EBITDA margin (adjusted for special factors)	%	32.4	32.3		31.5	31.6		31.2
Revenue and earnings (United States operating segment reported as a discontinued operation)								
Net revenue		10,968	11,346	(3.3)	21,798	23,348	(6.6)	46,346
Of which: domestic	%				60.5	57.8		58.8
Of which: international	%				39.5	42.2		41.2
Profit from operations (EBIT)		795	1,113	(28.6)	2,038	2,598	(21.6)	3,415
Net profit (loss)		348	475	(26.7)	828	1,242	(33.3)	1,695
Net profit (loss) (adjusted for special factors)		951	814	16.8	1,652	1,705	(3.1)	3,364
EBITDA		3,018	3,361	(10.2)	6,452	7,043	(8.4)	13,159
EBITDA (adjusted for special factors)		3,793	3,894	(2.6)	7,402	7,776	(4.8)	15,319
EBITDA margin (adjusted for special factors)	%	34.6	34.3		33.9	33.3		33.1
Earnings per share basic/diluted	€	0.08	0.11	(27.3)	0.19	0.29	(34.5)	0.39
Statement of financial position								
Total assets		–	–		123,115	132,784	(7.3)	127,812
Shareholders' equity		–	–		39,280	44,787	(12.3)	43,028
Equity ratio	%	–	–		31.9	33.7		33.7
Net debt		–	–		43,324	46,250	(6.3)	42,269
Cash capex		(1,879)	(3,341)	43.8	(3,999)	(5,275)	24.2	(9,851)
Cash flows								
Net cash from operating activities		3,594	3,442	4.4	6,263	6,713	(6.7)	14,731
Free cash flow (before dividend payments, spectrum investment and PTC transaction)		1,767	1,489	18.7	2,828	2,928	(3.4)	6,543
Net cash used in investing activities		(1,627)	(4,231)	61.5	(4,387)	(6,024)	27.2	(10,711)
Net cash used in financing activities		(690)	(3,140)	78.0	(1,652)	(4,039)	59.1	(6,369)

Number of fixed-network and mobile customers.

	June 30, 2011 millions	Mar. 31, 2011 millions	Change June 30, 2011/ Mar. 31, 2011 %	Dec. 31, 2010 millions	Change June 30 2011/ Dec. 31, 2010 %	June 30, 2010 millions	Change June 30, 2011/ June 30, 2010 %
Fixed-network lines	35.0	35.5	(1.4)	36.0	(2.8)	37.2	(5.9)
Retail broadband lines	16.7	16.6	0.6	16.4	1.8	15.9	5.0
Mobile customers	128.0	127.9	0.1	128.5	(0.4)	131.1	(2.4)

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 73. The performance indicators used by Deutsche Telekom are defined in the Glossary.

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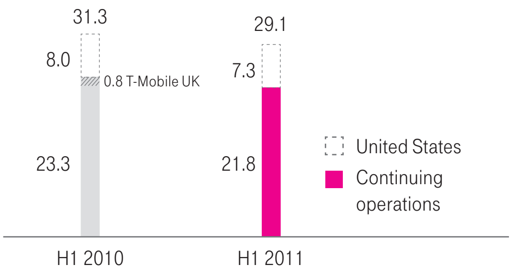
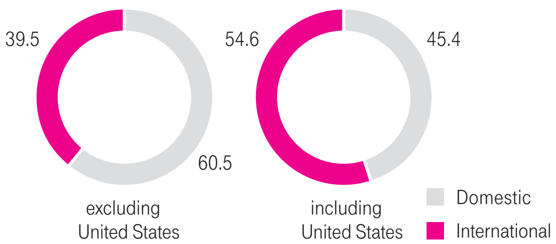
Net revenue including revenues from discontinued operations (United States). (billions of €)



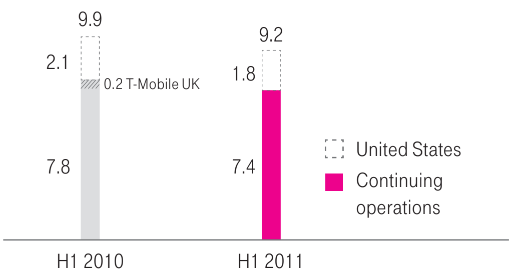
- Net revenue from continuing operations decreased by 6.6 percent compared with the first half of 2010. Excluding T-Mobile UK, net revenue decreased by EUR 0.8 billion or 3.5 percent.
- Operations were positively impacted by the development of mobile data revenue and the increase in revenue from Systems 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. (%)



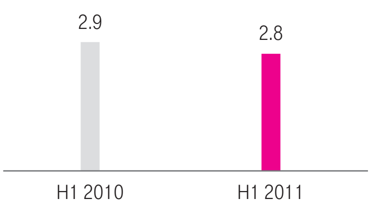
- The proportion of net revenue from continuing operations generated outside Germany fell to 39.5 percent.
- Domestic net revenue amounted to EUR 13.2 billion, EUR 0.3 billion less than in the first half of 2010. International net revenue decreased by 12.6 percent or EUR 1.2 billion year-on-year.
- The 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 including adjusted EBITDA from discontinued operations (United States). (billions of €)



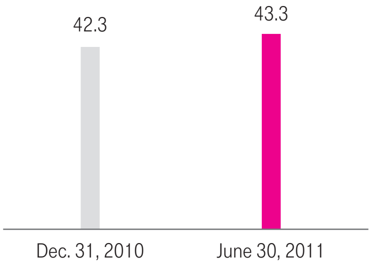
- Adjusted EBITDA decreased by EUR 0.4 billion compared with the first half of the prior year. Excluding T-Mobile UK, adjusted EBITDA decreased by EUR 0.2 billion or 2.6 percent.
- Fixed-network lines lost to competitors, price changes imposed by regulation, and newly imposed or raised special taxes on telecommunications services had a negative impact on adjusted EBITDA.
- Cost management and the Save for Service program only partly offset these effects.

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



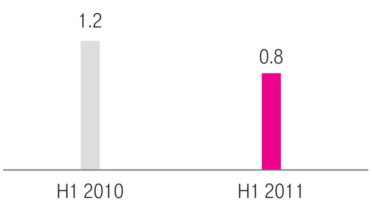
- Free cash flow decreased by EUR 0.1 billion to EUR 2.8 billion.
- Cash inflows from dividends received and lower income tax payments were offset by the lower year-on-year levels of cash inflows from receivables sold (factoring) and of interest received.

Net debt. (billions of €)



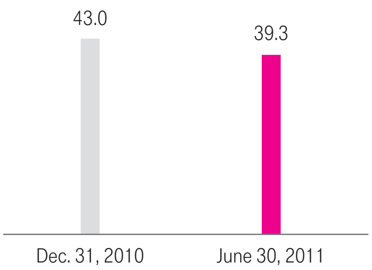
- Net debt increased by 2.5 percent compared with the end of 2010 to EUR 43.3 billion.
- Increased due to dividend payments (including non-controlling interests) of EUR 3.4 billion and the acquisition of remaining shares in PTC (PTC transaction) for EUR 1.4 billion.
- Reduced by free cash flow (EUR 2.8 billion) and exchange rate effects (EUR 0.9 billion).
- Net debt decreased by EUR 2.9 billion compared with the first half of the prior year.

Net profit. (billions of €)



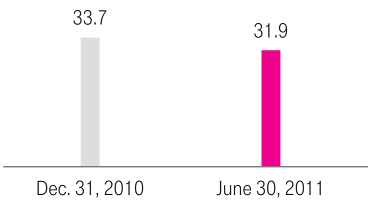
- Net profit decreased by EUR 0.4 billion to EUR 0.8 billion.
- The negative EBITDA trend could not be offset.
- Positively affected by lower tax expense.
- Negatively affected by the development of results at the discontinued operation in the United States.

Shareholders' equity. (billions of €)



- Shareholders' equity decreased by EUR 3.7 billion compared with the end of 2010.
- Positive effects from net profit (EUR 0.8 billion) and actuarial gains and losses recognized in equity (EUR 0.2 billion).
- Negative effects from dividend payments (EUR 3.4 billion), currency translation (EUR 1.4 billion) and the acquisition of remaining shares in PTC, recognized directly in equity (EUR 0.2 billion).

Equity ratio. (%)

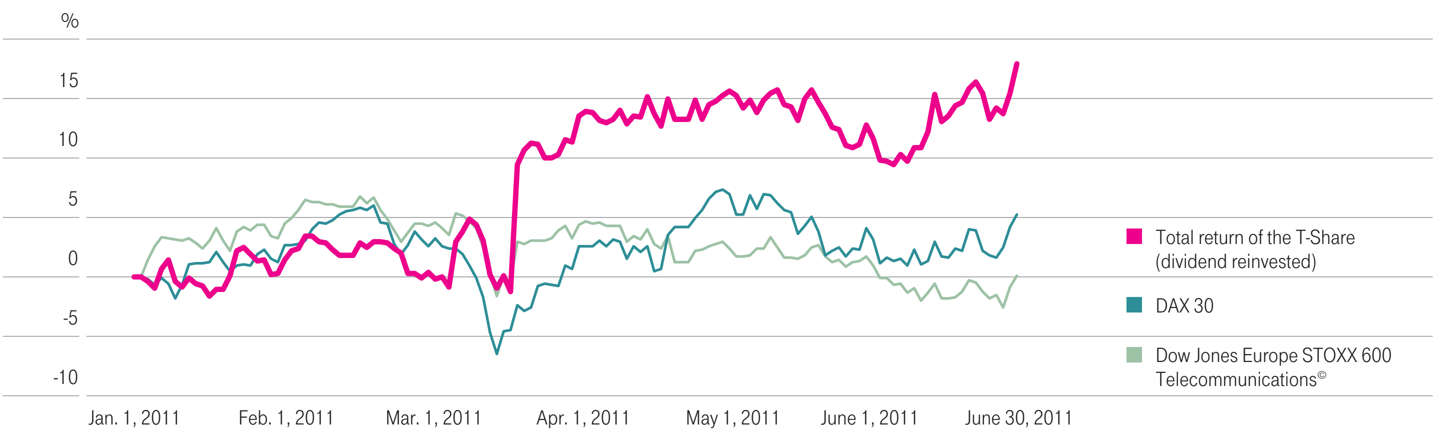


- Total assets decreased by EUR 4.7 billion or 3.7 percent compared with the end of 2010 to EUR 123.1 billion. This was mainly due to dividend payments, currency translation effects and payments made in connection with the PTC transaction.
- In contrast to total assets (decrease of only 3.7 percent), shareholders' equity decreased by 8.7 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 half of 2011.



T-Share performance.

		H1 2011	H1 2010	FY 2010
Xetra closing prices	€			
Share price on the last trading day		10.82	9.70	9.66
High		11.32	10.60	10.60
Low		9.55	8.55	8.55
Weighting of the T-Share in major stock indexes				
DAX 30	%	5.0	5.7	4.7
Dow Jones Euro STOXX 50©	%	2.0	2.0	1.1
Dow Jones Europe STOXX 600 Telecommunications©	%	11.1	9.6	9.7
Market capitalization	billions of €	46.8	42.4	41.7
Shares issued	millions	4,321	4,361	4,321

The T-Share trended sharply upwards in the first six months of 2011 and posted a price advance of 18.8 percent on a total return basis (share price performance plus reinvested dividend), building on the strong gains in the first quarter, especially after the announcement on March 20, 2011 of the agreement to sell our U.S. mobile operations to AT&T. Once again, the T-Share succeeded in closing the quarter – and consequently also the first half of the year – as the best by far among major players in the European telecommunications sector. The DAX 30 and the leading stock exchanges also continued to lag far behind Deutsche Telekom's stock, although the sector came under pressure in the second quarter of 2011. Profit warnings issued by several competitors created uncertainty and caused several individual securities in the sector to fall, mainly caused by price competition and regulatory risks. Compared with the first half of 2010, the Dow Jones Europe STOXX 600 Telecommunications© closed up just 0.1 percent.

The general situation on the stock markets was unusually turbulent in the past six months due to factors such as the unrest in North Africa in the spring plus the natural disaster in Japan and its consequences. In mid-March, the DAX 30 tumbled around 1,000 points in a short space of time, but was able to make up for lost ground in spite of the feared debt defaults by Ireland, Greece, and Portugal. The news that the Greek parliament was able to avert a debt default for the time being through the approval of the government's austerity package lifted share prices on the markets at the tail end of the first half of 2011. All in all, the DAX 30 gained 5.5 percent during the first six months of the year.

In May 2011, a dividend of EUR 0.70 was paid for each share carrying dividend rights in accordance with a resolution by Deutsche Telekom's shareholders' meeting. The amount of the dividend corresponded to the shareholder remuneration policy announced in February 2010. In line with this policy, a total of EUR 3.0 billion was paid out to the shareholders.

Highlights in the second quarter of 2011.

Corporate transactions.

Deutsche Telekom acquires another 10 percent in OTE. On June 6, 2011, Deutsche Telekom was informed that the Hellenic Republic, within the framework of the provisions of the Share Purchase Agreement dated May 2008, made use of its right to sell another 10 percent of the shares in the Greek telecommunications company Hellenic Telecommunications Organization S.A. (OTE) to Deutsche Telekom. The purchase price for the around 49 million OTE shares is EUR 0.4 billion. Following the transfer of shares as of July 11, 2011, the Hellenic Republic holds (directly and indirectly) 10 percent and Deutsche Telekom holds 40 percent of the shares in OTE.

Deutsche Telekom and France Télécom-Orange to establish procurement joint venture. Deutsche Telekom and France Télécom-Orange are planning a 50/50 procurement joint venture for the fourth quarter of 2011. The joint venture is to combine the procurement activities of the two companies for terminal equipment, network equipment, service platforms and, to a certain extent, IT infrastructure. The partnership expects significant synergy benefits through best practice sharing, leveraging global scale and harmonized technology processes. Apart from the final negotiation of the contracts, the establishment of the joint venture is subject to approvals by anti-trust authorities.

Deutsche Telekom steps up its long-term commitment in Bratislava. Deutsche Telekom Shared Services s.r.o. (DTSS) in Bratislava (Slovakia) will gradually take over finance and accounting tasks from all Deutsche Telekom subsidiaries in Europe. For this purpose, selected operations will be concentrated in Bratislava over the next couple of years. This step is expected to create more than 500 additional jobs in Bratislava by the end of 2015.

PTC rolls out T-Mobile brand. Polska Telefonia Cyfrowa Sp.z o.o. (PTC) has started to roll out the T-Mobile brand on the Polish market. At the same time, PTC will adopt the values and strategy linked to the T-Mobile brand. The “T” will be the official logo.

Litigation.

Federal Court of Justice ruling to Deutsche Telekom’s benefit. 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.

Infrastructure investments/New products/ Connected life and work.

Deutsche Telekom launches high-speed Internet in rural areas. The new Wireless Call & Surf Comfort offering has been exclusively available in areas without DSL coverage since April 5, 2011, thus closing further gaps in rural areas. Depending on the technology used to service the area in question with Wireless Call & Surf Comfort, we supply an LTE- or HSPA-enabled device, both of which include WiFi functionality.

The fastest connection is over the air. Since July 1, 2011, customers in Cologne have been able to surf the mobile Internet at up to 100 Mbit/s on the LTE network using the Web ’n’ Walk Connect XXL rate plan. Deutsche Telekom put the first LTE high-speed network in a German city into operation just 12 months after the auction. After Cologne, Deutsche Telekom will provide more than 100 other cities throughout Germany with next-generation mobile communications.

Employees.

Early retirement arrangements for 2011 resolved. Deutsche Telekom will offer civil servants working for the company a limited early retirement program until the end of 2011. The resulting cost is estimated at EUR 0.7 billion. Payments will be spread over the next six to seven years.

Awards.

Deutsche Telekom wins awards for its products. Deutsche Telekom was voted Mobile Network Operator of the Year for the twelfth time running by readers of the trade magazine "connect." Deutsche Telekom pushed Vodafone into second place for the second year in succession. The Entertain TV package was chosen as the favorite in the IPTV category with an absolute majority and a large lead. The DeutschlandLAN offering for business customers was an instant success in the category of virtual PABXs.

T-Systems signs new contracts.

T-Systems again concluded several large-scale contracts in the second quarter of 2011. The trading company **Valora** commissioned T-Systems Switzerland with the modernization of its ICT infrastructure and the centralization of its European data centers. In future, the automotive supplier **Magna** will procure its applications from the cloud, which will enable it to quickly book or cancel IT resources for its systems at all locations around the world as required. The service agreed with the oil and gas company **TOTAL** involves the set-up and operation of satellite communications. Here, T-Systems will be responsible for the infrastructure consisting of satellite receivers and transmitters including antennas.

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 half 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.

The upturn in the global economy continued in the first six months of 2011, despite losing some of its momentum in the second quarter. Both the emerging markets and a large number of industrialized nations contributed to this overall economic trend, though higher growth rates were recorded in the emerging economies.

The uneven growth trend continued in our footprint markets in the second quarter of 2011. The strong upswing has been sustained in Germany. In the United States, economic growth slowed substantially in the first half of the year. 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, Slovakia, and Hungary. Croatia and Romania show the first positive signs of a gradual upturn since the financial crisis. Only Greece witnessed a further large drop in gross domestic product (GDP) in the first half of 2011.

Outlook.

For the second half of 2011 and for the 2012 full year, it appears that the positive growth trend will continue, though not at the fast pace seen in the first six months of this year.

In its economic forecast dated June 29, 2011, the Munich-based Ifo Institute anticipates GDP growth for Germany of 3.3 percent in 2011 and 2.3 percent in 2012. Growth of 2.5 percent for 2011 and 2.4 percent for 2012 are expected for the United States. For Poland, the Czech Republic, Romania, Hungary and Bulgaria, the Ifo Institute is forecasting weighted average growth rates of 3.2 percent in 2011 and 3.3 percent for the following year. Most economic forecasts for the Greek economy anticipate a further recession in 2011 and 2012, though the downtrend may slow in 2012.

Overall economic risk.

After the global economy had gradually absorbed the economic risks and consequences of the natural and nuclear disaster in Japan, in recent weeks the focus has once again increasingly turned to the possible effects of a continuously high oil price and the debt crisis in the euro zone.

If the price of oil remains high, this could dampen momentum in the global economy in the medium to long term.

By contrast, the debt crisis in the euro zone represents a short- to long-term risk for the euro zone's economic and financial system. This risk will remain until a long-term and sustainable solution has been found and implemented. A national bankruptcy could have significant repercussions for the economic development of several member states of the euro zone, and the risk of a domino effect on other members of the monetary union cannot be ruled out.

The sluggish recovery of the U.S. economy also represents a potential threat to the global economy. A marked decline in private and national consumer demand, for example, could considerably slow economic expansion in both the United States and the rest of the world.

Global interest rate trends may also slow down economic development. In the euro zone, interest rates are expected to gradually increase until the end of 2012 in view of rising inflation risks and other factors. In the United States interest rates are not expected to rise before 2012, provided the expansionary monetary policy continues against the backdrop of moderate economic growth.

Regulatory influence on Deutsche Telekom's business.

In its final ruling on June 17, 2011 following the conclusion of the national and international consultation and consolidation process, the Federal Network Agency confirmed the **ULL charges**. The following charges therefore apply retroactively from April 1, 2011: A charge of EUR 10.08 per month (previously EUR 10.20) was approved for the most important ULL option – the copper wire pair. A rate of EUR 7.17 per month was set for the ULL to which access is provided at a distribution box – a decrease of 0.55 percent compared with the previous rate of EUR 7.21.

On June 30, 2011, the Federal Network Agency published the draft for the decision on **fixed-network termination rates** and issued a preliminary rate approval as of July 1, 2011. The draft provides for a reduction in the most important options of “termination” and “origination” at the lowest network level 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 draft will initially be discussed at national level and subsequently at EU level. The rate approval will expire on November 30, 2012.

The European Commission’s draft of a new **Roaming Regulation** 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.

In Poland, mobile termination rates for PTC were set at around 3.9 eurocents/min from July 1, 2011 until June 30, 2012 and at approximately 3.0 eurocents/min after July 1, 2012. This means that ultimately the same termination rates were set for PTC as for its principal competitors in the Polish market. The original plan of the Polish regulator to set asymmetrical termination rates and therefore a lower charge for PTC than for competing network operators was unlawful under both applicable EU legislation and Polish telecommunications law and was prevented in the end.

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 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, and Austria. We made further progress with our network roll-out and put more than 570 additional UMTS sites into operation in Germany in the first half of 2011. On top of this, we have started to roll out the LTE network in several countries. More than 600 base stations in Germany have been upgraded to support the LTE technology.

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, well over 450,000 customers have already 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 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 five 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. Initial sales of smartphones have been strong. 60 percent of all handsets sold in Germany in the first six months of 2011 are smartphones.

Deutsche Telekom is also positioning itself as a pioneer for digital content, by linking and distributing personalized media content. We have made some targeted 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, we sold around 300,000 further Entertain packages in Germany, pushing up the number of Entertain customers to 1.3 million by mid-year. We also expanded our TV customer base in Southern and Eastern European markets to 2.6 million in the first half of 2011.

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 half of 2011, with particular gains in international markets.

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

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

Employees

"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		
	H1 2011 millions of €	H1 2010 millions of €	Change %	**H1 2011 millions of €**	H1 2010 millions of €	Change %
Revenue from continuing and discontinued operations	29,072	30,585	(4.9)	29,072	31,343	(7.2)
Revenue from continuing operations	21,798	22,590	(3.5)	21,798	23,348	(6.6)
EBITDA (adjusted for special factors) from continuing and discontinued operations	9,167	9,729	(5.8)	9,167	9,902	(7.4)
EBITDA (adjusted for special factors) from continuing operations	7,402	7,603	(2.6)	7,402	7,776	(4.8)
Net profit (loss)	828	1,322	(37.4)	828	1,242	(33.3)
Net profit (loss) (adjusted for special factors)	1,652	1,780	(7.2)	1,652	1,705	(3.1)
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	2,828	2,921	(3.2)	2,828	2,928	(3.4)
Cash capex	(3,999)	(5,214)	23.3	(3,999)	(5,275)	24.2

Results of operations of the Group.

Net revenue.

In the first six months of the 2011 financial year, we generated net revenue from continuing operations of EUR 21.8 billion, a decrease of EUR 1.6 billion or 6.6 percent compared with the first half 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 0.8 billion or 3.7 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 3.3 percent compared with first half of 2010 at EUR 12.0 billion. This was mainly due to declining revenues from voice telephony in both mobile communications and the fixed network. Adjusted for the price effect of the reduction in termination rates from December 2010, the first-time consolidation of ClickandBuy 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 2.0 percent. This trend 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 half of 2011, the **Europe** operating segment generated revenue of EUR 7.5 billion, a decrease of 15.0 percent compared with the prior-year period. This was impacted by the aforementioned change in the composition of the Group of EUR 0.8 billion. In addition, the special tax introduced in Hungary had an adverse effect on segment revenue. Excluding the aforementioned effect and adjusted for the slightly positive exchange rate effects, revenue decreased by only 6.7 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 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. Greece and Romania were hit particularly hard. They accounted for half of the decline in revenue from operations. The negative effects were in part offset by encouraging revenue growth in the fixed-network business, primarily in broadband/TV, ICT, and wholesale. In addition, strong mobile data revenue growth had a positive impact.

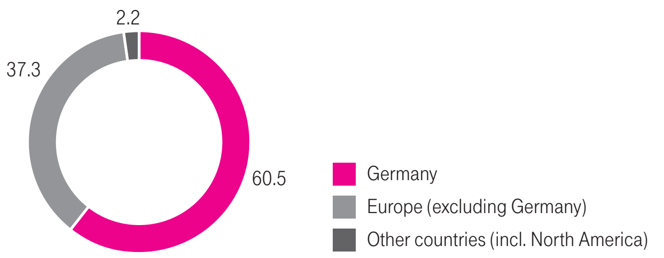
At EUR 7.3 billion, revenue in our **United States** operating segment was down 9.0 percent compared with the first half of 2010. Exchange rate effects from the translation from U.S. dollars in particular had a negative effect on the revenue trend on euro basis. On a U.S. dollar basis, revenue declined by 3.7 percent, due primarily to a decrease in equipment revenues and T-Mobile USA branded customers resulting 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. Terminal equipment revenue decreased year-on-year in the first half of 2011. The introduction of a handset protection insurance program at T-Mobile USA in the fourth quarter of 2010 had a positive impact on total and service revenues in the first half of 2011.

Revenue in our **Systems Solutions** operating segment stood at EUR 4.5 billion in the first half of 2011, an increase of EUR 0.2 billion or 3.7 percent compared with the first six months of the prior year. This increase is attributable, for example, to deals with Everything Everywhere, E.ON and Deutsche Post DHL, concluded by T-Systems both in the prior and this year. The new deals offset the general negative price trend in IT and communications.

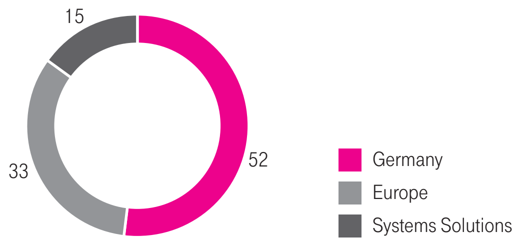
Contribution of the operating segments to net revenue.

	Q1 2011 millions of €	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Germany	5,991	5,989	6,197	(3.4)	11,980	12,386	(3.3)	25,145
Europe	3,672	3,807	4,030	(5.5)	7,479	8,804	(15.0)	16,840
United States	3,770	3,510	4,188	(16.2)	7,280	8,002	(9.0)	16,087
Systems Solutions	2,260	2,276	2,242	1.5	4,536	4,373	3.7	9,057
Group Headquarters & Shared Services	537	539	583	(7.5)	1,076	1,148	(6.3)	2,166
Intersegment revenue	(1,633)	(1,646)	(1,709)	3.7	(3,279)	(3,370)	2.7	(6,874)
Net revenue from continuing and discontinued operations	**14,597**	**14,475**	**15,531**	**(6.8)**	**29,072**	**31,343**	**(7.2)**	**62,421**
Discontinued operations (United States)	(3,770)	(3,510)	(4,188)	16.2	(7,280)	(8,002)	9.0	(16,087)
Reconciliation	3	3	3	n. a.	6	7	(14.3)	12
Net revenue from continuing operations	**10,830**	**10,968**	**11,346**	**(3.3)**	**21,798**	**23,348**	**(6.6)**	**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 half of 2011. This was up 2 percentage points from 50 percent in the first half of 2010. The contribution of the **Systems Solutions** operating segment to net revenue from continuing operations also increased, while the **Europe** operating segment's contribution declined by 3 percentage points compared with the first half 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 half of 2011 to 39.5 percent.

EBITDA.

In the first six months of 2011, we generated EBITDA from continuing operations of EUR 6.5 billion, down 8.4 percent compared with the first half 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 1.0 billion also negatively affected EBITDA from continuing operations in the first half of 2011. They comprised in particular expenses for staff-related measures. In the first half of 2010, EBITDA from continuing operations was negatively impacted by special factors totaling EUR 0.7 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 7.4 billion in the first half of 2011, compared with EUR 7.8 billion in the first six months of 2010. This decrease was primarily due to the change in the composition of the Group resulting from the deconsolidation of T-Mobile UK, amounting to EUR 0.2 billion. Excluding this effect, adjusted EBITDA from continuing operations decreased by EUR 0.2 billion or 2.3 percent year-on-year.

Contribution of the operating segments to adjusted Group EBITDA.

	Q1 2011 millions of €	**Q2 2011 millions of €**	Q2 2010 millions of €	Change %	**H1 2011 millions of €**	H1 2010 millions of €	Change %	FY 2010 millions of €
Germany	2,384	2,439	2,438	0.0	4,823	4,737	1.8	9,618
Europe	1,226	1,316	1,431	(8.0)	2,542	3,018	(15.8)	5,748
United States	871	892	1,120	(20.4)	1,763	2,128	(17.2)	4,156
Systems Solutions	189	197	231	(14.7)	386	427	(9.6)	948
Group Headquarters & Shared Services	(163)	(140)	(182)	23.1	(303)	(354)	14.4	(870)
Reconciliation	(27)	(17)	(26)	34.6	(44)	(54)	18.5	(127)
EBITDA (adjusted for special factors) in the Group (continuing and discontinued operations)	**4,480**	**4,687**	**5,012**	**(6.5)**	**9,167**	**9,902**	**(7.4)**	**19,473**
Discontinued operations (United States)	(871)	(892)	(1,120)	20.4	(1,763)	(2,128)	17.2	(4,156)
Reconciliation	0	(2)	2	n. a.	(2)	2	n. a.	2
EBITDA (adjusted for special factors) in the Group (continuing operations)	**3,609**	**3,793**	**3,894**	**(2.6)**	**7,402**	**7,776**	**(4.8)**	**15,319**

The **Germany** operating segment generated a 1.8-percent increase in adjusted EBITDA despite a 3.3-percent decline in revenue. This increase was largely attributable to our large-scale Save for Service program, which aims to implement better service and more effective cost management. Various technology and sales initiatives and the improvement of support processes further reduced operational costs.

Our **Europe** operating segment generated adjusted EBITDA of EUR 2.5 billion in the first half of 2011, a year-on-year reduction of 15.8 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 introduced in Hungary had an adverse effect on the segment's adjusted EBITDA. The slightly positive exchange rate effects against the euro were primarily driven by the Czech koruna, and the Polish zloty. Excluding the aforementioned effects, adjusted EBITDA declined by 9.7 percent, with the EBITDA decrease being partially offset by specific savings on overheads and cuts in dealer commissions.

In the **United States** operating segment, adjusted EBITDA decreased by 17.2 percent year-on-year in the reporting period to EUR 1.8 billion as a result of the decline in revenue as described above. In the first half of the year, operating expenses decreased year-on-year primarily as a result of exchange rate effects. In U.S. dollars, operating expenses were consistent year-on-year as lower volume-driven handset and commission costs were offset by increased costs associated with the build-out of the 4G HSPA+ network. Marketing and employee-related expenses were also higher year-on-year.

In the first six months of this year, the **Systems Solutions** operating segment generated adjusted EBITDA of EUR 0.4 billion. Despite an increase in revenue compared with the first half of 2010 (up 3.7 percent), adjusted EBITDA decreased by 9.6 percent. This decline is primarily due 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. Savings generated by the comprehensive restructuring and efficiency enhancement program Save for Service did not fully offset the rise in costs.

EBIT.

EBIT in the Group from continuing operations decreased by EUR 0.6 billion year-on-year to EUR 2.0 billion in the first six months of 2011, primarily due to the aforementioned effects. At EUR 4.4 billion, depreciation, amortization and impairment losses were at the same level as in the first half of 2010.

Profit/loss before income taxes.

Profit before income taxes from continuing operations decreased by EUR 0.5 billion to EUR 0.6 billion in the reporting period. The slight decrease in loss from financial activities was not sufficient to offset the aforementioned effects. The slight improvement in the loss from financial activities compared with the first half of 2010 was mainly the result of a decrease in finance costs.

Profit/loss from continuing operations.

Profit from continuing operations decreased by EUR 0.2 billion to EUR 0.4 billion in the reporting period, primarily due to the aforementioned effects. This was offset by a clear decrease in income tax expense due to the decline in profit before income taxes in the current period. In addition, the tax rate decreased in the first half of 2011 due to the special tax imposed in Greece in the first half of 2010 and the loss resulting from the deconsolidation of T-Mobile UK, which had no tax effect.

Profit/loss from discontinued operations.

Profit from discontinued operations decreased by EUR 0.1 billion compared with the first half 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 there, an expense of EUR 0.1 billion from deferred taxes arose, which was allocated to discontinued operations.

Net profit.

We generated net profit of EUR 0.8 billion in the first half of 2011 compared with EUR 1.2 billion in the first six months of 2010, due to the aforementioned effects. Profit attributable to non-controlling interests increased by EUR 0.1 billion year-on-year to EUR 0.2 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 presented separately in order to separate the changes and developments in the items of the statement of financial position from this effect.

	June 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change from the reclassification of U.S. operations millions of €	Other changes millions of €	June 30, 2010 millions of €
Assets					
Current assets	**47,629**	**15,243**	**32,944**	**(558)**	**15,471**
Cash and cash equivalents	2,744	2,808	(238)	174	1,839
Trade and other receivables	4,643	6,889	(1,757)	(489)	7,236
Non-current assets and disposal groups held for sale	35,780	51	35,724	5	84
Other current assets	4,462	5,495	(785)	(248)	6,312
Non-current assets	**75,486**	**112,569**	**(32,944)**	**(4,139)**	**117,313**
Intangible assets	29,024	53,807	(22,485)	(2,298)	55,058
Property, plant and equipment	34,431	44,298	(8,368)	(1,499)	45,539
Investments accounted for using the equity method	6,634	7,242	(22)	(586)	8,008
Other non-current assets	5,397	7,222	(2,069)	244	8,708
Total assets	**123,115**	**127,812**	**–**	**(4,697)**	**132,784**
Liabilities and shareholders' equity					
Current liabilities	**34,842**	**26,452**	**8,327**	**63**	**25,238**
Financial liabilities	12,920	11,689	(92)	1,323	10,934
Trade and other payables	4,581	6,750	(1,218)	(951)	6,351
Current provisions	2,486	3,193	(364)	(343)	2,995
Liabilities directly associated with non-current assets and disposal groups held for sale	10,587	–	10,587	–	–
Other current liabilities	4,268	4,820	(586)	34	4,958
Non-current liabilities	**48,993**	**58,332**	**(8,327)**	**(1,012)**	**62,759**
Financial liabilities	37,609	38,857	(8)	(1,240)	42,040
Non-current provisions	7,917	8,001	(92)	8	8,496
Other non-current liabilities	3,467	11,474	(8,227)	220	12,223
Shareholders' equity	**39,280**	**43,028**	**–**	**(3,748)**	**44,787**
Total shareholders' equity and liabilities	**123,115**	**127,812**	**–**	**(4,697)**	**132,784**

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 32.9 percent) to current assets (more than doubled). At the same time, non-current liabilities decreased by 16.0 percent, whereas current liabilities increased by 31.7 percent. In total, assets decreased by EUR 4.7 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 0.1 billion compared with December 31, 2010 primarily 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 0.5 billion. Group Headquarters & Shared Services accounted for much of this decline.

Other **current assets** decreased by EUR 0.2 billion. While recoverable income taxes changed only marginally, miscellaneous other assets increased by EUR 0.2 billion. This increase is primarily due to the Group's advance VAT payments made in the course of the year. Inventories and other financial assets each declined by EUR 0.2 billion.

The EUR 2.3 billion decrease in **intangible assets** is mainly due to exchange rate effects of EUR 1.3 billion. The reclassification of the U.S. operations was carried out using values as of March 20, 2011; hence the exchange rate effects from the translation of U.S. dollars into euros still had a negative impact on this change. Amortization and impairment losses of EUR 1.5 billion also contributed to this decline. Investments were made in the amount of EUR 0.8 billion.

The EUR 1.5 billion decrease in **property, plant and equipment** was impacted by exchange rate effects of EUR 0.4 billion. Additions of EUR 2.4 billion as well as depreciation and impairment losses of EUR 3.4 billion likewise contributed substantially to this development.

Investments accounted for using the equity method declined by EUR 0.6 billion, due to negative exchange rate effects of EUR 0.3 billion as well as dividend payments of EUR 0.3 billion.

Other **non-current assets** increased by EUR 0.2 billion as a result of changes in the fair value of cross-currency swaps.

Current and non-current **financial liabilities** increased by EUR 0.1 billion compared with the end of 2010. For more information, please refer to the following table and the accompanying explanations.

Current provisions decreased by EUR 0.3 billion compared with the end of 2010, primarily due to the payment of variable salary components.

The increase of EUR 0.2 billion in **other non-current liabilities** resulted in part from the recognition of deferred taxes on defined benefit obligations.

Shareholders' equity decreased by EUR 3.7 billion to EUR 39.3 billion. It was impacted by the dividend payments of EUR 3.4 billion (including non-controlling interests) and by the negative effect of currency translation of foreign operations in the amount of EUR 1.4 billion. This was contrasted by the positive effect of actuarial gains and losses from pension obligations (EUR 0.3 billion) and profit (EUR 1.0 billion).

Reconciliation of gross debt.

	June 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	June 30, 2010 millions of €
Financial liabilities (current)	12,920	11,689	1,231	10.5	10,934
Financial liabilities (non-current)	37,609	38,857	(1,248)	(3.2)	42,040
Financial liabilities	**50,529**	**50,546**	**(17)**	**0.0**	**52,974**
Accrued interest	(932)	(1,195)	263	22.0	(1,063)
Liabilities from corporate transactions	(392)	(1,566)	1,174	75.0	(1,208)
Other	(547)	(467)	(80)	(17.1)	(549)
Gross debt	**48,658**	**47,318**	**1,340**	**2.8**	**50,154**

Net debt.

	June 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	June 30, 2010 millions of €
Bonds	38,942	38,190	752	2.0	40,046
Liabilities to banks	5,007	4,190	817	19.5	4,775
Liabilities to non-banks from promissory notes	1,147	1,164	(17)	(1.5)	1,162
Derivative financial liabilities	581	561	20	3.6	782
Lease liabilities	1,898	1,934	(36)	(1.9)	1,878
Other financial liabilities	1,083	1,279	(196)	(15.3)	1,511
Gross debt	**48,658**	**47,318**	**1,340**	**2.8**	**50,154**
Cash and cash equivalents	2,744	2,808	(64)	(2.3)	1,839
Available-for-sale/held-for-trading financial assets	84	75	9	12.0	83
Derivative financial assets	1,190	835	355	42.5	1,403
Other financial assets	1,316	1,331	(15)	(1.1)	579
Net debt	**43,324**	**42,269**	**1,055**	**2.5**	**46,250**

Net debt increased by EUR 1.1 billion or 2.5 percent compared with the end of 2010, due on the one hand to dividend payments of EUR 3.4 billion and, on the other, to payments for the acquisition of the remaining shares in the Polish company PTC (EUR 1.4 billion). Free cash flow of EUR 2.8 billion and exchange rate effects of EUR 0.9 billion had a reducing effect on net debt.

Net debt decreased by EUR 2.9 billion compared with the first six months of 2010 which, in comparison with the first half of 2011, were impacted by factors such as the effects of corporate transactions (deconsolidation accounting for EUR 0.4 billion) and the financing of the Everything Everywhere joint venture (accounting for EUR 0.8 billion) as well as exchange rate effects (totaling EUR 1.4 billion).

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

	Q1 2011 millions of €	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Cash generated from operations (before PTC transaction)	**3,901**	**4,310**	**4,232**	**1.8**	**8,211**	**8,150**	**0.7**	**17,069**
Interest received (paid)	(832)	(716)	(790)	9.4	(1,548)	(1,437)	(7.7)	(2,338)
Net cash from operating activities (before PTC transaction)	**3,069**	**3,594**	**3,442**	**4.4**	**6,663**	**6,713**	**(0.7)**	**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)	(2,041)	7.9	(3,999)	(3,975)	(0.6)	(8,532)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	112	52	88	(40.9)	164	190	(13.7)	344
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	**1,061**	**1,767**	**1,489**	**18.7**	**2,828**	**2,928**	**(3.4)**	**6,543**
Of which: from discontinued operations (United States)	427	477	585	(18.5)	904	1,191	(24.1)	2,037

Free cash flow.

Free cash flow of the Group (before dividend payments, spectrum investment and PTC transaction) decreased by EUR 0.1 billion in the first half of 2011 compared with the first six 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 half of 2011 (before PTC transaction) was not significant. In addition to a decline from operations, the decrease was attributable to a year-on-year reduction in the levels of receivables sold (factoring) accounting for EUR 0.2 billion and of interest received accounting for EUR 0.1 billion. These effects were largely offset by dividends received from the Everything Everywhere joint venture in the first half of 2011 amounting to EUR 0.3 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.

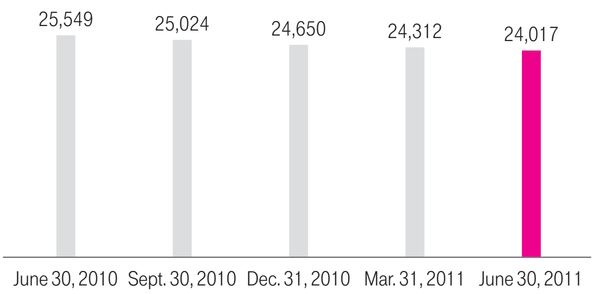
The marginal increase in cash capex (before spectrum investment and PTC transaction) in the first half of 2011 compared with the first six months of the prior year was attributable to offsetting effects. While cash capex in the Germany operating segment increased, it decreased in the Europe and Systems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

Development of business in the operating segments.

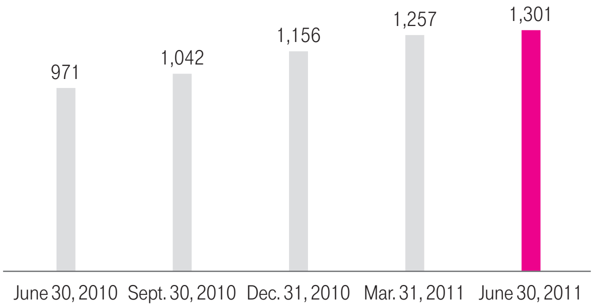
Germany.

Customer development.

Fixed-network lines ('000)

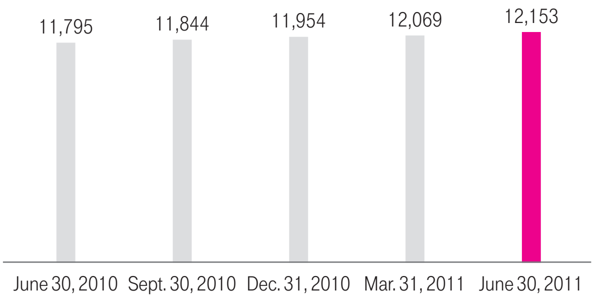


IPTV* ('000)

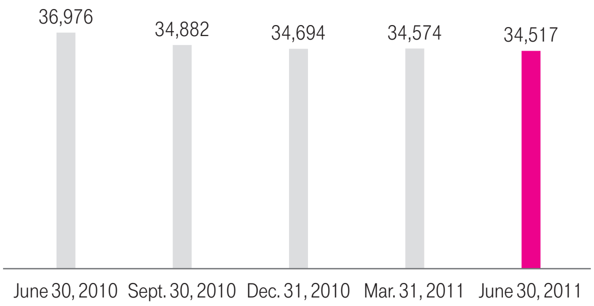


* Customers connected.

Retail broadband lines ('000)



Mobile customers* ('000)



* Deregistration of inactive prepay customers' cards: 4.4 million in FY 2009; 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. 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.

	June 30, 2011 millions	Mar. 31, 2011 millions	Change June 30, 2011/ Mar. 31, 2011 %	Dec. 31, 2010 millions	Change June 30 2011/ Dec. 31, 2010 %	June 30, 2010 millions	Change June 30, 2011/ June 30, 2010 %
Total							
Fixed-network lines	24.0	24.3	(1.2)	24.7	(2.8)	25.5	(5.9)
Retail broadband lines	12.2	12.1	0.8	12.0	1.7	11.8	3.4
TV	1.3	1.3	–	1.2	8.3	1.0	30.0
Mobile customers[a]	34.5	34.6	(0.3)	34.7	(0.6)	37.0	(6.8)
Contract customers	17.4	17.2	1.2	17.2	1.2	17.2	1.2
Prepay customers	17.1	17.4	(1.7)	17.5	(2.3)	19.8	(13.6)
Unbundled local loop lines (ULLs)	9.6	9.6	–	9.5	1.1	9.3	3.2
Wholesale unbundled lines	1.2	1.1	9.1	1.0	20.0	0.7	71.4
Wholesale bundled lines	0.8	0.9	(11.1)	1.0	(20.0)	1.4	(42.9)
Of which: consumers[b]							
Fixed-network lines	19.3	19.6	(1.5)	19.9	(3.0)	20.7	(6.8)
Retail broadband lines	9.9	9.8	1.0	9.7	2.1	9.6	3.1
TV	1.2	1.2	–	1.1	9.1	0.9	33.3
Mobile customers	28.8	28.9	(0.3)	29.2	(1.4)	31.7	(9.1)
Contract customers	12.2	12.1	0.8	12.1	0.8	12.3	(0.8)
Prepay customers	16.6	16.9	(1.8)	17.0	(2.4)	19.4	(14.4)
Of which: business customers[b]							
Fixed-network lines	3.6	3.6	–	3.6	–	3.7	(2.7)
Retail broadband lines	2.0	1.9	5.3	1.9	5.3	1.9	5.3
TV	0.1	0.1	–	0.1	–	0.1	–
Mobile customers	5.7	5.6	1.8	5.5	3.6	5.3	7.5
Contract customers	5.2	5.1	2.0	5.1	2.0	4.9	6.1
Prepay customers	0.5	0.5	–	0.5	–	0.4	25.0

[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 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.

Connected worlds: telephone, Internet and television.

At the reporting date of June 30, 2011, some 24.0 million customers had a fixed-network line provided by Deutsche Telekom. Since 2008, however, customer losses in the field of traditional fixed-network telephony have been decreasing. Although we lost 2.8 percent of our lines in the first half of 2011 compared with the end of 2010, the second quarter of 2011 was the first quarter since the end of 2004 in which the number of lines lost has been below 300,000. Most of the lost lines relate to customers who have switched to cable network operators, other network infrastructure and Internet service providers, and mobile operators.

Our share of the German broadband market remained at around 46 percent at the end of the first half of 2011. We gained some 0.2 million new customers for broadband lines in the first six months of the year, increasing the total number of broadband lines to 12.2 million. This figure 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 the end of the first half of 2011, 1.3 million existing customers chose to purchase our television service Entertain.

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 half of 2011. Our strategy of focusing this business on high-value contract customers has been a success. The number of mobile customers decreased by 0.2 million compared with the end of 2010, taking it to 34.5 million, but the number of contract customers increased by 0.2 million in the first half of 2011, to 17.4 million. This increase is mainly attributable to the sale of SIM card quotas to resellers and the positive trend with business customers. The move to deregister inactive prepay customers' cards had a negative effect on the number of SIM cards in both 2010 and the first half of 2011.

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.

Among other effects, the decision to deregister inactive prepaid cards caused a considerable decline in the number of SIM cards in the first half of 2011 compared with the prior-year period.

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 0.1 million from the end of 2010 to 9.6 million in the first half 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 half 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 €**	Q2 2010 millions of €	Change %	**H1 2011 millions of €**	H1 2010 millions of €	Change %	FY 2010 millions of €
Total revenue[a]		5,991	5,989	6,197	(3.4)	11,980	12,386	(3.3)	25,145
Consumers		3,118	3,147	3,261	(3.5)	6,265	6,496	(3.6)	13,109
Business Customers		1,414	1,390	1,406	(1.1)	2,804	2,783	0.8	5,661
Wholesale		1,066	1,062	1,104	(3.8)	2,128	2,245	(5.2)	4,553
Digital Services		177	179	206	(13.1)	356	405	(12.1)	866
Value-Added Services		107	101	119	(15.1)	208	249	(16.5)	498
Other		109	110	101	8.9	219	208	5.3	458
Profit from operations **(EBIT)**		1,248	850	1,327	(35.9)	2,098	2,498	(16.0)	4,916
EBIT margin	%	20.8	14.2	21.4		17.5	20.2		19.6
Depreciation, amortization and impairment losses		(1,067)	(1,101)	(1,030)	(6.9)	(2,168)	(2,044)	(6.1)	(4,193)
EBITDA		2,315	1,951	2,357	(17.2)	4,266	4,542	(6.1)	9,109
Special factors affecting EBITDA		(69)	(488)	(81)	n. a.	(557)	(195)	n. a.	(509)
EBITDA (adjusted for special factors)		2,384	2,439	2,438	0.0	4,823	4,737	1.8	9,618
EBITDA margin (adjusted for special factors)	%	39.7	40.7	39.3		40.2	38.2		38.3
Cash capex[b]		(815)	(811)	(2,074)	60.9	(1,626)	(2,725)	40.3	(4,765)
Average number of employees		76,598	76,065	79,729	(4.6)	76,332	80,229	(4.9)	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 amounted to EUR 12.0 billion in the first half of 2011. The 3.3-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 the reduction in termination rates from December 2010, the first-time consolidation of ClickandBuy 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 2.0 percent. Management's intensified focus on EBITDA margins and improving revenue trends in the Germany operating segment thus yielded some further successes. 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.

Revenue from **Consumers** was down by 3.6 percent to EUR 6.3 billion. The decline was mainly attributable to continuing losses of fixed-network lines and a price effect from the reduction in mobile termination rates. This decrease was partly offset by increasing demand for mobile data and TV rate plans. The high demand for mobile handsets, in particular smartphones, increased revenue from terminal equipment.

In the **Business Customers** area, total revenue increased in the first half of 2011 by 0.8 percent to EUR 2.8 billion, despite the reduction in termination rates. Revenue growth from mobile communications and broadband Internet more than offset the decline in revenue from voice telephony in the traditional fixed-network business.

The decline in revenue in the **Wholesale** area was largely attributable to price cuts for dedicated lines for voice and data traffic (digital leased lines) and termination rates, as well as to the volume-driven decrease in interconnection services. This was partially offset by the increase in the number of unbundled wholesale lines.

Revenue in the **Digital Services** area decreased compared with the first half of 2010. However, its core business improved in the first six months of 2011, 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 2.0 percentage points to 40.2 percent compared with the first half of the prior year. Adjusted for special factors, EBITDA increased year-on-year by EUR 0.1 billion to EUR 4.8 billion despite the revenue decline.

The increase was partly attributable to our large-scale projects aiming to improve service and make cost management more effective as part of Save for Service. Various technology and sales initiatives and the improvement of support processes further reduced operational costs. These included the discontinuation of operations that we do not intend to pursue further as part of our strategy of value-driven growth, and a reduction in cost of sales.

In the first half 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 half of 2010, to EUR 2.1 billion. This decline was principally the result of the early retirement expenses included under special factors and increased depreciation, amortization and impairment losses.

Cash capex.

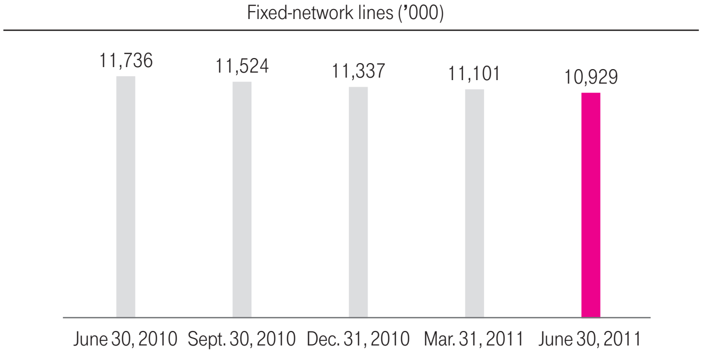
The decrease in cash capex year-on-year was mainly due to cash outflow for the acquisition of LTE licenses (spectrum) in the second quarter of 2010. In the first half of 2011, we primarily invested in network infrastructure for the next-generation gigabit society, the connection of high bit-rate base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

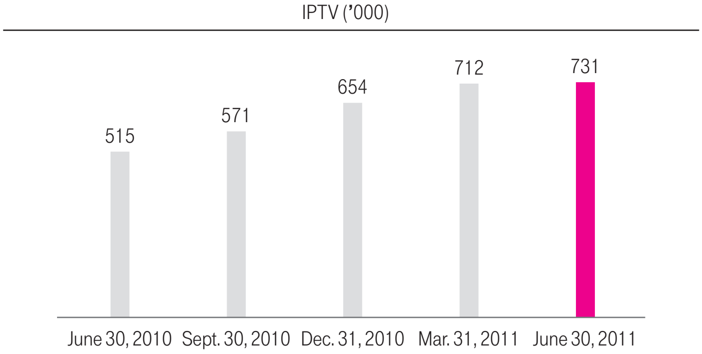
Employees.

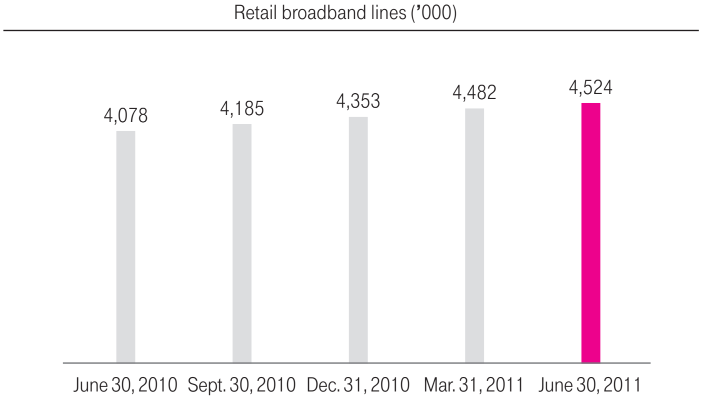
The Germany operating segment employed 76,332 people on average in the first half of 2011. The decline in headcount compared with the first half of 2010 is mainly attributable to our socially responsible staff restructuring and downsizing measures, and to staffing changes within the Group.

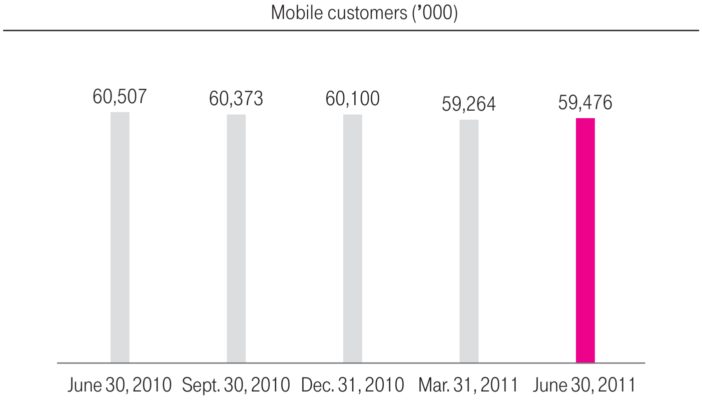
Europe.

Customer development.









		June 30, 2011 millions	Mar. 31, 2011 millions	Change June 30, 2011/ Mar. 31, 2011 %	Dec. 31, 2010 millions	Change June 30 2011/ Dec. 31, 2010 %	June 30, 2010 millions	Change June 30, 2011/ June 30, 2010 %
Europe, total[a,b]	Fixed-network lines	10.9	11.1	(1.8)	11.3	(3.5)	11.7	(6.8)
	Retail broadband lines	4.5	4.5	–	4.4	2.3	4.1	9.8
	Wholesale bundled lines	0.2	0.2	–	0.2	–	0.2	–
	Unbundled local loop (ULL)	1.7	1.6	6.3	1.5	13.3	1.3	30.8
	Mobile customers	59.5	59.3	0.3	60.1	(1.0)	60.5	(1.7)
Greece	Fixed-network lines	3.5	3.6	(2.8)	3.7	(5.4)	4.0	(12.5)
	Broadband lines	1.1	1.2	(8.3)	1.1	–	1.1	–
	Mobile customers	7.7	7.6	1.3	8.0	(3.8)	8.5	(9.4)
Romania	Fixed-network lines	2.6	2.6	–	2.6	–	2.7	(3.7)
	Broadband lines	1.1	1.0	10.0	1.0	10.0	0.8	37.5
	Mobile customers	6.6	6.6	–	6.8	(2.9)	7.1	(7.0)
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	13.2	13.2	–	13.3	(0.8)	13.3	(0.8)
Czech Republic	Fixed-network lines	0.1	0.1	–	0.1	–	0.0	n. a.
	Broadband lines	0.1	0.1	–	0.1	–	0.0	n. a.
	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	3.0	3.0	–	2.9	3.4	2.8	7.1
Netherlands	Fixed-network lines	0.3	0.3	–	0.3	–	0.3	–
	Broadband lines	0.3	0.3	–	0.3	–	0.3	–
	Mobile customers	4.8	4.7	2.1	4.5	6.7	4.4	9.1
Slovakia	Fixed-network lines	1.0	1.1	(9.1)	1.1	(9.1)	1.1	(9.1)
	Broadband lines	0.5	0.4	25.0	0.4	25.0	0.4	25.0
	Mobile customers	2.3	2.4	(4.2)	2.4	(4.2)	2.4	(4.2)
Austria	Mobile customers	3.9	3.8	2.6	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	7.7	7.7	–	7.7	–	7.8	(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, the mobile and 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.

Customer development in the Europe operating segment was mainly influenced by various factors in the first half of 2011. The still tense macroeconomic situation – particularly in Greece – had a negative impact on our customer base. In addition, we continued to face major challenges on our highly competitive markets. Customer development was also influenced by the reclassification of our business customer base in Hungary, dividing it between the Europe and Systems Solutions operating segments with effect from January 1, 2011. As part of this process, the mobile and fixed-network lines of corporate customers in Hungary were reassigned to T-Systems. We were unable to expand our customer base in Greece as planned. The long approval lead times of the Greek regulator prevented us from including the proposed bundles (combined packages of mobile and fixed-network products) in our product portfolio on time. These were the key reasons for the decline in the number of fixed-network lines in the Europe operating segment in the first half of 2011 compared with the end of 2010. In part, we offset this decline by an increase in broadband lines and in the innovative IPTV business. Total customer numbers in the mobile business remained essentially unchanged compared with the end of 2010, in spite of the negative effect of customer reclassification in Hungary.

Fixed network.

Connected worlds: telephone, Internet and television.

At the end of the first half of 2011, the number of fixed-network lines stood at 10.9 million, 3.5 percent fewer than at the end of 2010. This was mainly due to developments in Greece and Hungary. In Greece, 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 decreased as a result of the reclassification of the business customer base. Almost all other countries assigned to the segment saw stable line numbers in fixed-network business. 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 half of 2011, the number of retail lines and of bundled and unbundled wholesale lines rose to a total of 4.7 million compared with the end of 2010. Most countries in our Europe operating segment – especially Romania – contributed to this result. In addition, IPTV business grew considerably by around 12 percent compared with the end of 2010, driven primarily by Hungary and Croatia, which recorded the highest absolute growth. The number of satellite customers also developed very positively, especially in Romania due to minor changes in the composition of the Group.

Mobile communications.

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

In the first half of 2011, total mobile customer numbers in the Europe operating segment totaled 59.5 million. Customer development therefore remained almost stable, decreasing by just 1.0 percent compared with the end of 2010. The customer losses recorded in Hungary, Greece and Romania, in particular, were almost entirely offset by encouraging customer growth mainly in the Netherlands, Austria and Croatia. The majority of customer losses were incurred in the prepay segment, with the largest share of these losses being attributable to Greece and Romania. In Greece, the deregistration of inactive prepay customers in the first quarter continued to have a negative impact on total customer numbers, despite an increase in new customers in the second quarter. The number of prepay customers also declined in Romania, firstly because inactive customers were deregistered and secondly due to the difficult economic situation.

Development in the high-value contract customer segment remained positive. Strong growth mainly in the Netherlands, the Czech Republic and Croatia compensated for customer losses resulting from customer reclassification in Hungary. Overall, contract customers as a proportion of the total number of customers in the Europe operating segment increased slightly to 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, with smartphones playing a key part. Owing to high demand for smartphones, 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 €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Total revenue		3,672	3,807	4,030	(5.5)	7,479	8,804	(15.0)	16,840
Of which: Greece		863	886	963	(8.0)	1,749	1,960	(10.8)	3,876
Of which: Romania		262	269	293	(8.2)	531	584	(9.1)	1,165
Of which: Hungary		352	370	402	(8.0)	722	804	(10.2)	1,517
Of which: Poland		440	453	451	0.4	893	892	0.1	1,839
Of which: Czech Republic		268	282	291	(3.1)	550	570	(3.5)	1,157
Of which: Croatia		256	269	289	(6.9)	525	556	(5.6)	1,148
Of which: Netherlands		418	436	448	(2.7)	854	890	(4.0)	1,767
Of which: Slovakia		202	230	233	(1.3)	432	463	(6.7)	934
Of which: Austria		229	227	243	(6.6)	456	491	(7.1)	983
Of which: United Kingdom		–	–	–	–	–	783	n. a.	783
Of which: Other[a]		435	447	481	(7.1)	882	943	(6.5)	1,937
Profit from operations **(EBIT)**		365	465	166	n. a.	830	841	(1.3)	985
EBIT margin	%	9.9	12.2	4.1		11.1	9.6		5.8
Depreciation, amortization and impairment losses		(801)	(780)	(892)	12.6	(1,581)	(1,751)	9.7	(4,157)
EBITDA		1,166	1,245	1,058	17.7	2,411	2,592	(7.0)	5,142
Special factors affecting EBITDA		(60)	(71)	(373)	81.0	(131)	(426)	69.2	(606)
EBITDA (adjusted for special factors)		1,226	1,316	1,431	(8.0)	2,542	3,018	(15.8)	5,748
Of which: Greece		327	303	346	(12.4)	630	722	(12.7)	1,433
Of which: Romania		61	68	71	(4.2)	129	143	(9.8)	281
Of which: Hungary		145	144	171	(15.8)	289	333	(13.2)	567
Of which: Poland		144	176	176	–	320	345	(7.2)	691
Of which: Czech Republic		136	139	139	–	275	274	0.4	551
Of which: Croatia		104	122	124	(1.6)	226	237	(4.6)	507
Of which: Netherlands		82	128	139	(7.9)	210	241	(12.9)	461
Of which: Slovakia		95	100	105	(4.8)	195	212	(8.0)	403
Of which: Austria		60	68	61	11.5	128	144	(11.1)	283
Of which: United Kingdom		–	–	–	–	–	167	n. a.	167
Of which: Other[a]		69	71	115	(38.3)	140	221	(36.7)	426
EBITDA margin (adjusted for special factors)	%	33.3	34.5	35.5		33.9	34.3		34.1
Cash capex		(512)	(356)	(454)	21.6	(868)	(1,022)	15.1	(2,012)
Average number of employees		62,366	60,509	64,359	(6.0)	61,438	67,242	(8.6)	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 half of 2011, the Europe operating segment generated total revenue of EUR 7.5 billion, a decrease of 15.0 percent compared with the prior-year period. This decline was mainly due to the deconsolidation of T-Mobile UK as of April 1, 2010. In addition, the special tax introduced in Hungary had an adverse effect on segment revenue. Slightly positive overall exchange rate effects against the euro, primarily driven by the translation of Czech korunas and Polish zloty into euros, gave rise to a slight improvement in segment revenue. Adjusted for the aforementioned factors, segment revenue was down just 6.7 percent. This decline was primarily caused by price erosion in almost all European countries. Revenue was impacted firstly by price reductions as a result of lower mobile termination rates imposed by regulation, and secondly by high competitive pressure. The difficult macroeconomic situation in the countries of Southern and Eastern Europe in particular had a considerable impact on total revenue. Greece and Romania were hit particularly hard. They accounted for half of the decline in revenue from operations. The negative effects were in part offset by encouraging revenue growth in the fixed-network business, primarily in broadband/TV, ICT, and wholesale. In addition, strong mobile data revenue growth had a positive impact on segment revenue. This growth was driven by attractive rate plans introduced as part of our aggressive smartphone marketing initiatives. Our data revenue continues to increase by around 15 percent year-on-year.

Greece. In Greece, revenue decreased by 10.8 percent year-on-year in the first half of 2011. This decline affected fixed-network and mobile business in almost equal measure. The decrease in fixed-network business was mainly caused by losses in traditional fixed-network lines. However, the positive development of 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 half of the year was mainly influenced by the difficult macroeconomic situation and intense competition resulting in the erosion of mobile rate plans. These factors led to a reduction in service revenue as compared with the prior year. In addition, the prepay registration requirements and the regulation-induced reduction in termination rates had a negative impact on revenue. This was offset by higher data revenue and a slight rise in roaming revenue.

Romania. Revenue in Romania was down by 9.1 percent in the first half of 2011, primarily due to the continuing price war in the Romanian telecommunications market and the persistently tense economic situation, which triggered line losses in both traditional fixed-network and mobile business – most notably in the prepay segment. Losses in traditional fixed-network business were partially offset by continued strong customer growth in broadband and TV business, as well as minor changes in the composition of the Group and the associated slight revenue growth. Mobile revenue was negatively affected by lower equipment revenue. High-value service revenues, by contrast, remained at a constant level despite intense competition and regulation-induced reductions in termination rates. An encouraging increase in voice, text message and data usage offset the negative effects of the price erosion.

Hungary. In Hungary, we generated revenue of EUR 722 million in the first half of the year. It declined by 10.2 percent primarily due to two factors. Firstly, the special tax imposed by the Hungarian government at the end of last year reduced revenue by EUR 40 million. In addition, the reclassification of the business customer base had a negative impact of around EUR 26 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 3.0 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. Here, revenue was negatively affected by price reductions driven by intense competition and lower mobile termination rates.

Poland. As in the first quarter, the revenue generated in the first half of 2011 of EUR 893 million remained stable at prior-year level due to the positive exchange rate effects of the Polish zloty against the euro. Adjusted for this exchange rate effect, revenue decreased only slightly, driven by lower service revenues as a result of intense competition. This decrease was only partially offset by higher data revenues. Higher revenues from the sale of terminal devices also had a positive effect on total revenue.

Czech Republic. Compared with the prior-year period, revenue in the Czech Republic decreased by 3.5 percent to EUR 550 million. Positive exchange rate effects from the translation of Czech korunas into euros only partly compensated for the decrease in revenue from operations. This was primarily due to lower service revenue, which was negatively impacted by two regulation-induced reductions in termination rates and by the year-on-year decline in data revenues. The significant increase in fixed-network revenues had a positive impact, compensating for the overall negative revenue trend in the Czech Republic.

Croatia. In the first half of the year, we generated revenue of EUR 525 million in Croatia. This constitutes a reduction of 5.6 percent. Adjusted for the negative exchange rate effects from the translation of Croatian kunas into euros, the decline in revenue was only 3.9 percent. The slight decline in revenue from operations was primarily attributable to mobile business, which was significantly affected by regulation-induced reductions in termination rates in January 2011. By contrast, marginally higher data revenues and higher revenues from the sale of terminal devices had a positive effect. Revenue from operations in the fixed-network business remained stable at the prior-year level. Positive revenue contributions from the strong increase in broadband and TV lines offset the decline in revenue from traditional fixed-network and wholesale business. In addition, the ICT business of the subsidiary COMBIS made a significant contribution to revenue growth year-on-year.

Netherlands. In the Netherlands, revenue declined by 4.0 percent year-on-year to EUR 854 million in the first half of 2011, mainly due to regulation-induced reductions in termination rates. This resulted in lower service revenues. It was only partially possible to offset the negative revenue effects of the termination rates, despite increased data revenues. Higher proceeds from the sale of terminal devices, driven by extremely high customer demand for smartphones, also had a positive effect on revenue. By contrast, a decline in online revenue from fixed-network business had a negative impact.

Slovakia. In Slovakia, revenue declined by 6.7 percent to EUR 432 million in the first half of 2011, mainly due to lower mobile revenues. Service revenues decreased as a result of persistently intense competition on the Slovakian mobile market. Lower visitor revenue had an additional negative impact on revenues. Fixed-network business also recorded a year-on-year decline in revenue at the end of the first half of 2011, mirroring losses in traditional fixed-network lines. Despite growth in broadband lines and the successful marketing of IPTV and satellite TV products, which resulted in a slight increase in revenue, these revenue components only partially offset the reduction in revenue from traditional fixed-network business. By contrast, ICT revenues increased as a result of effects from changes in the composition of the Group and higher revenues from ICT business, thus having a positive effect on revenue.

Austria. Revenue in Austria decreased by 7.1 percent year-on-year, to EUR 456 million. This decrease was principally due to intense competition and regulation-induced lower termination rates. These rates were lowered once again in June, substantially impacting service revenues. Overall, termination rates have halved since July 2009. However, the negative revenue effects of termination rates were partially offset by higher data revenues.

EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 2.5 billion in the first half of 2011, a year-on-year reduction of 15.8 percent. Almost half of this decline in EBITDA was attributable to the deconsolidation of T-Mobile UK as of April 1, 2010. In addition, the special tax introduced in Hungary had an adverse effect on the segment's adjusted EBITDA. The slightly positive exchange rate effects against the euro were primarily driven by the Czech koruna and the Polish zloty. Excluding the aforementioned effects, adjusted EBITDA declined by 9.7 percent, with the EBITDA decrease being partially offset by specific savings on overheads and cuts in dealer commissions.

Greece. In the first half of 2011, we generated adjusted EBITDA of EUR 630 million in Greece. This 12.7 percent decrease was the result of reduced revenues compared with the prior-year period and the negative impact on adjusted EBITDA in the second quarter of the retroactive adjustment of regulated charges by the Greek regulatory authority. The decrease in adjusted EBITDA was partially counteracted by the implementation of efficiency enhancement measures.

Romania. In Romania, adjusted EBITDA decreased by 9.8 percent to EUR 129 million year-on-year, mainly due to the decline in fixed-network revenues. Higher overheads and higher marketing expenditure in response to intense competition also impacted earnings. By contrast, we generated higher adjusted EBITDA in the mobile business, although this only partially offset the negative impact of the decline in EBITDA in the fixed-network business.

Hungary. In the first half of 2011, adjusted EBITDA was down 13.2 percent year-on-year to EUR 289 million. This result was driven in particular by the introduction at the end of 2010 of a new special tax, which was responsible for a year-on-year decline in EBITDA of around EUR 40 million. 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 grew by 2.2 percent. Efficiency-enhancing measures countered the decline in revenue from operations.

Poland. In Poland, adjusted EBITDA decreased by 7.2 percent to EUR 320 million. Marketing expenditure rose considerably as a result of the rebranding of "Era" to T-Mobile in June 2011. In this context, selling and customer service expenses also increased. We also invested in targeted marketing aimed at high-value customers. Customer acquisition and retention costs therefore increased year-on-year. Positive one-time factors partially compensated for the negative effects of the decrease in EBITDA.

Czech Republic. Thanks to the positive exchange rate effects from the translation of Czech korunas into euros, adjusted EBITDA in the Czech Republic remained stable year-on-year at EUR 275 million. In local currency, adjusted EBITDA decreased, in particular due to the negative impact of the decline in revenue. Lower customer acquisition costs and significant cuts in overheads cushioned the negative effect of the decline in revenue.

Croatia. In Croatia, adjusted EBITDA decreased by 4.6 percent to EUR 226 million in the first half of 2011, driven by developments in mobile business. Savings in overheads were insufficient to fully offset the negative effect of lower mobile revenue. In addition, higher expenditure for customer retention resulted in a further reduction in adjusted EBITDA. By contrast, adjusted EBITDA from fixed-network business increased year-on-year, driven by, among other factors, efficiency gains achieved through the Save for Service program.

Netherlands. In the first half of 2011, adjusted EBITDA in the Netherlands was down 12.9 percent to EUR 210 million. This was due to the year-on-year decrease in revenue and higher marketing expenditure due to greater smartphone penetration in the Dutch mobile communications market. Savings on overheads counteracted the negative effects of the decline in EBITDA.

Slovakia. In Slovakia, adjusted EBITDA decreased by 8.0 percent year-on-year to EUR 195 million in the first half of 2011, which was attributable to the revenue decline in comparison with the prior-year period. Efficiency enhancement measures as part of the Save for Service program or other initiatives only partially offset the negative effects of the decline in revenue.

Austria. In Austria, the negative revenue trend in the first half of 2011 impacted adjusted EBITDA which was down 11.1 percent year-on-year to EUR 128 million. Due to the non-recurrence of one-time positive effects on adjusted EBITDA recorded in the first half of 2010, adjusted EBITDA decreased in the course of the current year. Year-on-year, lower customer acquisition and retention costs and significant savings on overheads had a positive impact on earnings and partially offset the negative effects of the decline in EBITDA.

EBIT.

In our Europe operating segment, EBIT declined year-on-year to EUR 830 million in the first half of 2011. This slight 1.3-percent decrease was primarily attributable to the decline in EBITDA. Lower depreciation, amortization and impairment losses at segment level – especially in Greece and Romania – had a positive effect on EBIT, which did not fully offset the negative effects of the decline in adjusted EBITDA.

Cash capex.

In the first half of 2011, our Europe operating segment reported total cash capex of EUR 868 million. This corresponds to a year-on-year decline of 15.1 percent, most of which is attributable to the deconsolidation of T-Mobile UK. In addition, the difficult market situation and charges such as the special tax in Hungary, resulted in restrained investment activity in most countries. Cash capex only increased in the Netherlands and the Czech Republic due to the build-out of the networks.

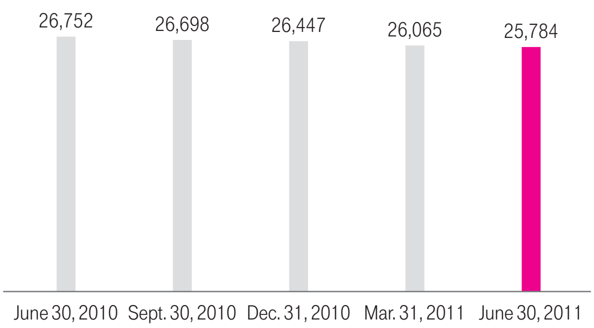
Employees.

The Europe operating segment employed 61,438 people on average in the first half of 2011. Headcount decreased by 8.6 percent year-on-year, largely due to the deconsolidation of T-Mobile UK. Downsizing programs as part of efficiency enhancement measures in most countries also reduced the average headcount. By contrast, some acquisitions, for example in the ICT business, added marginally to the headcount.

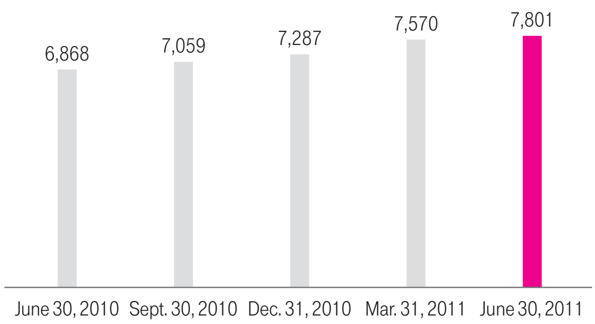
United States (discontinued operations).

Customer development.

Contract customers* ('000)



Prepay customers* ('000)



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

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

At June 30, 2011, the United States operating segment (T-Mobile USA) had 33.6 million customers, a decrease in customers of 150,000 for the first half of 2011 compared to a decrease of 170,000 for the first half of 2010. The slight improvement year-on-year was driven primarily by continued growth in MVNO customers. In the first half of 2011, T-Mobile USA had 663,000 net contract customer losses compared to 12,000 net contract customer losses in the first half of 2010. In the first half of 2011, contract customer losses were impacted by a decline in postpay customer gross additions, partially offset by customer growth in partner branded services and connected devices. Connected device customers totaled 2.3 million at June 30, 2011. In the first half of 2011, T-Mobile USA had 513,000 net prepaid customer additions compared to 158,000 customer losses in the first half of 2010. The significant improvement in net prepaid customer additions in the first half of 2011 was due to unlimited prepaid customer growth, including MVNOs. At June 30, 2011, T-Mobile USA had 3.5 million MVNO customers.

In the second quarter of 2011, T-Mobile USA had 50,000 total net customer losses, compared to 93,000 total net customer losses in the second quarter of 2010 and 99,000 total net customer losses in the first quarter of 2011. In the second quarter of 2011, T-Mobile USA had 281,000 net contract customer losses compared to 106,000 net contract customer additions in the second quarter of 2010. The year-on-year change was driven primarily by fewer gross contract customer additions. Net prepaid customers increased by 231,000 in the second quarter of 2011, compared to 199,000 net prepaid customer losses in the second quarter of 2010. This increase in year-on-year net prepaid performance was driven by sales of monthly unlimited prepaid products as well as MVNO sales. Compared to the first quarter of 2011, net customer losses in the second quarter of 2011 improved driven by improvements in postpay gross customer additions and fewer postpay customer deactivations. T-Mobile USA's blended churn increased to 3.4 percent per month in the first half of 2011, compared to 3.2 percent per month in the first half of 2010 due primarily to higher contract churn as a result of competitive intensity. In the second quarter of 2011, T-Mobile USA's blended churn decreased to 3.3 percent per month, compared to 3.4 percent per month in the first quarter of 2011 and 3.4 percent per month in the second quarter of 2010. Quarter-on-quarter and year-on-year, blended churn decreases were driven by lower churn from branded customers (total customers excluding MVNO and connected devices).

Development of operations.

		Q1 2011 millions of €	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Total revenue		3,770	3,510	4,188	(16.2)	7,280	8,002	(9.0)	16,087
Profit from operations **(EBIT)**		401	868	600	44.7	1,269	1,144	10.9	2,092
EBIT margin	%	10.6	24.7	14.3		17.4	14.3		13.0
Depreciation, amortization and impairment losses		(463)	–	(520)	n. a.	(463)	(984)	n. a.	(2,064)
EBITDA		864	868	1,120	(22.5)	1,732	2,128	(18.6)	4,156
Special factors affecting EBITDA		(7)	(24)	–	n. a.	(31)	–	n. a.	–
EBITDA (adjusted for special factors)		871	892	1,120	(20.4)	1,763	2,128	(17.2)	4,156
EBITDA margin (adjusted for special factors)	%	23.1	25.4	26.7		24.2	26.6		25.8
Cash capex		(546)	(477)	(534)	10.7	(1,023)	(1,015)	(0.8)	(2,121)
Average number of employees		36,237	35,121	37,612	(6.6)	35,679	38,138	(6.4)	37,795

Total revenue.

Total revenue at the United States operating segment (T-Mobile USA) of EUR 7.3 billion for the first half of 2011 decreased by 9.0 percent compared to EUR 8.0 billion for the first half of 2010, due in large part to fluctuations in the currency exchange rate. In U.S. dollars, revenues of T-Mobile USA declined by 3.7 percent year-on-year, due to a 26.9 percent decrease in equipment revenues from lower sales to third party dealers and service providers and fewer T-Mobile USA branded customers resulting in a service revenue decline of 0.5 percent year-on-year. The decrease in service revenues was due to declines in 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 9.8 million at the end of the second quarter of 2011, significantly higher than the 6.5 million at the end of the second quarter of 2010. Additionally, T-Mobile USA's first half of 2011 total and service revenues benefitted from the launch of T-Mobile USA's handset protection insurance program in the fourth quarter of 2010.

EBITDA, adjusted EBITDA.

Adjusted EBITDA, excluding EUR 31 million in transaction-related expenses associated with the pending AT&T acquisition of T-Mobile USA, decreased year-on-year in the first half of 2011 by 17.2 percent to EUR 1.8 billion compared to EUR 2.1 billion in the first half of 2010. In U.S. dollars, EBITDA fell by 13.7 percent due to the decrease in revenues as discussed above. Operating expenses in U.S. dollars were consistent year-on-year as lower volume-driven handset and commission costs were offset by increased costs associated with the build-out of the 4G HSPA+ network. Marketing and employee-related expenses were also higher year-on-year.

EBIT.

EBIT increased year-on-year by 10.9 percent (13.6 percent after adjusting for costs associated with the pending AT&T transaction) to EUR 1.3 billion in the first half of 2011 from EUR 1.1 billion in the first half 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 acquisition. If the assets had continued to be depreciated for the full six months ended June 30, 2011, EBIT would have decreased year-on-year due to the factors described above.

Cash capex.

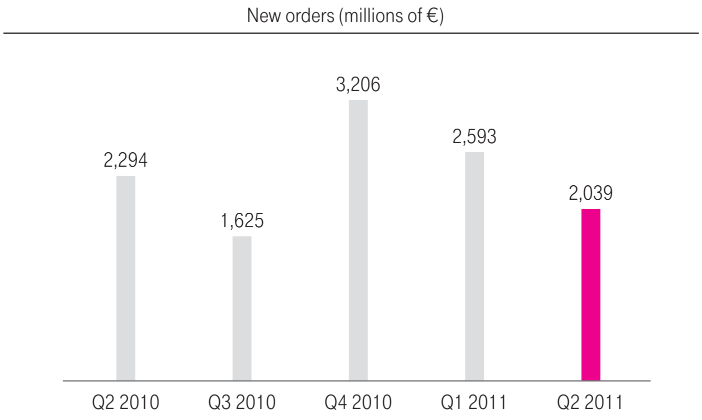
Due to changes in foreign currency exchange rates, cash capex remained consistent year-on-year at EUR 1.0 billion in the first half of 2011 compared to 2010. In U.S. dollars, cash capex increased by 6.7 percent as a result of spending on network coverage expansion and the upgrade to HSPA+ 42, which doubles the theoretical download speed of T-Mobile USA's 4G network. T-Mobile USA currently offers its customers America's largest 4G network with HSPA+ service available in 184 markets reaching over 200 million people including more than 170 million Americans with access to T-Mobile USA's most advanced 4G mobile broadband network speeds of 42 Mbits/s.

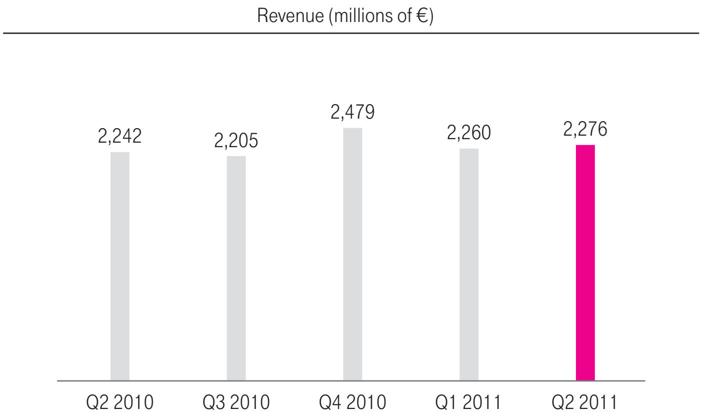
Employees.

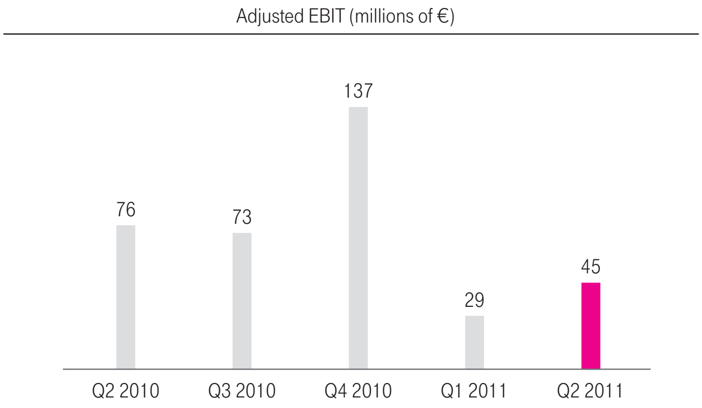
The average number of employees decreased in the first half of 2011 by 6.4 percent compared to the first half of 2010. This decrease was due in part to fewer customer support employees driven by lower customer care call volumes and a decrease in the number of retail employees due to the implementation of labor efficiency and store rationalization programs.

Systems Solutions.

Selected KPIs.







		June 30, 2011	Mar. 31, 2011	Change June 30, 2011/ Mar. 31, 2011 %	Dec. 31, 2010	Change June 30 2011/ Dec. 31, 2010 %	June 30, 2010	Change June 30, 2011/ June 30, 2010 %
New orders	millions of €	4,632	2,593	n. a.	9,281	n. a.	4,450	4.1
Computing & Desktop Services								
Number of servers managed and serviced	units	58,111	57,936	0.3	58,073	0.1	48,564	19.7
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	4.9	2.5	n. a.	9.2	n. a.	4.7	4.3
Utilization rate	%	84.2	83.5	0.7 p	84.0	0.2 p	82.4	1.8 p

Development of business.

In the first half of the 2011 financial year, our Systems Solutions operating segment (T-Systems) secured strategically significant new deals in the ICT corporate customer market. One example is the extensive outsourcing agreement with Everything Everywhere, the joint venture between Deutsche Telekom and France Télécom in the UK market, and the deals secured with the automotive supplier Magna, the oil and gas company TOTAL, and the Swiss trading company Valora. These deals increased the level of new orders by around 4.1 percent year-on-year. There is growing demand in particular in the growth area of cloud computing, which T-Systems meets by offering Dynamic Services, which 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.

The number of servers managed and serviced increased by 19.7 percent in the reporting period compared with the prior-year period, primarily as a result of an increase in demand for dynamic computing services. 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 as well as increasing the utilization rate once again. More and more energy providers are demanding services relating to smart electricity grids, in addition to traditional ICT services. We secured further new deals in the first half 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. These successes contribute to our strategy of participating in the emerging markets with intelligent networks, including energy, healthcare and connected vehicles.

Development of operations.

		Q1 2011 millions of €	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Total revenue		2,260	2,276	2,242	1.5	4,536	4,373	3.7	9,057
Profit (loss) from operations **(EBIT)**		(11)	22	56	(60.7)	11	74	(85.1)	44
Special factors affecting EBIT		(40)	(23)	(20)	(15.0)	(63)	(49)	(28.6)	(289)
EBIT (adjusted for special factors)		29	45	76	(40.8)	74	123	(39.8)	333
EBIT margin (adjusted for special factors)	%	1.3	2.0	3.4		1.6	2.8		3.7
Depreciation, amortization and impairment losses		(160)	(152)	(155)	1.9	(312)	(305)	(2.3)	(623)
EBITDA		149	174	211	(17.5)	323	379	(14.8)	667
Special factors affecting EBITDA		(40)	(23)	(20)	(15.0)	(63)	(48)	(31.3)	(281)
EBITDA (adjusted for special factors)		189	197	231	(14.7)	386	427	(9.6)	948
EBITDA margin (adjusted for special factors)	%	8.4	8.7	10.3		8.5	9.8		10.5
Cash capex		(123)	(128)	(220)	41.8	(251)	(368)	31.8	(725)
Average number of employees		48,191	48,254	47,480	1.6	48,222	47,463	1.6	47,588

Total revenue.

Total revenue in our Systems Solutions operating segment in the first half of the financial year amounted to EUR 4.5 billion, a year-on-year increase of 3.7 percent. This increase is attributable, for example, to deals with Everything Everywhere, E.ON and Deutsche Post DHL, concluded by T-Systems both in this and the prior year. 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 1.3 billion in the reporting period, an increase of 4.1 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 operating segment generated net revenue of EUR 3.3 billion, 3.6 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). In the intensely contested telecommunications business, the agreement entered into last year with E.ON provides further positive impetus. Revenue from Computing & Desktop Services also increased again, primarily due to the fact that many customers are increasingly using what are known as cloud services. We already provide some 90 percent of SAP services for our customers from the cloud.

EBITDA, adjusted EBITDA.

In the reporting period, the Systems Solutions operating segment generated EBITDA of EUR 0.3 billion. The 14.8-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 to T-Systems' operational business, start-up expenses for new contracts, and the development of new business areas, such as intelligent networks. Savings generated by the comprehensive restructuring and efficiency enhancement program Save for Service did not offset the rise in costs. Income from the reversal of a restructuring provision for severance payments that was not completely utilized (reported as a special factor) did not fully offset this trend either. In addition, EBITDA was negatively affected by greater 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 9.6 percent, to EUR 0.4 billion in the first half of 2011.

EBIT, adjusted EBIT.

Adjusted EBIT is EUR 49 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 2010. The comprehensive Save for Service restructuring and efficiency enhancement program offset this development only partially. The adjusted EBIT margin decreased from 2.8 percent in the first half of 2010 to 1.6 percent in the reporting period.

Cash capex.

At EUR 0.3 billion, cash capex in the reporting period was well below the prior-year level. Although T-Systems continued to invest in new contracts and customer relationships, the build-out of the dynamic computing platform in particular did not match the intensity it had reached in the previous 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.

Average headcount grew by 759 in the first half of 2011 to 48,222, a year-on-year increase of 1.6 percent. The average number of employees in Germany increased by 384 or 1.5 percent to 25,447, internationally by 375 or 1.7 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 once again in the first half 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 all Group employees employment opportunities at Vivento Customer Services GmbH.

As of June 30, 2011, Vivento had a workforce of about 9,000, including 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 2,100 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Vivento took on around 900 employees in the first half of 2011, while around 900 staff left Vivento in the reporting period to pursue new opportunities.

Development of operations.

	Q1 2011 millions of €	**Q2 2011 millions of €**	Q2 2010 millions of €	Change %	**H1 2011 millions of €**	H1 2010 millions of €	Change %	FY 2010 millions of €
Total revenue	537	539	583	(7.5)	1,076	1,148	(6.3)	2,166
Loss from operations **(EBIT)**	(347)	(619)	(426)	(45.3)	(966)	(791)	(22.1)	(2,479)
Depreciation, amortization and impairment losses	(178)	(205)	(181)	(13.3)	(383)	(369)	(3.8)	(840)
EBITDA	(169)	(414)	(245)	(69.0)	(583)	(422)	(38.2)	(1,639)
Special factors affecting EBITDA	(6)	(274)	(63)	n. a.	(280)	(68)	n. a.	(769)
EBITDA (adjusted for special factors)	(163)	(140)	(182)	23.1	(303)	(354)	14.4	(870)
Cash capex	(116)	(105)	(70)	(50.0)	(221)	(179)	(23.5)	(406)
Average number of employees	21,574	21,634	22,399	(3.4)	21,604	22,234	(2.8)	22,312
Of which: Vivento[a]	9,000	9,000	9,700	(7.2)	9,000	9,700	(7.2)	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 declined by 6.3 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 half of the 2011 financial year, primarily as a result of the reversal of provisions in the reporting period. The decrease in headcount at Vivento also had a positive effect on adjusted EBITDA. By contrast, a decline in revenues from the charging of central IT services had an offsetting effect. Overall, EBITDA was negatively impacted by special factors of EUR 280 million in the reporting period, which mainly 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 68 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 175 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 half of 2011 was 21,604. The decrease of 630 compared with the first half of 2010 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 closing of our sale of T-Mobile USA to AT&T is subject to the satisfaction of a number of conditions. In particular, the transaction is subject to approval by the Federal Communications Commission and U.S. Department of Justice. 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."

Litigation.

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, and by MNet for EUR 27.3 million, plus interest in each case. HanseNet has filed proceedings for a declaratory judgment obligating Deutsche Telekom AG and Telekom Deutschland GmbH to reimburse HanseNet for all damage caused by the price squeeze as established by the European Commission.

Review of contracts in the F.Y.R.O. Macedonia and Montenegro. The audit of the financial statements of Magyar Telekom for the 2005 financial year identified contracts for which it was not possible at the time to fully ascertain an appropriate business background. The Audit Committee of Magyar Telekom commissioned an independent law firm with investigating the lawfulness of these contracts. Magyar Telekom informed the U.S. authorities (Department of Justice (DOJ) and the Securities and Exchange Commission (SEC)), who then initiated investigations into potential breaches of the Foreign Corrupt Practices Act (FCPA). Magyar Telekom and Deutsche Telekom as the parent company of the Group cooperated fully with these investigations and reviewed and improved their compliance programs. Magyar Telekom's and Deutsche Telekom's legal representatives are currently in talks with the U.S. authorities about the status of the investigation and the possibility of bringing the proceedings to a close. Magyar Telekom has reached an agreement in principle with the staff of the SEC to settle the SEC's investigation against Magyar Telekom. A provision in the amount of EUR 43 million has been established in light of the agreement in principle and its continued discussions with the DOJ. Deutsche Telekom has also reached a tentative agreement with the SEC staff with respect to the framework of a potential settlement. Deutsche Telekom's and Magyar Telekom's legal representatives continue to discuss with both the SEC and the DOJ the specific terms of potential resolutions. The ultimate outcome of these continued 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 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 are not expected until 2012.

CIF Licensing LLC has initiated proceedings against Deutsche Telekom AG for alleged infringement of four patents relating to the use of ADSL devices and processes. All four patents have since expired. Two infringement proceedings have been suspended because the German Federal Patent Court declared both patents sued on void in the first instance. CIF has lodged an appeal against each of these rulings. The two other infringement proceedings are unscheduled. A further nullity suit regarding one of the other allegedly infringed patents has been filed, and a fourth is being prepared. Out-of-court negotiations being conducted simultaneously with CIF about the withdrawal of proceedings and granting of a patent license will be concluded shortly.

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 above 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 (June 30, 2011).

Purchase of another 10 percent of the shares in OTE completed.

On the basis of the put option exercised by the Hellenic Republic on June 6, 2011 for the sale of 10 percent of the shares in Greek telecommunications company Hellenic Telecommunications Organization S.A. (OTE), Deutsche Telekom purchased 49,015,038 no par value shares from the Hellenic Republic on July 11, 2011 at a price of EUR 7.99 per share.

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.

PTC and PTK Centertel sign network sharing agreement.

PTC and PTK Centertel signed an agreement on July 21, 2011 to share their radio access networks (RANs). The agreement covers management, planning, support, development and maintenance of the joint networks. These tasks are going to be performed by NetWorkS!, a newly-formed company in which both operators hold an equal 50 percent of shares. The most significant benefits are related to short-term acceleration of the modernization of the entire RAN network to the most modern technology, compatible and supporting latest standards.

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.

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. As 2011 progresses, the performance of the financial markets is expected to depend largely on the implementation of suitable measures to tackle the debt crisis.

[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.

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 June 30, 2011, we had a comfortable liquidity reserve of just under EUR 15 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 June 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-margin 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 from 2012 onward. We expect adjusted EBITDA to continue to stabilize year-on-year, or even increase slightly 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, which allows customers in 1,000 areas that were previously not covered by broadband Internet to access the Internet and make calls on flat rates with the Call & Surf Comfort calling plan, all via the mobile network. 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 of our Europe segment. At the same time, investments are planned to build out the UMTS networks, introduce HSPA+, and upgrade the GSM networks. More investments are to be made in the fixed network in order to increase broadband coverage, for instance, by building out the fiber-optic infrastructure. 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. 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. The same applies in Croatia for the mobile communications tax levied since August 2009. 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 to slow compared with 2011 and adjusted EBITDA to stabilize.

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. We expect closing in the first half of 2012.

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. 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. Taking into account the measures described, we expect revenue to increase slightly and adjusted EBITDA to remain essentially at the prior-year level in 2011, and revenue and adjusted EBITDA to increase slightly in 2012 in the operating segment.

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.

	June 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	June 30, 2010 millions of €
Assets					
Current assets	**47,629**	**15,243**	**32,386**	**n. a.**	**15,471**
Cash and cash equivalents	2,744	2,808	(64)	(2.3)	1,839
Trade and other receivables	4,643	6,889	(2,246)	(32.6)	7,236
Current recoverable income taxes	102	224	(122)	(54.5)	238
Other financial assets	2,023	2,372	(349)	(14.7)	2,808
Inventories	823	1,310	(487)	(37.2)	1,290
Non-current assets and disposal groups held for sale	35,780	51	35,729	n. a.	84
Other assets	1,514	1,589	(75)	(4.7)	1,976
Non-current assets	**75,486**	**112,569**	**(37,083)**	**(32.9)**	**117,313**
Intangible assets	29,024	53,807	(24,783)	(46.1)	55,058
Property, plant and equipment	34,431	44,298	(9,867)	(22.3)	45,539
Investments accounted for using the equity method	6,634	7,242	(608)	(8.4)	8,008
Other financial assets	1,938	1,695	243	14.3	3,003
Deferred tax assets	3,154	5,129	(1,975)	(38.5)	5,225
Other assets	305	398	(93)	(23.4)	480
Total assets	**123,115**	**127,812**	**(4,697)**	**(3.7)**	**132,784**
Liabilities and shareholders' equity					
Current liabilities	**34,842**	**26,452**	**8,390**	**31.7**	**25,238**
Financial liabilities	12,920	11,689	1,231	10.5	10,934
Trade and other payables	4,581	6,750	(2,169)	(32.1)	6,351
Income tax liabilities	306	545	(239)	(43.9)	670
Other provisions	2,486	3,193	(707)	(22.1)	2,995
Liabilities directly associated with non-current assets and disposal groups held for sale	10,587	–	10,587	n. a.	–
Other liabilities	3,962	4,275	(313)	(7.3)	4,288
Non-current liabilities	**48,993**	**58,332**	**(9,339)**	**(16.0)**	**62,759**
Financial liabilities	37,609	38,857	(1,248)	(3.2)	42,040
Provisions for pensions and other employee benefits	6,102	6,373	(271)	(4.3)	6,527
Other provisions	1,815	1,628	187	11.5	1,969
Deferred tax liabilities	873	7,635	(6,762)	(88.6)	8,299
Other liabilities	2,594	3,839	(1,245)	(32.4)	3,924
Liabilities	**83,835**	**84,784**	**(949)**	**(1.1)**	**87,997**
Shareholders' equity	**39,280**	**43,028**	**(3,748)**	**(8.7)**	**44,787**
Issued capital	11,063	11,063	0	0.0	11,165
Treasury shares	(5)	(5)	0	0.0	(5)
	11,058	**11,058**	**0**	**0.0**	**11,160**
Capital reserves	51,504	51,635	(131)	(0.3)	51,531
Retained earnings including carryforwards	(25,409)	(24,355)	(1,054)	(4.3)	(24,151)
Total other comprehensive income	392	(2,017)	2,409	n. a.	(37)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	(3,815)	–	(3,815)	n. a.	–
Net profit (loss)	828	1,695	(867)	(51.2)	1,242
Issued capital and reserves attributable to owners of the parent	**34,558**	**38,016**	**(3,458)**	**(9.1)**	**39,745**
Non-controlling interests	4,722	5,012	(290)	(5.8)	5,042
Total shareholders' equity and liabilities	**123,115**	**127,812**	**(4,697)**	**(3.7)**	**132,784**

Consolidated income statement.

	Q2 2011 millions of €	Q2 2010[a] millions of €	Change %	H1 2011 millions of €	H1 2010[a] millions of €	Change %	FY 2010[a] millions of €
Continuing operations							
Net revenue	**10,968**	**11,346**	**(3.3)**	**21,798**	**23,348**	**(6.6)**	**46,346**
Cost of sales	(6,589)	(6,442)	(2.3)	(12,871)	(13,477)	4.5	(27,052)
Gross profit	**4,379**	**4,904**	**(10.7)**	**8,927**	**9,871**	**(9.6)**	**19,294**
Selling expenses	(2,368)	(2,382)	0.6	(4,719)	(4,915)	4.0	(9,873)
General and administrative expenses	(1,190)	(1,188)	(0.2)	(2,296)	(2,272)	(1.1)	(4,672)
Other operating income	278	338	(17.8)	583	642	(9.2)	1,444
Other operating expenses	(304)	(559)	45.6	(457)	(728)	37.2	(2,778)
Profit from operations	**795**	**1,113**	**(28.6)**	**2,038**	**2,598**	**(21.6)**	**3,415**
Finance costs	(585)	(644)	9.2	(1,169)	(1,241)	5.8	(2,499)
Interest income	66	79	(16.5)	133	218	(39.0)	346
Interest expense	(651)	(723)	10.0	(1,302)	(1,459)	10.8	(2,845)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	11	(25)	n. a.	(17)	(23)	26.1	(56)
Other financial income (expense)	(170)	(39)	n. a.	(211)	(159)	(32.7)	(248)
Profit (loss) from financial activities	**(744)**	**(708)**	**(5.1)**	**(1,397)**	**(1,423)**	**1.8**	**(2,803)**
Profit (loss) before income taxes	**51**	**405**	**(87.4)**	**641**	**1,175**	**(45.4)**	**612**
Income taxes	(79)	(310)	74.5	(198)	(550)	64.0	(189)
Profit (loss) after taxes from continuing operations	**(28)**	**95**	**n. a.**	**443**	**625**	**(29.1)**	**423**
Discontinued operations							
Profit (loss) after taxes from discontinued operations	**462**	**369**	**25.2**	**571**	**704**	**(18.9)**	**1,337**
Profit (loss)	**434**	**464**	**(6.5)**	**1,014**	**1,329**	**(23.7)**	**1,760**
Profit (loss) attributable to	434	464	(6.5)	1,014	1,329	(23.7)	1,760
Owners of the parent (net profit (loss))	348	475	(26.7)	828	1,242	(33.3)	1,695
Non-controlling interests	86	(11)	n. a.	186	87	n. a.	65

[a] Figures for the prior-year periods adjusted, as T-Mobile USA is reported as a discontinued operation.

Earnings per share of owners of the parent.

		Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %	FY 2010
Earnings per share from continuing operations								
Basic/diluted	€	(0.03)	0.02	n. a.	0.06	0.12	(50.0)	0.08
Earnings per share from discontinued operations								
Basic/diluted	€	0.11	0.09	22.2	0.13	0.17	(23.5)	0.31
Earnings per share (total)								
Basic/diluted	€	0.08	0.11	(27.3)	0.19	0.29	(34.5)	0.39

Consolidated statement of comprehensive income.

	Q2 2011 millions of €	Q2 2010 millions of €	Change millions of €	H1 2011 millions of €	H1 2010 millions of €	Change millions of €	FY 2010 millions of €
Profit (loss)	**434**	**464**	**(30)**	**1,014**	**1,329**	**(315)**	**1,760**
Actuarial gains and losses on defined benefit pension plans	(3)	(107)	104	327	(297)	624	(32)
Revaluation due to business combinations	0	(1)	1	0	(1)	1	(2)
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	2,151	(2,151)	0	2,151	(2,151)	2,151
Change in other comprehensive income (not recognized in income statement)	(407)	1,922	(2,329)	(1,410)	3,550	(4,960)	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)	6	1	5	10	(5)	15	(3)
Fair value measurement of hedging instruments							
Recognition of other comprehensive income in income statement	80	1	79	100	0	100	0
Change in other comprehensive income (not recognized in income statement)	(81)	23	(104)	(28)	16	(44)	58
Share of profit (loss) of investments accounted for using the equity method	3	(12)	15	23	(12)	35	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	(7)	20	(27)	(130)	85	(215)	(5)
Other comprehensive income	**(409)**	**3,998**	**(4,407)**	**(1,108)**	**5,487**	**(6,595)**	**3,742**
Total comprehensive income	**25**	**4,462**	**(4,437)**	**(94)**	**6,816**	**(6,910)**	**5,502**
Total comprehensive income attributable to	25	4,462	(4,437)	(94)	6,816	(6,910)	5,502
Owners of the parent	(35)	4,593	(4,628)	(313)	6,777	(7,090)	5,443
Non-controlling interests	60	(131)	191	219	39	180	59

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)
	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			1		
Profit (loss)					1,242
Other comprehensive income				(206)	
Transfer to retained earnings				39	
Balance at June 30, 2010	**11,165**	**(5)**	**51,531**	**(24,151)**	**1,242**
Balance at January 1, 2011	**11,063**	**(5)**	**51,635**	**(24,355)**	**1,695**
Changes in the composition of the Group			(132)		
Unappropriated profit (loss) carried forward				1,695	(1,695)
Dividends				(3,011)	
Proceeds from the exercise of stock options			1		
Share buy-back		0		(1)	
Profit (loss)					828
Other comprehensive income				220	
Transfer to retained earnings				43	
Balance at June 30, 2011	**11,063**	**(5)**	**51,504**	**(25,409)**	**828**

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Cash flow hedges	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**
(1)						(1)	(27)	(28)
						0		0
						(3,386)	(554)	(3,940)
						1	1	2
						1,242	87	1,329
5,745	(1)	(2)	4		(5)	5,535	(48)	5,487
	(39)					0		0
(833)	**78**	**(5)**	**1,041**	**0**	**(318)**	**39,745**	**5,042**	**44,787**
(2,843)	**37**	**(4)**	**1,122**	**0**	**(329)**	**38,016**	**5,012**	**43,028**
(1)	(1)					(134)	(77)	(211)
						0		0
						(3,011)	(433)	(3,444)
						1	1	2
						(1)		(1)
						828	186	1,014
(1,436)		10	95		(30)	(1,141)	33	(1,108)
	(43)					0		0
(4,280)	**(7)**	**6**	**1,217**	**0**	**(359)**	**34,558**	**4,722**	**39,280**

Consolidated statement of cash flows.

	Q2 2011 millions of €	Q2 2010[a] millions of €	H1 2011 millions of €	H1 2010[a] millions of €	FY 2010 millions of €
Profit (loss)	**434**	**464**	**1,014**	**1,329**	**1,760**
Depreciation, amortization and impairment losses	2,223	2,768	4,877	5,429	11,808
Income tax expense (benefit)	401	539	807	988	935
Interest income and interest expense	586	644	1,172	1,241	2,500
Other financial (income) expense	172	41	214	162	253
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(9)	23	21	20	57
(Profit) loss on the disposal of fully consolidated subsidiaries	0	356	0	356	349
Other non-cash transactions	23	(37)	48	45	(21)
(Gain) loss from the disposal of intangible assets and property, plant and equipment	32	20	18	40	90
Change in assets carried as working capital	503	101	259	(528)	(243)
Change in provisions	148	(529)	141	(542)	(68)
Change in other liabilities carried as working capital	(62)	83	(644)	68	(209)
Income taxes received (paid)	(143)	(242)	(389)	(487)	(819)
Dividends received	2	1	273	2	412
Net payments from entering into or canceling interest rate swaps	0	–	0	27	265
Cash generated from operations	**4,310**	**4,232**	**7,811**	**8,150**	**17,069**
Interest paid	(910)	(1,033)	(1,900)	(1,921)	(3,223)
Interest received	194	243	352	484	885
Net cash from operating activities	**3,594**	**3,442**	**6,263**	**6,713**	**14,731**
Of which: from discontinued operations	**952**	**1,119**	**1,926**	**2,205**	**4,144**
Cash outflows for investments in					
Intangible assets	(326)	(1,620)	(724)	(1,900)	(2,978)
Property, plant and equipment	(1,553)	(1,721)	(3,275)	(3,375)	(6,873)
Non-current financial assets	(36)	(833)	(90)	(906)	(997)
Investments in fully consolidated subsidiaries and business units	(8)	(115)	(839)	(398)	(448)
Proceeds from disposal of					
Intangible assets	3	5	8	6	26
Property, plant and equipment	49	83	156	184	318
Non-current financial assets	7	6	46	22	162
Investments in fully consolidated subsidiaries and business units	0	–	0	3	4
Net change in short-term investments and marketable securities and receivables	200	382	294	756	491
Other	37	(418)	37	(416)	(416)
Net cash used in investing activities	**(1,627)**	**(4,231)**	**(4,387)**	**(6,024)**	**(10,711)**
Of which: from discontinued operations	**(469)**	**(531)**	**(1,014)**	**(1,012)**	**(2,101)**
Proceeds from issue of current financial liabilities	14,164	18,115	30,824	18,362	30,046
Repayment of current financial liabilities	(13,461)	(17,850)	(31,728)	(19,627)	(34,762)
Proceeds from issue of non-current financial liabilities	2,021	528	2,981	1,283	3,219
Repayment of non-current financial liabilities	(2)	(48)	(46)	(136)	(149)
Dividends	(3,373)	(3,843)	(3,417)	(3,844)	(4,003)
Share buy-back	(1)	0	(1)	0	(400)
Repayment of lease liabilities	(38)	(34)	(78)	(69)	(139)
Other	0	(8)	(187)	(8)	(181)
Net cash used in financing activities	**(690)**	**(3,140)**	**(1,652)**	**(4,039)**	**(6,369)**
Of which: from discontinued operations	**(23)**	**0**	**1**	**0**	**(42)**
Effect of exchange rate changes on cash and cash equivalents	(39)	115	(50)	167	50
Changes in cash and cash equivalents associated with assets and disposal groups held for sale	(170)	100	(238)	0	85
Net increase (decrease) in cash and cash equivalents	**1,068**	**(3,714)**	**(64)**	**(3,183)**	**(2,214)**
Cash and cash equivalents, at the beginning of the period	**1,676**	**5,553**	**2,808**	**5,022**	**5,022**
Cash and cash equivalents, at the end of the period	**2,744**	**1,839**	**2,744**	**1,839**	**2,808**

[a] The prior-year figures have been adjusted to reflect the change in the reporting of the acquisition of LTE licenses (spectrum).

Significant events and transactions.

Accounting policies.

In accordance with § 37 y of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in conjunction with § 37 w (2) WpHG, Deutsche Telekom AG' s half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). 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 June 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 half-year 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 June 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.

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 half 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 2.7 billion as of June 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 June 30, 2011, current assets recognized in the consolidated statement of financial position included EUR 35.8 billion in non-current assets and disposal groups held for sale as well as directly associated liabilities of EUR 10.6 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 June 30, 2011, the Group-internal financing relationships between T-Mobile USA and Deutsche Telekom totaled EUR 11.3 billion. The transaction is still subject to approval by the U.S. Department of Justice (DOJ) and the U.S. regulatory authority, the Federal Communications Commission (FCC). The closing of the transaction is expected to be completed 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 June 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 below, T-Mobile USA accounted for EUR -3.8 billion of total other comprehensive income in shareholders' equity as of June 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 €	June 30, 2011 millions of €
Current assets	2,780	–	2,780
Trade and other receivables	1,757	–	1,757
Other current assets	1,023	–	1,023
Non-current assets	32,944	56	33,000
Intangible assets	22,485	–	22,485
Property, plant and equipment	8,368	56	8,424
Other non-current assets	2,091	–	2,091
Non-current assets and disposal groups held for sale	**35,724**	**56**	**35,780**
Current liabilities	2,260	–	2,260
Trade and other payables	1,218	–	1,218
Other current liabilities	1,042	–	1,042
Non-current liabilities	8,327	–	8,327
Deferred tax liabilities	7,037	–	7,037
Other non-current liabilities	1,290	–	1,290
Liabilities directly associated with non-current assets and disposal groups held for sale	**10,587**	**–**	**10,587**

Furthermore, obligations from operating leases totaling EUR 11.5 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.

	June 30, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	June 30, 2010 millions of €
Intangible assets	29,024	53,807	(24,783)	(46.1)	55,058
Of which: UMTS licenses	5,756	6,055	(299)	(4.9)	6,345
Of which: U.S. mobile communications licenses	0	18,442	(18,442)	n. a.	20,090
Of which: goodwill	15,807	20,521	(4,714)	(23.0)	21,108
Property, plant and equipment	34,431	44,298	(9,867)	(22.3)	45,539

The EUR 24.8 billion or 46.1-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 1.3 billion and amortization of EUR 1.5 billion also contributed to the decrease in intangible assets. Additions of EUR 0.8 billion (including the adjustment to the carrying amount of Put Option II granted to the Hellenic Republic in the Share Purchase Agreement) 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 3.4 billion and exchange rate effects of EUR 0.4 billion, especially from the translation of U.S. dollars into euros. This was offset by additions of EUR 2.4 billion.

Additions to assets.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Additions to assets	1,535	2,121	(27.6)	3,096	3,757	(17.6)	10,760
Intangible assets	373	363	2.8	705	653	8.0	3,520
Property, plant and equipment	1,162	1,758	(33.9)	2,391	3,104	(23.0)	7,240

Investments in intangible assets remained almost constant year-on-year in the first half of 2011.

The decrease of EUR 0.7 billion in additions to property, plant and equipment is mainly attributable to the disclosure of assets of T-Mobile USA as held for sale. Additions in the second quarter of 2011 were no longer reported under additions to assets. Additions to assets in the first half 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 0.8 billion. The decrease is also attributable to lower additions to technical equipment and machinery.

Investments accounted for using the equity method.

The carrying amount of investments accounted for using the equity method as of June 30, 2011 decreased by EUR 0.6 billion compared with December 31, 2010. This was attributable to a dividend of EUR 0.3 billion received from the Everything Everywhere joint venture, and exchange rate effects totaling EUR 0.3 billion, especially from the translation of sterling into euros.

Financial liabilities.

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

	June 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	38,942	9,163	7,803	8,414	13,562
Liabilities to banks	5,007	814	2,287	1,613	293
Lease liabilities	1,898	145	227	211	1,315
Liabilities to non-banks from promissory notes	1,147	0	88	510	549
Other interest-bearing liabilities	1,134	899	49	75	111
Other non-interest-bearing liabilities	1,812	1,790	12	7	3
Derivative financial liabilities	589	109	362	66	52
Financial liabilities	50,529	12,920	10,828	10,896	15,885

Financial liabilities as of June 30, 2011 include an amount of EUR 0.4 billion for the acquisition of another 10 percent of the shares in the telecommunications company Hellenic Telecommunications Organization S.A. (OTE) within the framework of the provisions of the Share Purchase Agreement dated May 2008. Deutsche Telekom acquired 49,015,038 no par value shares in OTE from the Hellenic Republic on July 11, 2011.

Treasury shares.

The Board of Management of Deutsche Telekom decided on May 27, 2011 to exercise the authorization to purchase shares in the Company granted by the shareholders' meeting on May 12, 2011 and to buy 109,558 no par value shares through the stock exchange. The share buy-back was carried out in the period from May 30, 2011 (earliest possible purchase date) to June 30, 2011 (latest possible purchase date).

As a result, the number of treasury shares increased to 1,991,066 as of June 30, 2011. The nominal amount totaling EUR 5 million was deducted from issued capital. The difference between the purchase price and the nominal amount (EUR 1 million) was offset against retained earnings.

Selected notes to the consolidated income statement.

Net revenue.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Net revenue	10,968	11,346	(3.3)	21,798	23,348	(6.6)	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.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Cost of sales	(6,589)	(6,442)	(2.3)	(12,871)	(13,477)	4.5	(27,052)

Cost of sales decreased by EUR 0.6 billion compared with the first six months 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 first half of 2010. In the first six months of 2011, by contrast, civil servant early retirement arrangements resulted in higher expenses of EUR 0.3 billion.

Selling expenses.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Selling expenses	(2,368)	(2,382)	0.6	(4,719)	(4,915)	4.0	(9,873)

Selling expenses were down EUR 0.2 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 half of 2011.

General and administrative expenses.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
General and administrative expenses	(1,190)	(1,188)	(0.2)	(2,296)	(2,272)	(1.1)	(4,672)

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

Other operating income/expenses.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Other operating income	278	338	(17.8)	583	642	(9.2)	1,444
Other operating expenses	(304)	(559)	45.6	(457)	(728)	37.2	(2,778)

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

Other operating expenses declined by EUR 0.3 billion in the first half of 2011, mainly due to 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.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Profit (loss) from financial activities	(744)	(708)	(5.1)	(1,397)	(1,423)	1.8	(2,803)
Finance costs	(585)	(644)	9.2	(1,169)	(1,241)	5.8	(2,499)
Interest income	66	79	(16.5)	133	218	(39.0)	346
Interest expense	(651)	(723)	10.0	(1,302)	(1,459)	10.8	(2,845)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	11	(25)	n. a.	(17)	(23)	26.1	(56)
Other financial income (expense)	(170)	(39)	n. a.	(211)	(159)	(32.7)	(248)

The loss from financial activities decreased slightly in the first half of 2011 compared with the prior-year period, mainly due to lower finance costs.

Income taxes.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Income taxes	(79)	(310)	74.5	(198)	(550)	64.0	(189)

Income tax expense from continuing operations decreased year-on-year by EUR 0.4 billion, mainly as a result of the lower profit before income taxes in the current period. In addition, the tax rate decreased in the first half of 2011 due to the special tax imposed in Greece in the first half of 2010 and the loss resulting from the deconsolidation of T-Mobile UK, which had no tax effect.

Profit/loss after taxes from discontinued operations.

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

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Net revenue	**3,507**	**4,185**	**(16.2)**	**7,274**	**7,995**	**(9.0)**	**16,075**
Cost of sales	(1,504)	(2,209)	31.9	(3,569)	(4,199)	15.0	(8,673)
Gross profit	**2,003**	**1,976**	**1.4**	**3,705**	**3,796**	**(2.4)**	**7,402**
Selling expenses	(1,062)	(1,245)	14.7	(2,201)	(2,367)	7.0	(4,747)
General and administrative expenses	(154)	(154)	0.0	(317)	(292)	(8.6)	(580)
Other operating income	5	29	(82.8)	9	32	(71.9)	54
Other operating expenses	(3)	(8)	62.5	(6)	(27)	77.8	(39)
Profit from operations	**789**	**598**	**31.9**	**1,190**	**1,142**	**4.2**	**2,090**
Profit (loss) from financial activities	**(5)**	**0**	**n. a.**	**(10)**	**0**	**n. a.**	**(7)**
Profit (loss) before income taxes	**784**	**598**	**31.1**	**1,180**	**1,142**	**3.3**	**2,083**
Income taxes	(322)	(229)	(40.6)	(609)	(438)	(39.0)	(746)
Profit (loss) after taxes from discontinued operations	**462**	**369**	**25.2**	**571**	**704**	**(18.9)**	**1,337**

Although profit before income taxes remained approximately the same year-on-year, income taxes increased by EUR 0.2 billion mainly due to the classification of T-Mobile USA as a discontinued operation. This resulted in the first-time recognition of deferred tax liabilities of EUR 0.1 billion on temporary differences 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 (H1 2010: EUR 1.0 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 1.0 billion (H1 2010: EUR 1.0 billion, FY 2010: EUR 2.1 billion) that are no longer included in the Group's personnel costs.

Other disclosures.

Employees.

		Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %	FY 2010
Average number of employees		**241,583**	**251,579**	**(4.0)**	**243,275**	**255,306**	**(4.7)**	**252,494**
Domestic		123,112	127,401	(3.4)	123,240	127,799	(3.6)	126,952
International		118,471	124,178	(4.6)	120,035	127,507	(5.9)	125,542
Employees		216,375	222,953	(3.0)	217,905	226,513	(3.8)	224,428
Civil servants (domestic)		25,208	28,626	(11.9)	25,370	28,793	(11.9)	28,066
Trainees and student interns		8,627	8,941	(3.5)	8,897	9,208	(3.4)	9,217
Personnel costs	millions of €	**(3,590)**	**(3,089)**	**(16.2)**	**(6,678)**	**(6,309)**	**(5.8)**	**(12,988)**

Average headcount in Germany decreased by 3.6 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 5.9 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 half of 2011.

The average number of employees in the first half of 2011 includes 35,679 employees (H1 2010: 38,138, FY 2010: 37,795) from discontinued operations.

Personnel costs increased by 5.8 percent to EUR 6.7 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.

	Q2 2011 millions of €	Q2 2010 millions of €	Change %	H1 2011 millions of €	H1 2010 millions of €	Change %	FY 2010 millions of €
Amortization and impairment of intangible assets	(711)	(728)	2.3	(1,415)	(1,428)	0.9	(3,284)
Of which: mobile communications licenses	(203)	(185)	(9.7)	(388)	(371)	(4.6)	(743)
Of which: goodwill	–	–	–	–	–	–	(395)
Depreciation and impairment of property, plant and equipment	(1,512)	(1,520)	0.5	(2,999)	(3,017)	0.6	(6,460)
Total depreciation, amortization and impairment losses	(2,223)	(2,248)	1.1	(4,414)	(4,445)	0.7	(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 half of 2010.

Notes to the consolidated statement of cash flows.

Deutsche Telekom paid EUR 1.4 billion to Elektrim and Vivendi in the first half 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 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 in the first half of 2011 decreased by EUR 0.5 billion compared with the prior-year period to EUR 6.3 billion. The decrease in cash generated from operations is the result of a number of factors, some of which offset each other. In addition to a decline from operations, this was largely attributable to the following cash flows: payments for the PTC transaction of EUR 0.4 billion, for which there was no corresponding item in the first half of the prior year, and a year-on-year reduction in the levels of cash inflows from receivables sold (factoring) of EUR 0.2 billion, and of interest received of EUR 0.1 billion.

These effects were partially offset in particular by dividends received from the Everything Everywhere joint venture in the first half of 2011 amounting to EUR 0.3 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 4.4 billion in the first half of 2011 as compared with EUR 6.0 billion in the first half of 2010. This decrease was attributable to the acquisition of LTE licenses for EUR 1.3 billion in the prior year, a bond issued by the Everything Everywhere joint venture in the first half of 2010 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 in the prior year, amounting to EUR 0.4 billion, for which there were no equivalent cash outflows in the current year.

Cash outflows for the acquisition of companies, by contrast, increased by EUR 0.4 billion. While cash outflows for the acquisition of STRATO and ClickandBuy in the first quarter of 2010 totaled EUR 0.3 billion and EUR 0.1 billion respectively, the cash outflows relating to the PTC transaction in the first half of 2011 amounted to EUR 0.8 billion.

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, 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 1.7 billion in the first half of 2011, compared with EUR 4.0 billion in the prior-year period.

This change was mostly attributable to a year-on-year increase of EUR 1.7 billion in proceeds from the issue of non-current financial liabilities and EUR 0.4 billion lower net repayments of current financial liabilities. There was also a year-on-year decrease of EUR 0.4 billion in the level of dividends paid in the first half 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 half of 2011 mainly related to commercial paper for a net amount of EUR 2.3 billion, the utilization of credit facilities for EUR 0.9 billion issued 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, and a loan taken out with the EIB amounting to EUR 0.7 billion. These issuances of financial liabilities were offset in the same period by repayments of a eurobond issued by OTE for an amount of EUR 1.4 billion, OTE medium-term notes for an amount of EUR 0.3 billion, a medium-term note for an amount of EUR 0.8 billion, a U.S. dollar bond for an amount of EUR 0.4 billion, current loans with banks for EUR 0.2 billion, and funds from the joint venture in the United Kingdom amounting to EUR 0.1 billion net.

Segment reporting.

The following tables give an overall summary of Deutsche Telekom's operating segments and Group Headquarters & Shared Services for the second quarter and the first six 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.

Q2 2011 Q2 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	**5,634**	**355**	**5,989**	**850**	**(1,098)**	**(3)**	**34,652**	**26**
	5,806	391	6,197	1,327	(1,030)	–	40,439	24
Europe	**3,637**	**170**	**3,807**	**465**	**(778)**	**(2)**	**41,235**	**6,555**
	3,869	161	4,030	166	(886)	(6)	46,723	7,903
United States	**3,507**	**3**	**3,510**	**868**	**–**	**–**	**36,253**	**22**
	4,185	3	4,188	600	(520)	–	41,452	23
Systems Solutions	**1,638**	**638**	**2,276**	**22**	**(152)**	**–**	**8,996**	**53**
	1,610	632	2,242	56	(155)	–	8,654	58
Group Headquarters & Shared Services	**59**	**480**	**539**	**(619)**	**(176)**	**(29)**	**102,378**	**–**
	61	522	583	(426)	(173)	(8)	116,077	–
Total from continuing and discontinued operations	**14,475**	**1,646**	**16,121**	**1,586**	**(2,204)**	**(34)**	**223,514**	**6,656**
	15,531	1,709	17,240	1,723	(2,764)	(14)	253,345	8,008
Reconciliation	**–**	**(1,646)**	**(1,646)**	**(2)**	**15**	**–**	**(100,399)**	**–**
	–	(1,709)	(1,709)	(12)	12	(2)	(120,561)	–
Consolidated total from continuing and discontinued operations	**14,475**	**–**	**14,475**	**1,584**	**(2,189)**	**(34)**	**123,115**	**6,656**
	15,531	–	15,531	1,711	(2,752)	(16)	132,784	8,008
Discontinued operations (United States)	**(3,507)**	**(3)**	**(3,510)**	**(868)**	**–**	**–**		**(22)**
	(4,185)	(3)	(4,188)	(600)	520	–		
Reconciliation	**–**	**3**	**3**	**79**	**–**	**–**		
	–	3	3	2	–	–		
Group total	**10,968**	**–**	**10,968**	**795**	**(2,189)**	**(34)**	**123,115**	**6,634**
	11,346	–	11,346	1,113	(2,232)	(16)	132,784	8,008

Half-year segment information.

H1 2011 H1 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	**11,287**	**693**	**11,980**	**2,098**	**(2,165)**	**(3)**	**34,652**	**26**
	11,610	776	12,386	2,498	(2,044)	–	40,439	24
Europe	**7,141**	**338**	**7,479**	**830**	**(1,577)**	**(4)**	**41,235**	**6,555**
	8,482	322	8,804	841	(1,743)	(8)	46,723	7,903
United States	**7,274**	**6**	**7,280**	**1,269**	**(463)**	**–**	**36,253**	**22**
	7,995	7	8,002	1,144	(983)	(1)	41,452	23
Systems Solutions	**3,254**	**1,282**	**4,536**	**11**	**(312)**	**–**	**8,996**	**53**
	3,142	1,231	4,373	74	(305)	–	8,654	58
Group Headquarters & Shared Services	**116**	**960**	**1,076**	**(966)**	**(348)**	**(35)**	**102,378**	**–**
	114	1,034	1,148	(791)	(340)	(29)	116,077	–
Total from continuing and discontinued operations	**29,072**	**3,279**	**32,351**	**3,242**	**(4,865)**	**(42)**	**223,514**	**6,656**
	31,343	3,370	34,713	3,766	(5,415)	(38)	253,345	8,008
Reconciliation	**–**	**(3,279)**	**(3,279)**	**(14)**	**30**	**–**	**(100,399)**	**–**
	–	(3,370)	(3,370)	(26)	25	(1)	(120,561)	–
Consolidated total from continuing and discontinued operations	**29,072**	**–**	**29,072**	**3,228**	**(4,835)**	**(42)**	**123,115**	**6,656**
	31,343	–	31,343	3,740	(5,390)	(39)	132,784	8,008
Discontinued operations (United States)	**(7,274)**	**(6)**	**(7,280)**	**(1,269)**	**463**	**–**		**(22)**
	(7,995)	(7)	(8,002)	(1,144)	983	1		
Reconciliation	**–**	**6**	**6**	**79**	**–**	**–**		
	–	7	7	2	–	–		
Group total	**21,798**	**–**	**21,798**	**2,038**	**(4,372)**	**(42)**	**123,115**	**6,634**
	23,348	–	23,348	2,598	(4,407)	(38)	132,784	8,008

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 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 are not expected until 2012.

CIF Licensing LLC has initiated proceedings against Deutsche Telekom AG for alleged infringement of four patents relating to the use of ADSL devices and processes. All four patents have since expired. Two infringement proceedings have been suspended because the German Federal Patent Court declared both patents sued on void in the first instance. CIF has lodged an appeal against each of these rulings. The two other infringement proceedings are unscheduled. A further nullity suit regarding one of the other allegedly infringed patents has been filed, and a fourth is being prepared. Out-of-court negotiations being conducted simultaneously with CIF about the withdrawal of proceedings and granting of a patent license will be concluded shortly.

Review of contracts in the F.Y.R.O. Macedonia and Montenegro. The audit of the financial statements of Magyar Telekom for the 2005 financial year identified contracts for which it was not possible at the time to fully ascertain an appropriate business background. The Audit Committee of Magyar Telekom commissioned an independent law firm with investigating the lawfulness of these contracts. Magyar Telekom informed the U.S. authorities (Department of Justice (DOJ) and the Securities and Exchange Commission (SEC)), who then initiated investigations into potential breaches of the Foreign Corrupt Practices Act (FCPA). Magyar Telekom and Deutsche Telekom as the parent company of the Group cooperated fully with these investigations and reviewed and improved their compliance programs. Magyar Telekom's and Deutsche Telekom's legal representatives are currently in talks with the U.S. authorities about the status of the investigation and the possibility of bringing the proceedings to a close. Magyar Telekom has reached an agreement in principle with the staff of the SEC to settle the SEC's investigation against Magyar Telekom. A provision in the amount of EUR 43 million has been established in light of the agreement in principle and its continued discussions with the DOJ. Deutsche Telekom has also reached a tentative agreement with the SEC staff with respect to the framework of a potential settlement. Deutsche Telekom's and Magyar Telekom's legal representatives continue to discuss with both the SEC and the DOJ the specific terms of potential resolutions. The ultimate outcome of these continued 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 June 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:

	June 30, 2011 millions of €	Dec. 31, 2010 millions of €
Maturity		
Within 1 year	974	2,627
In 1 to 3 years	1,522	4,502
In 3 to 5 years	1,063	3,767
After 5 years	1,621	6,767
	5,180	**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 (June 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.

Responsibility statement.

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the results of operations and financial position of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, August 4, 2011

Deutsche Telekom AG
Board of Management

René Obermann

Dr. Manfred Balz

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Edward R. Kozel

Thomas Sattelberger

Review report.

To Deutsche Telekom AG

We have reviewed the condensed consolidated interim financial statements – comprising 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 June 30, 2011, which are part of the half-yearly financial report pursuant to § 37 w 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, August 4, 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 H1 2011 millions of €	EBIT/ Net profit H1 2011 millions of €	EBITDA H1 2010 millions of €	EBIT/ Net profit H1 2010 millions of €	EBITDA FY 2010 millions of €	EBIT/ Net profit FY 2010 millions of €
EBITDA/EBIT from continuing and discontinued operations	**8,105**	**3,228**	**9,169**	**3,740**	**17,313**	**5,505**
Germany	**(557)**	**(557)**	**(195)**	**(195)**	**(509)**	**(509)**
Staff-related measures	(500)	(500)	(98)	(98)	(401)	(401)
Non-staff-related restructuring	0	0	(6)	(6)	(11)	(11)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(57)	(57)	(91)	(91)	(97)	(97)
Europe	**(131)**	**(131)**	**(426)**	**(429)**	**(606)**	**(1,297)**
Staff-related measures	(67)	(67)	(42)	(42)	(209)	(209)
Non-staff-related restructuring	0	0	(2)	(2)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	(360)	(360)	(355)	(355)
Impairment losses	0	0	0	0	0	(680)
Other	(64)	(64)	(22)	(25)	(37)	(48)
United States	**(31)**	**(31)**	**0**	**0**	**0**	**0**
Staff-related measures	(30)	(30)	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	(1)	(1)	0	0	0	0
Systems Solutions	**(63)**	**(63)**	**(48)**	**(49)**	**(281)**	**(289)**
Staff-related measures	5	5	10	10	(113)	(113)
Non-staff-related restructuring	(69)	(69)	(59)	(60)	(170)	(178)
Effects of deconsolidations, disposals and acquisitions	0	0	1	1	0	0
Other	1	1	0	0	2	2
Group Headquarters & Shared Services	**(280)**	**(280)**	**(68)**	**(68)**	**(769)**	**(769)**
Staff-related measures	(190)	(190)	(40)	(40)	(281)	(281)
Non-staff-related restructuring	(9)	(9)	(20)	(20)	(100)	(100)
Effects of deconsolidations, disposals and acquisitions	(81)	(81)	(7)	(7)	(385)	(385)
Other	0	0	(1)	(1)	(3)	(3)
Group reconciliation	**0**	**0**	**4**	**4**	**5**	**5**
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	0	0	1	1
Effects of deconsolidations, disposals and acquisitions	0	0	4	4	4	4
Other	0	0	0	0	0	0
Total special factors	**(1,062)**	**(1,062)**	**(733)**	**(737)**	**(2,160)**	**(2,859)**
EBITDA/EBIT (adjusted for special factors) from continuing and discontinued operations	**9,167**	**4,290**	**9,902**	**4,477**	**19,473**	**8,364**

	EBITDA H1 2011 millions of €	EBIT/ Net profit H1 2011 millions of €	EBITDA H1 2010 millions of €	EBIT/ Net profit H1 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	**9,167**	**4,290**	**9,902**	**4,477**	**19,473**	**8,364**
EBITDA/EBIT (adjusted for special factors) from discontinued operations	1,765	1,302	2,126	1,142	4,154	2,090
EBITDA/EBIT (adjusted for special factors) from continuing operations	**7,402**	**2,988**	**7,776**	**3,335**	**15,319**	**6,274**
Profit (loss) from financial activities (adjusted for special factors)		(1,378)		(1,369)		(2,717)
Taxes (adjusted for special factors)		(456)		(830)		(1,152)
Profit (loss) after taxes (adjusted for special factors) from discontinued operations		754		704		1,337
Profit (loss) (adjusted for special factors)		**1,908**		**1,840**		**3,742**
Non-controlling interests (adjusted for special factors)		256		135		378
Net profit (loss) (adjusted for special factors)		**1,652**		**1,705**		**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.

Date[a]	
November 10, 2011	Report on the first three quarters of 2011, Deutsche Telekom

[a] Date 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 (from 16 kbit/s to 640 kbit/s upstream, up to 8 Mbit/s downstream) 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 (10 Mbit/s upstream, 50 Mbit/s downstream) 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.

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.

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).

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.

Visitors. 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).

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