

# Interim Group Report.

January 1 to September 30, 2012.

Life is for sharing.



## Selected financial data of the Deutsche Telekom Group.

	Q3 2012 millions of €	Q3 2011 <sup>a</sup> millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 <sup>a</sup> millions of €	Change %	FY 2011 millions of €
<b>Revenue and earnings</b>							
Net revenue	14,651	14,670	(0.1)	43,462	43,742	(0.6)	58,653
Of which: domestic				44.1	45.1		44.9
Of which: international				55.9	54.9		55.1
Profit (loss) from operations (EBIT)	(8,580)	2,391	n.a.	(5,753)	5,619	n.a.	5,586
Net profit (loss)	(6,900)	1,069	n.a.	(6,048)	1,897	n.a.	557
Net profit (loss) (adjusted for special factors)	926	1,291	(28.3)	2,326	2,943	(21.0)	2,851
EBITDA	4,819	4,652	3.6	13,180	12,757	3.3	20,022
EBITDA (adjusted for special factors)	4,777	4,907	(2.6)	13,951	14,074	(0.9)	18,685
EBITDA margin (adjusted for special factors)	32.6	33.4		32.1	32.2		31.8
Earnings per share basic/diluted	€ (1.61)	0.25	n.a.	(1.41)	0.44	n.a.	0.13
<b>Statement of financial position</b>							
Total assets	-	-		108,234	124,613	(13.1)	122,542
Shareholders' equity	-	-		30,259	40,690	(25.6)	39,941
Equity ratio	% -	% -		28.0	32.7		32.6
Net debt	-	-		39,001	43,368	(10.1)	40,121
Cash capex	(2,198)	(2,177)	(1.0)	(5,993)	(6,176)	3.0	(8,406)
<b>Cash flows</b>							
Net cash from operating activities	4,002	3,744	6.9	10,166	10,007	1.6	16,214
Free cash flow (before dividend payments and spectrum investment) <sup>b</sup>	2,344	1,706	37.4	5,134	4,534	13.2	6,421
Net cash used in investing activities	(1,951)	(2,686)	27.4	(5,143)	(7,073)	27.3	(9,275)
Net cash used in financing activities	(2,474)	(1,628)	(52.0)	(6,247)	(3,280)	(90.5)	(5,958)

<sup>a</sup> Presentation of revenue, earnings and profit/loss for the prior-year period adjusted, as T-Mobile USA is no longer classified as a discontinued operation.

<sup>b</sup> and before PTC and AT&T transactions.

### Number of fixed-network and mobile customers.

	Sept. 30, 2012 millions	Dec. 31, 2011 millions	Change Sept. 30, 2012/ Dec. 31, 2011 %	Sept. 30, 2011 millions	Change Sept. 30, 2012/ Sept. 30, 2011 %
Fixed-network lines	32.8	34.1	(3.8)	34.6	(5.2)
Retail broadband lines	17.1	16.9	1.2	16.7	2.4
Mobile customers	131.3	129.3	1.5	128.5	2.2

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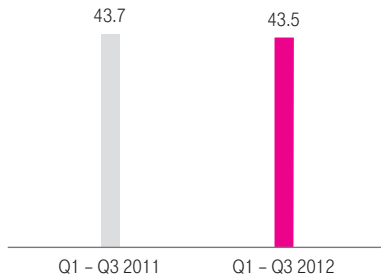
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# To our shareholders.

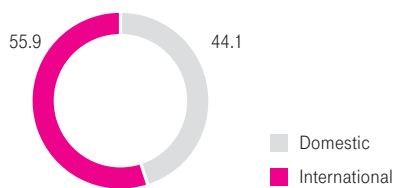
## Developments in the Group.

### Net revenue. (billions of €)



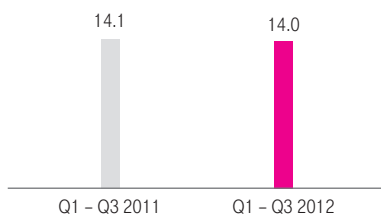
- Net revenue decreased slightly by 0.6 percent, stabilizing approximately at the prior-year level. This includes positive net exchange rate effects of around EUR 0.9 billion, primarily from the translation of U.S. dollars into euros.
- Operations were positively impacted by the development of television services and mobile data revenues, particularly in connection with the marketing of smartphones.
- Negative impacts on operations included declining revenues from voice telephony, price changes imposed by regulatory authorities and intense competitive pressure.

### Proportion of net revenue generated internationally. (%)



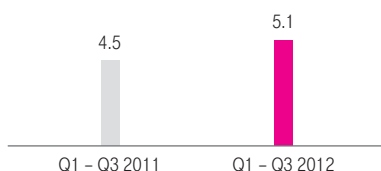
- The proportion of net revenue generated internationally increased to 55.9 percent, compared with 54.9 percent in the first three quarters of 2011.
- Domestic net revenue amounted to EUR 19.2 billion, around EUR 0.6 billion lower than in the prior-year period. International net revenue increased slightly to EUR 24.3 billion, compared with EUR 24.0 billion in the first three quarters of 2011.

### Adjusted EBITDA. (billions of €)



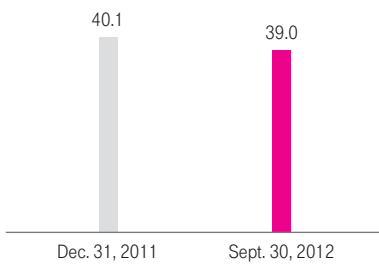
- Adjusted EBITDA decreased slightly by 0.9 percent compared with the first three quarters of 2011. This includes positive net exchange rate effects of around EUR 0.2 billion, primarily from the translation of U.S. dollars into euros.
- Positive impact: the focus on high-value revenue in connection with TV offers and mobile data revenues (see Net revenue).
- Negative effects included fixed-network lines lost to competitors, price changes imposed by regulatory authorities and special levies imposed in the wake of national austerity programs. The negative effects were partially offset by our comprehensive cost management.

### Free cash flow (before dividend payments and spectrum investment).\* (billions of €)

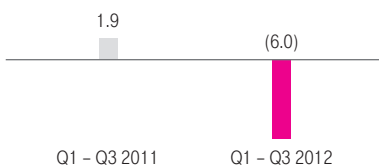


- Free cash flow increased by 13.2 percent to EUR 5.1 billion.
- Cash capex decreased by EUR 0.4 billion to EUR 5.7 billion.
- Cash inflows from the canceling of interest rate swaps and reduced net interest payments had a positive impact.

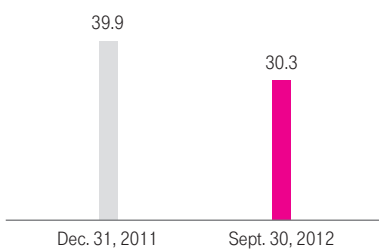
\* and before PTC and AT&T transactions.

**Net debt.** (billions of €)

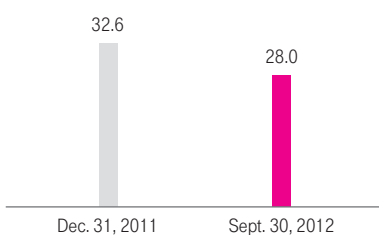
- Net debt decreased by 2.8 percent compared with the end of 2011 to EUR 39.0 billion.
- Free cash flow (EUR 5.1 billion) as well as proceeds from the sale of shares in Telekom Srbija (EUR 0.4 billion) in particular had a positive impact.
- Dividend payments including to non-controlling interests (EUR 3.4 billion) and effects in connection with the AT&T transaction (EUR 0.5 billion) and the acquisition of spectrum (EUR 0.3 billion) had a negative impact, as did exchange rate and other effects (EUR 0.2 billion).

**Net profit/loss.** (billions of €)

- Net profit decreased by EUR 7.9 billion to a net loss of EUR 6.0 billion.
- Adjusted net profit decreased from EUR 2.9 billion to EUR 2.3 billion.
- Asset impairments, including on goodwill, at T-Mobile USA (around EUR 7.4 billion after taxes) in particular had a negative impact. Excluding the impairment loss, we generated net profit from operations of EUR 1.4 billion.

**Shareholders' equity.** (billions of €)

- Shareholders' equity decreased by EUR 9.7 billion compared with the end of 2011.
- The net loss of EUR 6.0 billion, the recognition of actuarial losses (EUR 1.1 billion after taxes) directly in equity, and dividend payments including to non-controlling interests (EUR 3.4 billion) reduced the level of shareholders' equity.
- Positive effects of EUR 0.6 billion from currency translation.

**Equity ratio.** (%)

- The equity ratio decreased to 28.0 percent.
- Despite the decrease in shareholders' equity, the equity ratio remained within our target range of between 25 and 35 percent.
- Total assets decreased by 11.7 percent, mainly as a result of the asset impairments, including on goodwill, at T-Mobile USA (around EUR 10.6 billion) and dividend payments including to non-controlling interests (EUR 3.4 billion).

## Deutsche Telekom at a glance.

Against the background of the positive development in the first nine months, we can confirm our guidance for the full year 2012. Revenue remained almost stable and adjusted EBITDA decreased only slightly. This was predominantly due to the expected increase in expenditure to improve our market position in Germany and the United States. While we recorded growth in the United States thanks to exchange rate effects and only saw a slight decrease in our home market in Germany, developments at our subsidiaries in Eastern Europe continued to be dominated by the tough economic environment, intense competition and massive regulatory intervention.

On October 3, 2012, we concluded an agreement with MetroPCS on the combination of our business activities in the United States. The agreement triggered an impairment test for T-Mobile USA. With no market value being available in the past, the fair value of T-Mobile USA had been determined using so-called discounted cash flow calculations. As a result of the agreed business combination and in accordance with the applicable International Financial Reporting Standards (IFRSs), the valuation of T-Mobile USA as of

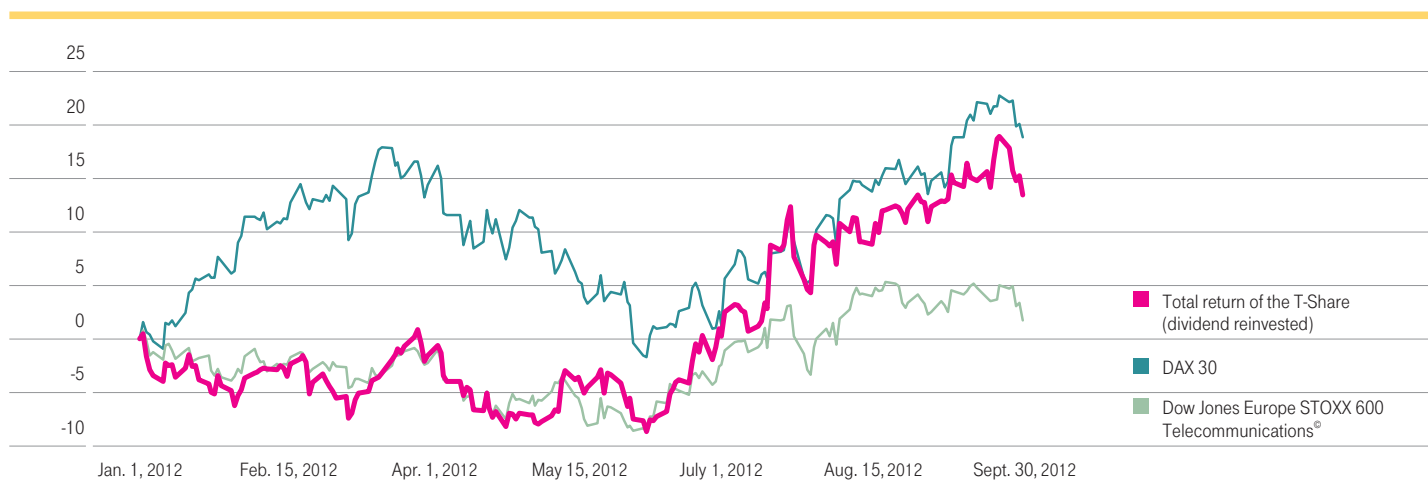
September 30, 2012 had to be based on the share price of the MetroPCS share prior to the announcement of the transaction. This resulted in a non-cash impairment loss of around EUR 7.4 billion (after taxes) which significantly impacted the Group results in the reporting period. The Board of Management and the Supervisory Board of Deutsche Telekom approved this transaction because it generates value and makes sense from a business perspective.

### Major changes at a glance.

- Agreed business combination of T-Mobile USA and MetroPCS (please refer in particular to page 41)
- Reorganization of the IT Group structure – Telekom IT (please refer in particular to pages 9, 22, 28, 38)
- T-Mobile USA receives USD 2.4 billion for cell towers (please refer in particular to pages 7, 35)

## The T-Share.

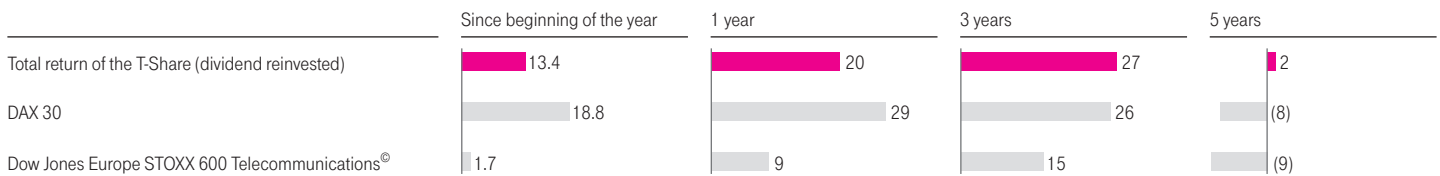
### Total return of the T-Share in the first three quarters of 2012. (%)



### T-Share performance.

		Q1 – Q3 2012	Q1 – Q3 2011	FY 2011
<b>Xetra closing prices</b>				
Share price on the last trading day	€	9.57	8.83	8.87
Year high	€	10.04	11.32	11.32
Year low	€	7.71	7.95	7.95
<b>Weighting of the T-Share in major stock indexes</b>				
DAX 30	%	4.5	5.5	5.1
Dow Jones Euro STOXX 50 <sup>®</sup>	%	2.0	2.1	2.0
Dow Jones Europe STOXX 600 Telecommunications <sup>®</sup>	%	11.4	10.2	10.2
<b>Market capitalization</b>				
Market capitalization	billions of €	41.4	38.2	38.3
Number of shares issued	millions	4,321	4,321	4,321

### Historical performance of the T-Share as of September 30, 2012. (%)



The stock markets remained highly volatile in the third quarter of 2012. Uncertainty persisted, primarily due to the still unresolved debt problems in European crisis countries, especially Greece and Spain. There were also increasing signs of recession for the entire eurozone economy in the third quarter.

The DAX nevertheless climbed 18.8 percent year-on-year in the first nine months. The main driver on the capital markets was the expansionary monetary policy of central banks around the world. A promise by ECB president Mario Draghi to save the euro at any cost caused the stock markets to rally in the third quarter of 2012. Most recently the European Central Bank announced a program allowing for unlimited purchases of bonds from states in crisis such as Spain and Italy, if necessary. This announcement gave a further boost to share prices.

Upwards movement in the European telecommunications sector was clearly more restrained. It continued to be dragged down by profit warnings and dividend cuts at a number of competitors. The Dow Jones Europe STOXX 600 Telecommunications® ended the first nine months of 2012 up 1.7 percent.

Meanwhile, Deutsche Telekom substantially increased its lead on the sector index in the third quarter of 2012. The T-Share rose by 13.4 percent in the first three quarters of 2012 on a total return basis (share price performance plus reinvested dividend). The strong performance of the T-Share was attributable to the continued sound financial figures from operations and Deutsche Telekom's confirmed shareholder remuneration policy.

## Highlights in the third quarter of 2012.

**T-Mobile USA receives USD 2.4 billion for cell towers.** On September 28, 2012, T-Mobile USA concluded a framework agreement with Crown Castle International Corp., Houston/United States (Crown Castle) concerning the leasing and use of around 6,400 cell sites and, additionally, the sale of around 800 by T-Mobile USA. In exchange for a one-time payment of USD 2.4 billion, Crown Castle will receive the sole right to use and lease out the cell sites for an average of 28 years. Payment will take place once the agreement has been concluded, which is scheduled for the fourth quarter of 2012. T-Mobile USA will continue to operate its mobile equipment on these cell towers and, to this end, lease back the required capacity from Crown Castle. Previously unused infrastructure will thus be available for lease by third parties.

**Investments in networks and new spectrum.** In **Germany**, we have already met the LTE roll-out obligations in 15 of the 16 federal states. Thus the only gaps in coverage left to close are in Brandenburg. In **Romania** we purchased new spectrum in the frequency ranges of 0.8 GHz, 1.8 GHz and 2.6 GHz and extended our existing licenses in the frequency ranges of 0.9 GHz and 1.8 GHz. The new licenses are valid from April 2014 and have a term of 15 years.

**New products.** On August 31, 2012, we launched our **De-Mail** service, which allows users to send and receive documents over the Internet securely, confidentially and verifiably. Since the start of September 2012, our mobile customers in Germany have been able to surf the Internet on a smartphone at up to 100 Mbit/s using our new add-on **LTE Speed Option**. In Germany, we are currently the only provider to offer such speed, and the only one to do so on the iPhone 5, among other handsets. From October 2012, as an exclusive partner to the **music streaming service Spotify**, we will be the first German telecommunications company to offer a flat-rate plan that includes the Spotify premium service as an add-on option.

**Partnerships.** We concluded a long-term partnership with network technology provider **ANTEC Servicepool GmbH** in the third quarter. We signed an agreement on TV and radio coverage for around 33,000 apartments in the Hanover region, including the target of future coverage of additional homes as part of the partnership. Following the partnership concluded last year with Deutsche Annington, this partnership underlines our re-entry into the German cable market.

**New corporate customer agreements.** Our corporate customers arm T-Systems extended its partnership with the Swiss chemicals group **Clariant** for another five years. Clariant purchases worldwide ICT services and applications from T-Systems. The **Catalan government** has signed new deals with T-Systems worth more than EUR 400 million in total. The scope includes operation of workstation computers, applications, telecommunications, and data center infrastructure. The energy group **BP** has chosen cloud services provided by T-Systems for its employee communication. This will allow more than 83,000 BP employees around the world to access their usual communication services from anywhere at any time.

**Awards.** For the third time in a row, our mobile network in Germany has taken the award for the best network of the year in the **CHIP Online** portal's national network test. This year, we have once again made it into the two most renowned **sustainability indexes**, the Dow Jones Sustainability Index World and Dow Jones Sustainability Index Europe. Only the top 10 percent of companies in a sector are included in these indexes and thus recommended to sustainability-oriented investors and fund managers as top investments.

# Interim Group management report.

## The economic environment.

This section provides additional information on and explains recent changes in the economic situation as described in the combined management report for the 2011 financial year, focusing on global economic development in the first nine months of 2012, the regulatory environment and the currently prevailing economic risks, the outlook and the telecommunications market. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

### Global economic development.

The global economy continued to witness uneven development in the first nine months of 2012. The economic risks arising from the eurozone sovereign debt crisis and the uncertainty about future fiscal policy in the United States were somewhat alleviated in the third quarter compared with the first half of the year, at least temporarily. This is attributable in particular to resolute action by central banks, which soothed the capital markets for the time being and thus partially bolstered the economic outlook. In Greece, however, the economic situation continued to deteriorate. The economies of the Netherlands, the Czech Republic, Hungary and Croatia were recessive in the first nine months of 2012, although the recession has remained relatively mild. In Germany, Poland, the United States, Austria, Romania and Slovakia, economic performance has remained relatively robust to moderately positive, given the fact that GDP has continued to grow.

### GDP growth rates in our core countries.

	Q3 2012 compared with Q3 2011 %
Germany	0.3
United States	2.2
Greece	(7.3)
Romania	0.6
Poland	2.2
Hungary	(1.4)
Czech Republic	(1.5)
Croatia	(2.4)
Netherlands	(0.4)
Slovakia	2.3
Austria	0.8
United Kingdom	(0.4)

Source: Oxford Economics, Forecast from October 2012.

### Overall economic risk.

The two most acute risks facing the global economy are a renewed escalation of the European sovereign debt crisis and a recession in the United States. A geopolitical escalation in Iran, accompanied by a potentially unwavering high oil price, would also have a major impact on the global economy.

### Outlook.

We expect that the global economy will grow at a moderate level in 2012/2013, though the trends will vary considerably from country to country and be largely accompanied by recurrent volatility on the financial markets. Countries such as Germany and Poland are expected to experience a relatively robust development. However, we anticipate a mild recession in 2012 followed by a moderate recovery in 2013 for countries such as the Netherlands, the Czech Republic, Hungary and Croatia. A strong recessionary trend is still expected for Greece.

### Telecommunications market.

The German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) has revised its forecast upwards for the IT and telecommunications industry for the current financial year. It now anticipates revenue growth of 2.8 percent for 2012 in Germany. For 2013, BITKOM expects a slowdown, with growth falling to 1.6 percent.

In 2012, growth will be driven by telecommunications, which will increase by just over 3 percent, mobile data services (via smartphones) are expected to increase by 13 percent. By contrast, revenue from mobile calls is expected to decline by 4 percent. According to BITKOM, this trend is attributable to severe interventions by regulatory authorities, which have substantially reduced national termination rates and roaming charges for calls abroad, as well as to price pressure from competition.

### Regulatory influence on Deutsche Telekom's business.

#### The European Commission announced refocusing of fixed-network regulation to encourage investments in broadband access networks.

On July 12, 2012, the responsible Commissioner of the European Commission outlined key elements for the refocusing of European telecommunications regulation. The main elements to improve the general conditions for investments in optical fiber networks are:

1. Stable prices for copper-based access charges;
2. Greater flexibility in setting prices for NGA wholesale products, which should no longer necessarily be based on costs;
3. In return, stricter non-discrimination provisions.

This is due to the pending adoption of two new EU recommendations on "non-discrimination" and "cost methodologies for regulated wholesale prices for network access." Deutsche Telekom considers the proposed key elements to be a significant improvement, especially compared with the approaches that had been under discussion since fall 2011 aiming, for example, at a substantial reduction in access charges. Stable and predictable general conditions and price flexibility are basic prerequisites for long-term investment in modern broadband networks. It is not possible at present to estimate with sufficient certainty the potential impact on our results of operations, financial position and cash flows.

#### The Federal Network Agency acknowledges Telekom Deutschland GmbH's VDSL contingent model.

After Telekom Deutschland GmbH had amended its so-called VDSL contingent model, in particular by including a special right of termination regarding the use of other, new infrastructures (NGA), the Federal Network Agency confirmed the permissibility of this price model following an agreement reached with the EU Commission. On this basis, it will now be possible to cooperate with other carriers for the roll-out of new networks.

**Rate reduction at subsidiaries.** In the first quarter of 2012, the mobile termination rates (MTRs) at our subsidiaries in Romania, Croatia, and Hungary were reduced as a result of regulatory decisions. In the second quarter, these reductions were also introduced at our subsidiary in the F.Y.R.O. Macedonia and in the third quarter in those in the Netherlands, the Czech Republic, Poland, Greece, Slovakia, Romania, Montenegro, Bulgaria and Albania. In the fixed network, the highest cuts in termination rates were imposed at our subsidiaries in Greece, Romania, and the F.Y.R.O. Macedonia. At OTE in Greece and at MakTel in the F.Y.R.O. Macedonia, rates for wholesale services including ULLs were reduced, while fixed-network termination rates were lowered in Romania and the F.Y.R.O. Macedonia. Monthly charges for retail telephone lines were also reduced at MakTel.



**EU roaming regulation from July 2012.** A new EU roaming regulation took effect on July 1, 2012 after the European Parliament and the Council of Ministers had previously agreed on a final version with the European Commission. In contrast to the European Commission's original draft dated July 6, 2011, the final regulation contains tighter provisions, setting lower price caps and expanding the transparency measures to also include roaming outside the European Union. The extensive obligation to provide wholesale access – including for MVNOs – remained in place, as did the unbundling of roaming services and national services scheduled to apply from July 2014.

## Group structure, management and strategy.

With regard to our **Group structure and management**, please refer to the notes in the 2011 combined management report (2011 Annual Report, page 60 et seq.). No significant changes were recorded in this area from the Group's point of view.

Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services.

As of July 1, 2012, Deutsche Telekom reorganized the Group's IT infrastructure and pooled all internal IT units from the Germany and Systems Solutions operating segments as well as Group Headquarters & Shared Services into the new Telekom IT unit within the Systems Solutions operating segment.

The prior-year figures have been adjusted for better comparability. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (pages 38 and 39).

With regard to our **Group strategy**, please refer to the notes in the 2011 combined management report (2011 Annual Report, page 66 et seq.) and with regard to the further development of our strategy, please refer to the Interim Group Report for January 1 to June 30, 2012 (page 9).

## Development of business in the Group.

### Results of operations of the Group.

#### Net revenue.

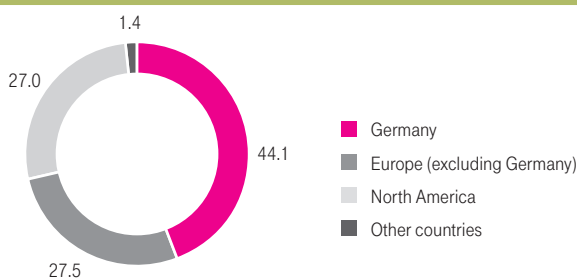
In the first nine months of the 2012 financial year, we generated net revenue of EUR 43.5 billion, which was slightly down compared with the same period in the prior year. Intense competition, price changes imposed by regulatory authorities and the strained economic situation in most countries of our Europe operating segment had a negative effect. Net exchange rate effects of around EUR 0.9 billion on the proportion of net revenue generated internationally, especially from the translation of U.S. dollars into euros, had a positive impact on net revenue.

Our United States operating segment increased its revenue on a euro basis, whereas all others recorded decreases. For details on the revenue trends in our Germany, Europe, United States and Systems Solutions operating segments as well as at Group Headquarters & Shared Services, please refer to the section "Development of business in the operating segments" (page 13 et seq.).

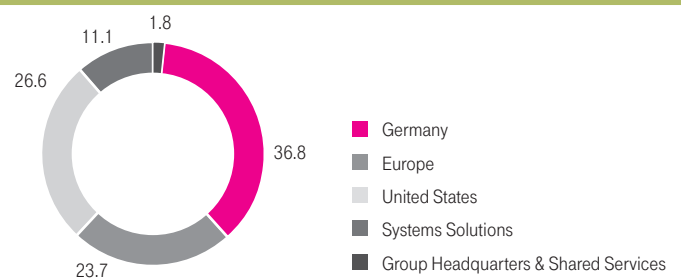
### Contribution of the operating segments to net revenue.

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>Net revenue</b>	<b>14,432</b>	<b>14,379</b>	<b>14,651</b>	<b>14,670</b>	<b>(0.1)</b>	<b>43,462</b>	<b>43,742</b>	<b>(0.6)</b>	<b>58,653</b>
Germany	5,659	5,610	5,736	5,810	(1.3)	17,005	17,396	(2.2)	23,206
Europe	3,575	3,584	3,654	3,873	(5.7)	10,813	11,352	(4.7)	15,124
United States	3,847	3,816	3,915	3,683	6.3	11,578	10,963	5.6	14,811
Systems Solutions	2,456	2,486	2,245	2,513	(10.7)	7,187	7,259	(1.0)	9,953
Group Headquarters & Shared Services	717	732	727	743	(2.2)	2,176	2,219	(1.9)	2,977
Intersegment revenue	(1,822)	(1,849)	(1,626)	(1,952)	16.7	(5,297)	(5,447)	2.8	(7,418)

### Breakdown of revenue by region. (%)



### Contribution of the operating segments to net revenue. (%)



At 36.8 percent, just 0.6 percentage points down against the prior-year period, our **Germany** operating segment again provided the largest contribution to the net revenue of the Group. The increase in revenue in the **United States** operating segment in conjunction with the downward or stagnating trend in revenue in the other segments resulted in an increase of 1.6 percentage points in the proportion of net revenue contributed by the United States operating segment. This is also reflected in the proportion of net revenue generated internationally, which increased year-on-year from 54.9 percent to 55.9 percent.

#### EBITDA, adjusted EBITDA.

In spite of the aforementioned decline in revenue, our EBITDA increased by EUR 0.4 billion year-on-year to EUR 13.2 billion. The decrease in special factors, which were down by EUR 0.5 billion, in particular had a positive effect on the development of EBITDA. Special factors mainly comprised expenses incurred

in connection with staff-related measures and non-staff-related restructuring expenses. Income attributable to a transaction carried out in September 2012 between T-Mobile USA and Verizon to swap AWS spectrum licenses also had a positive effect of around EUR 0.1 billion. A further positive effect of around EUR 0.1 billion resulted from the conclusion of litigation with Kreditanstalt für Wiederaufbau in the first quarter of 2012.

Excluding special factors of EUR 0.8 billion, which had a negative impact, adjusted EBITDA decreased slightly in the first nine months of 2012 compared with the same period in the prior year, to EUR 14.0 billion. Net exchange rate effects of EUR 0.2 billion, especially from the translation of U.S. dollars into euros, had a positive effect on the development of adjusted EBITDA. For detailed information on the development of EBITDA/adjusted EBITDA in our segments can be found in the section "Development of business in the operating segments" (page 13 et seq.).

#### Contribution of the operating segments to adjusted Group EBITDA.

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 – Q3 2012 millions of €	Q1 – Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>EBITDA (adjusted for special factors) in the Group</b>	<b>4,477</b>	<b>4,697</b>	<b>4,777</b>	<b>4,907</b>	<b>(2.6)</b>	<b>13,951</b>	<b>14,074</b>	<b>(0.9)</b>	<b>18,685</b>
Germany	2,343	2,348	2,401	2,463	(2.5)	7,092	7,259	(2.3)	9,553
Europe	1,173	1,200	1,328	1,388	(4.3)	3,701	3,930	(5.8)	5,241
United States	983	1,058	994	1,025	(3.0)	3,035	2,788	8.9	3,831
Systems Solutions	141	181	185	155	19.4	507	452	12.2	672
Group Headquarters & Shared Services	(149)	(86)	(142)	(112)	(26.8)	(377)	(351)	(7.4)	(617)
Reconciliation	(14)	(4)	11	(12)	n.a.	(7)	(4)	(75.0)	5

#### EBIT.

Group EBIT decreased by EUR 11.4 billion to minus EUR 5.8 billion compared with the first nine months of 2011, primarily as a consequence of an impairment test which resulted in a one-time, non-cash impairment loss of around EUR 10.6 billion (before taxes) recognized on goodwill, other intangible assets and property, plant and equipment of T-Mobile USA. The impairment test was carried out following the announcement of the agreed business combination of T-Mobile USA and MetroPCS. In addition, the depreciation expense increased by EUR 1.1 billion in the reporting period due to the classification of our United States operating segment as a discontinued operation in the prior-year period. As a result of this classification, no depreciation, amortization or impairment losses had been recorded for this segment for part of the prior year. The classification as a discontinued operation was reversed as of the end of the 2011 financial year, and depreciation and amortization discontinued in the course of the year was retrospectively recognized in the fourth quarter of 2011.

#### Profit/loss before income taxes.

Profit before income taxes decreased by EUR 11.2 billion to a loss of EUR 7.5 billion year-on-year in the first quarter of 2012 as a result of the aforementioned effects. Loss from financial activities decreased by EUR 0.1 billion year-on-year to EUR 1.8 billion, due in part to the sale of the shares in Telekom Srbija.

#### Net profit/loss.

Primarily due to the recognition of an impairment loss in connection with the agreed business combination of T-Mobile USA and MetroPCS, we recorded a net loss of around EUR 6.0 billion. Tax income in the first three quarters of the year amounted to EUR 2.0 billion. For further information, please refer to the interim consolidated financial statements (page 37).

Profit attributable to non-controlling interests increased to EUR 0.5 billion, primarily as a result of the sale of shares in Telekom Srbija.

#### Average number of employees.

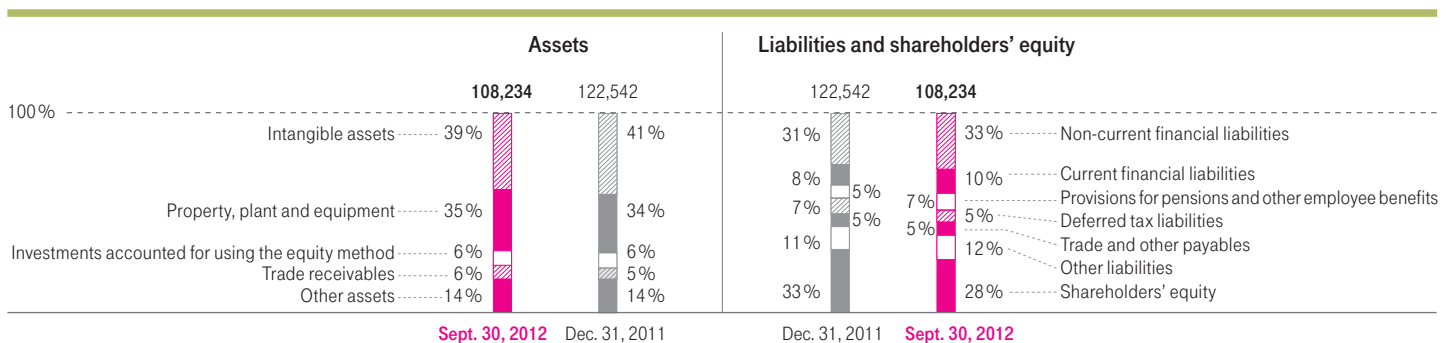
	Q1 – Q3 2012	Q1 – Q3 2011
Germany	68,996	70,715
Europe	58,083	60,701
United States	30,367	35,121
Systems Solutions	52,659	52,250
Group Headquarters & Shared Services	22,821	23,058
<b>Number of employees in the Group</b>	<b>232,926</b>	<b>241,845</b>
Of which: civil servants (in Germany, with an active service relationship)	23,154	25,100

Average headcount decreased by 3.7 percent compared with the prior-year reporting period. This trend is largely attributable to a lower international headcount, which was down by 5.7 percent. In our Europe operating segment, downsizing programs carried out as a result of programs to enhance efficiency contributed to this lower figure. In the United States operating segment, fewer staff were employed in customer support, sales and administration compared with the prior-year period.

Average headcount in Germany decreased by 1.7 percent, mainly due to socially responsible staff restructuring and reduction in the Germany operating segment and a reduction in Vivento's headcount at Group Headquarters & Shared Services. The overall decrease was partially offset by increased staff levels in the Systems Solutions operating segment, attributable in part to employees taken on in connection with big deals.

## Financial position of the Group.

### Structure of the statement of financial position. (millions of €)



The level of **total assets** decreased by EUR 14.3 billion compared with December 31, 2011. This was mainly due to the following effects.

The decrease of EUR 8.0 billion in **intangible assets** to EUR 42.1 billion primarily resulted from the impairment loss of EUR 8.7 billion (before taxes) recognized in the United States operating segment and amortization of EUR 2.4 billion. This reduction was partially offset by additions of EUR 2.5 billion (of which EUR 0.9 billion for AWS spectrum licenses reclassified from other non-current assets) and exchange rate effects of EUR 0.3 billion, mainly from the Polish zloty.

The decrease of EUR 4.4 billion in **property, plant and equipment** to EUR 37.5 billion was primarily attributable to depreciation of EUR 5.9 billion, the impairment loss of EUR 1.9 billion (before taxes) recognized in the United States operating segment and reclassifications to non-current assets and disposal groups held for sale of EUR 0.7 billion. The decrease was partially offset by additions of EUR 4.6 billion.

**Other assets** as of September 30, 2012 included the following significant effects: a decrease of EUR 0.9 billion in **other non-current assets** in connection with the capitalization of AWS spectrum licenses as intangible assets. These licenses were part of the compensation from AT&T relating to the termination of the agreement to sell T-Mobile USA. **Non-current assets and disposal groups held for sale** increased by EUR 0.4 billion to EUR 0.8 billion. This increase is largely attributable to the agreed transaction with Crown Castle on the sale of cell sites in the United States. The sale of the shares in Telekom Srbija on January 25, 2012 had an offsetting effect.

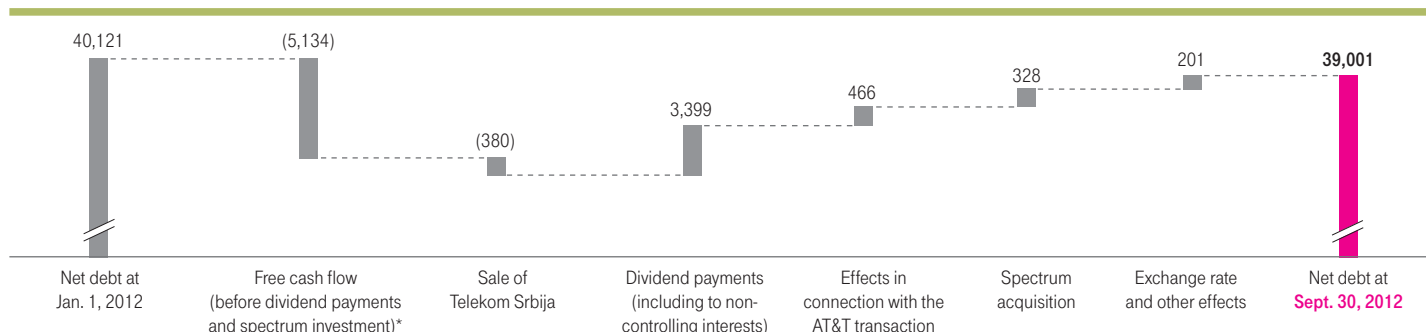
Current and non-current **financial liabilities** decreased by EUR 2.7 billion compared with the end of 2011 to EUR 45.6 billion in total. The main effects on financial liabilities are described under net cash used in financing activities on page 38 of the interim consolidated financial statements. Currency translation effects of EUR 0.2 billion increased financial liabilities.

The EUR 1.7 billion increase in **provisions for pensions and other employee benefits** was primarily attributable to actuarial losses of EUR 1.6 billion.

The decrease of EUR 3.1 billion in **deferred tax liabilities** to EUR 5.4 billion mainly resulted from the impairment loss recognized on intangible assets and property, plant and equipment in the United States operating segment.

**Shareholders' equity** decreased by EUR 9.7 billion compared with December 31, 2011, due to the loss of EUR 5.5 billion, dividend payments including to non-controlling interests of EUR 3.4 billion, actuarial losses of EUR 1.1 billion (after taxes) and the sale of Telekom Srbija (EUR 0.2 billion). Currency translation effects of EUR 0.6 billion recognized directly in equity – resulting primarily from the translation of sterling and the Polish zloty into euros – increased shareholders' equity.

### Change in net debt. (millions of €)



\* and before AT&T transaction.

Net debt decreased by EUR 1.1 billion or 2.8 percent compared with the end of 2011. Free cash flow before dividend payments and spectrum investment as well as before the AT&T transaction (EUR 5.1 billion) and the sale of the shares in Telekom Srbija (EUR 0.4 billion) reduced net debt. This decrease was offset by dividend payments (including to non-controlling interests; EUR 3.4 billion), effects in connection with the AT&T transaction (EUR 0.5 billion) and the acquisition of spectrum (EUR 0.3 billion) as well as exchange rate and other effects

(EUR 0.2 billion). Net debt decreased by EUR 4.4 billion compared with September 30, 2011.

For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information" (page 45).

### Free cash flow (before dividend payments, before spectrum investment).\*

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 – Q3 2012 millions of €	Q1 – Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>Cash generated from operations*</b>	<b>3,977</b>	<b>3,902</b>	<b>4,601</b>	<b>4,476</b>	<b>2.8</b>	<b>12,480</b>	<b>12,687</b>	<b>(1.6)</b>	<b>16,863</b>
Interest received (paid)	(778)	(656)	(414)	(732)	43.4	(1,848)	(2,280)	18.9	(2,538)
<b>Net cash from operating activities*</b>	<b>3,199</b>	<b>3,246</b>	<b>4,187</b>	<b>3,744</b>	<b>11.8</b>	<b>10,632</b>	<b>10,407</b>	<b>2.2</b>	<b>14,325</b>
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment ( <b>cash capex</b> )	(2,129)	(1,625)	(1,910)	(2,114)	9.6	(5,664)	(6,113)	7.3	(8,260)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	52	47	67	76	(11.8)	166	240	(30.8)	356
<b>Free cash flow (before dividend payments and spectrum investment)*</b>	<b>1,122</b>	<b>1,668</b>	<b>2,344</b>	<b>1,706</b>	<b>37.4</b>	<b>5,134</b>	<b>4,534</b>	<b>13.2</b>	<b>6,421</b>

\* before PTC and AT&T transactions.

**Free cash flow.** Free cash flow in the Group before dividend payments and spectrum investment and before PTC and AT&T transactions increased by EUR 0.6 billion year-on-year. While net cash from operating activities increased slightly, cash capex decreased by EUR 0.4 billion.

Net cash from operating activities (before PTC and AT&T transactions) in the first three quarters of 2012 increased by EUR 0.2 billion compared with the prior-year period to EUR 10.6 billion. The following cash flows contributed to

this trend: lower net interest payments (EUR 0.4 billion) and cash inflows from the canceling of interest rate swaps (EUR 0.1 billion). These effects were partially offset by cash outflows of EUR 0.1 billion in connection with the conclusion of investigations by the U.S. authorities into contracts in the F.Y.R.O. Macedonia and Montenegro.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements on page 38.

## Comparison of the past twelve months.

Although there are no significant seasonal factors that affect Deutsche Telekom's earnings and financial position, we have compared the past twelve months with the full year 2011 as results were negatively impacted by special factors.

	Oct. 1, 2011 until Sept. 30, 2012 millions of €	FY 2011 millions of €
<b>Revenue and earnings</b>		
Net revenue	58,373	58,653
Profit (loss) from operations (EBIT)	(5,786)	5,586
Depreciation, amortization and impairment losses	(26,231)	(14,436)
EBITDA	20,445	20,022
EBITDA (adjusted for special factors)	18,562	18,685
Net profit (loss)	(7,388)	557
Net profit (loss) (adjusted for special factors)	2,234	2,851
Earnings per share basic/diluted	(1.72)	0.13
<b>Cash flows</b>		
Net cash from operating activities*	14,550	14,325
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (cash capex)	(7,811)	(8,260)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	282	356
Free cash flow (before dividend payments and spectrum investment)*	7,021	6,421

\* before PTC and AT&T transactions.

Differences in the unadjusted figures for EBIT; depreciation, amortization and impairment losses; net profit/loss; and earnings per share are attributable to an impairment loss recognized in the United States operating segment and other special factors. In addition, the classification of T-Mobile USA as a discontinued operation was reversed in the fourth quarter of 2011. Consequently, depreciation and amortization totaling EUR 1.1 billion discontinued during the year was retroactively recognized in December 2011. This contributed significantly to the difference in adjusted net profit.

The difference in (unadjusted) EBITDA is primarily attributable to special factors. Please refer to the information on special factors in the section "Results of operations of the Group" on page 9 et seq.

## Development of business in the operating segments.

### Germany.

Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services.

As of July 1, 2012, Deutsche Telekom reorganized the Group's IT structure and pooled all internal IT units from the Germany and Systems Solutions operating segments as well as Group Headquarters & Shared Services into the new Telekom IT unit within the Systems Solutions operating segment.

The prior-year figures have been adjusted for better comparability. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (pages 38 and 39).

## Customer development.

### Fixed-network lines. ('000)

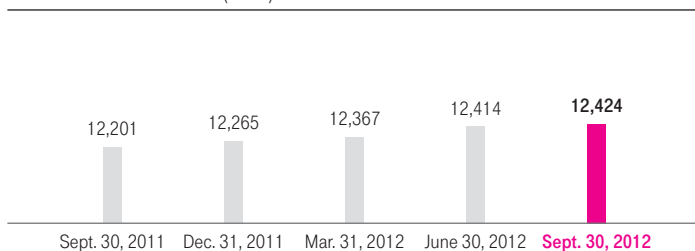


### TV customers (including satellite).\* ('000)

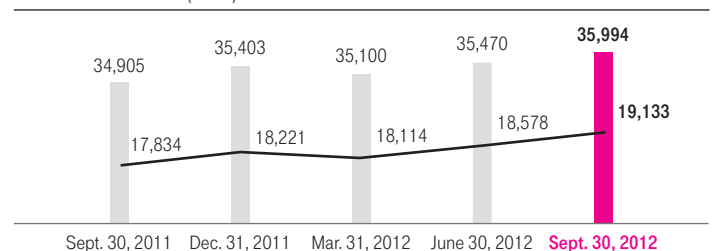


\* Customers connected

### Retail broadband lines. ('000)



### Mobile customers. ('000)



— Contract customers

	Sept. 30, 2012	June 30, 2012	Change Sept. 30, 2012/ June 30, 2012	Dec. 31, 2011	Change Sept. 30, 2012/ Dec. 31, 2011	Sept. 30, 2011	Change Sept. 30, 2012/ Sept. 30, 2011
	thousands	thousands	%	thousands	%	thousands	%
<b>Total</b>							
Fixed-network lines	22,620	22,904	(1.2)	23,399	(3.3)	23,694	(4.5)
Retail broadband lines <sup>a</sup>	12,424	12,414	0.1	12,265	1.3	12,201	1.8
TV (including satellite)	1,906	1,830	4.2	1,553	22.7	1,375	38.6
Mobile customers	35,994	35,470	1.5	35,403	1.7	34,905	3.1
Contract customers <sup>a</sup>	19,133	18,578	3.0	18,221	5.0	17,834	7.3
Prepay customers	16,861	16,893	(0.2)	17,182	(1.9)	17,071	(1.2)
Unbundled local loop lines (ULLs)	9,453	9,582	(1.3)	9,598	(1.5)	9,570	(1.2)
Wholesale unbundled lines	1,283	1,267	1.3	1,222	5.0	1,198	7.1
Wholesale bundled lines	562	617	(8.9)	704	(20.2)	757	(25.8)
<b>Of which: consumers</b>							
Fixed-network lines	18,004	18,250	(1.3)	18,763	(4.0)	19,030	(5.4)
Retail broadband lines <sup>a</sup>	10,037	10,027	0.1	9,959	0.8	9,902	1.4
TV (including satellite)	1,748	1,678	4.2	1,434	21.9	1,269	37.7
Mobile customers	29,586	29,203	1.3	29,333	0.9	29,061	1.8
Contract customers <sup>a</sup>	13,650	13,159	3.7	12,874	6.0	12,560	8.7
Prepay customers	15,936	16,044	(0.7)	16,459	(3.2)	16,500	(3.4)
<b>Of which: business customers</b>							
Fixed-network lines	3,527	3,548	(0.6)	3,505	0.6	3,543	(0.5)
Retail broadband lines	2,058	2,055	0.1	1,973	4.3	1,968	4.6
TV (including satellite)	157	151	4.0	117	34.2	106	48.1
Mobile customers	6,397	6,267	2.1	6,070	5.4	5,844	9.5
Contract customers <sup>a</sup>	5,483	5,419	1.2	5,347	2.5	5,274	4.0
Prepay customers (M2M) <sup>b</sup>	925	848	9.1	723	27.9	570	62.3

<sup>a</sup> Stationary wireless solutions have been reported under mobile contract customers since October 1, 2011.

<sup>b</sup> M2M: machine-to-machine.

### Total.

In our Germany operating segment, we held our own in both the mobile and the fixed-network markets in the prevailing regulatory and competitive environment by focusing on high-value business and marketing new and innovative products. By the end of the third quarter of 2012, 97 thousand customers had already used our Call & Surf Comfort via Funk product, which was launched in the second quarter of 2011. This wireless technology enables fast Internet surfing even in areas without DSL coverage.

### Fixed network.

**Telephony, Internet and TV.** Line losses in traditional fixed network telephony were down on the prior-year level. Customers switched in particular to cable operators, but increasingly also to mobile wholesale products.

Our share of the German broadband market stood at around 45 percent in the first three quarters of the year. The number of broadband lines increased by 159 thousand to 12.4 million in the reporting period compared with December 31, 2011. Of these customers, 805 thousand opted for VDSL lines. As of September 30, 2012, a total of 1.9 million customers were using our television service Entertain of which 268 thousand were using Entertain via Sat which was launched in September 2011. We were able to connect more than 2,400 customers with optical fiber for the first time in the third quarter.

### Mobile communications.

**Mobile telephony and data services.** In mobile communications, we stepped up our measures to attract and win back customers, in particular by improving existing rate plans and introducing new ones for both contract and prepay customers.

The number of mobile customers at the end of the first three quarters of 2012 totaled 36.0 million; this corresponds to an increase of 1.7 percent compared with December 31, 2011. The development was positive on the whole thanks to the good performance regarding high-value contract customers (both branded customers and service providers), machine-to-machine communication, congstar and Call & Surf Comfort via Funk. Customer migration to another service provider in the first quarter of 2012 was compensated for the most part in the third quarter by the growth in business with resellers serving customer groups who mainly call their home countries.

In the first three quarters of 2012, the number of smartphones sold (mainly Android handsets and iPhones) rose to 2.7 million compared with 2.3 million as of September 30, 2011. They thus accounted for 70 percent of all mobile phones sold in the first three quarters of 2012.

### Consumers.

**Connected life across all screens.** Line losses in traditional fixed-network telephony decreased year-on-year in the first three quarters of 2012. In the intensely contested broadband market, we continued to grow in line with the market. For our television service Entertain, we further increased the rate of pay TV packages, e.g., LIGA total!, Big TV and HD.

The number of contract customers in the mobile communications portfolio increased by 6.0 percent in the first three quarters of 2012 compared with December 31, 2011. In particular, rate packages with integrated data flat rates for the mobile Internet (Call & Surf Mobil, Complete Mobil, and Mobile Data), especially the promotional rates included, sold well. Through these packages we migrated a large number of customers from pure voice rates to higher-value data rate plans. In the area of text messaging, we were even more successful in marketing our "SMS Flat all net" rate option in the first three quarters of 2012.

The decrease in the number of prepay customers compared with December 31, 2011 is largely attributable to the deactivation of inactive cards. This decline was partly compensated by measures including the positioning of congstar in our Telekom shops for the first time.

### Business Customers.

**Connected work with innovative solutions.** The number of fixed-network lines in the Business Customer area remained virtually unchanged compared with year-end 2011 at 3.5 million. In Internet usage, customers are increasingly opting for plans with higher bandwidths such as Business Complete.

Products in the area of connected work developed positively. Accordingly, we recorded a growth trend in our CompanyConnect dedicated Internet connections. In the field of data communications, we significantly increased the number of networks and connections with Internet-based data networks (IP VPNs) and high-bandwidth location networking.

With a clear focus on rate plans with integrated data flat rates for the mobile Internet, the new set of mobile plans we introduced in February 2011 helped to increase subscriber numbers compared with the prior year.

Total subscriber numbers rose by a further 5.4 percent compared with the year-end 2011 in the area of machine-to-machine mobile communications as well as among contract customers, due not least to the marketing kick-off of new, attractive mobile rate plans for business customers.

In the first three quarters of 2012, we won (back) a number of business customers for our mobile services, such as BMW, Heidelberger Druck and Schwäbisch Hall.

### Wholesale.

Unbundled wholesale lines increased by 61 thousand, whereas the number of bundled wholesale lines declined by 142 thousand. This trend is expected to continue in the next few years, due in particular to the fact that our competitors are switching from bundled to unbundled wholesale products or to their own infrastructure. The number of unbundled local loop lines (ULLs) decreased by 145 thousand compared with year-end 2011.

### Development of operations.

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>Total revenue</b>	5,659	5,610	5,736	5,810	(1.3)	17,005	17,396	(2.2)	23,206
Consumers	2,997	2,999	3,097	3,137	(1.3)	9,093	9,359	(2.8)	12,497
Business Customers	1,418	1,404	1,416	1,401	1.1	4,238	4,206	0.8	5,615
Wholesale	1,034	1,005	1,021	1,048	(2.6)	3,060	3,178	(3.7)	4,209
Value-Added Services	98	92	87	106	(17.9)	277	317	(12.6)	425
Other	112	110	115	118	(2.5)	337	336	0.3	460
<b>Profit from operations (EBIT)</b>	965	1,187	1,302	1,356	(4.0)	3,454	3,494	(1.1)	4,520
EBIT margin	17.1	21.2	22.7	23.3		20.3	20.1		19.5
Depreciation, amortization and impairment losses	(1,099)	(1,104)	(1,083)	(1,089)	0.6	(3,286)	(3,208)	(2.4)	(4,344)
<b>EBITDA</b>	2,064	2,291	2,385	2,445	(2.5)	6,740	6,702	0.6	8,864
Special factors affecting EBITDA	(279)	(57)	(16)	(18)	11.1	(352)	(557)	36.8	(689)
<b>EBITDA (adjusted for special factors)</b>	2,343	2,348	2,401	2,463	(2.5)	7,092	7,259	(2.3)	9,553
EBITDA margin (adjusted for special factors)	41.4	41.9	41.9	42.4		41.7	41.7		41.1
<b>Cash capex</b>	(903)	(819)	(677)	(1,080)	37.3	(2,399)	(2,590)	7.4	(3,506)

### Total revenue.

We took measures to ensure continued value-enhancing growth in our core markets, i.e., the broadband fixed network and mobile communications. Revenue in the first three quarters of 2012 was down 2.2 percent year-on-year, which was mainly attributable to the downward trend in voice telephony, both in mobile and fixed-network business. This trend was partly offset by increasing demand for complete packages comprising mobile data or TV rate plans.

Revenue growth in the fixed network was a result of the successful marketing of Entertain and add-on options. However, this positive trend was not sufficient to offset the negative effects on revenue. Added to this were price effects resulting from regulatory decisions – for example, the reduction in interconnection rates in July 2011.



Mobile revenues in the first three quarters of the year remained unchanged against the prior-year period. The growth in data revenues due to the sale of smartphones with new data rate plans as well as the positive trend in terminal equipment revenues offset the decline in voice telephony with favorable rate plans including flat-rate components. Roaming price reductions imposed by the regulatory authorities as of July 1, 2012 for voice rates as well as data rates for the first time had a negative impact on revenue.

The main reason for the decline in the **Consumers** area was the downward trend in voice telephony business, in particular in the fixed network. The decrease was partially offset by growth in TV revenue (up 30.6 percent) and revenue from terminal equipment (up 31.7 percent). The growth in mobile data revenues (up 22.2 percent) largely succeeded in compensating for the decline in revenue, in particular in traditional voice telephony.

In the **Business Customers** area, total revenue remained stable. Growth in revenue from mobile data, broadband, IT products, and mobile devices fully offset the decline in revenue from traditional fixed-network voice telephony and mobile communications.

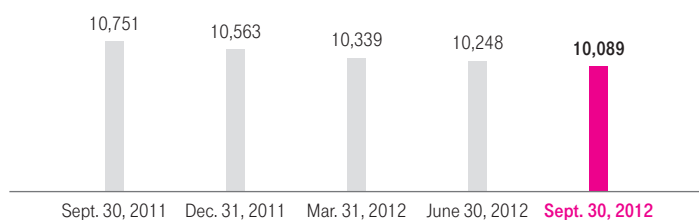
The decline in **Wholesale** revenue – down 3.7 percent to EUR 3.1 billion – was primarily attributable to the following factors: regulatory price cuts for interconnection calls in particular (from July 1, 2011) and the declining use of interconnection as well as a volume- and price-related decrease in revenue due to migration to state-of-the-art infrastructure platforms.

Declining revenues from **Value-Added Services** resulted from a weaker use of premium rate call numbers such as directory assistance services and of public telephones.

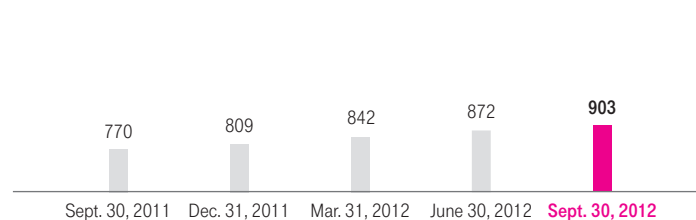
## Europe.

### Customer development.

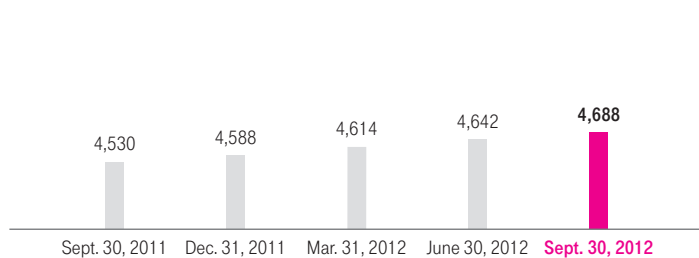
#### Fixed-network lines. ('000)



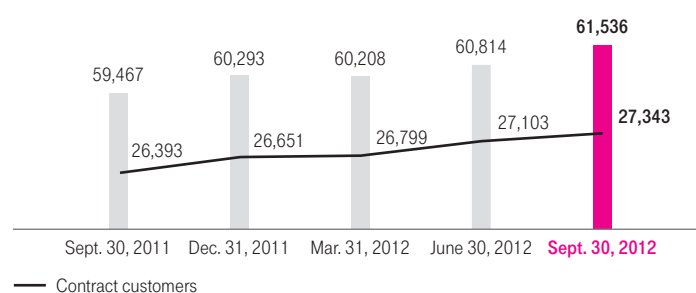
#### IPTV customers. ('000)



#### Retail broadband lines. ('000)



#### Mobile customers. ('000)



— Contract customers

#### EBITDA, adjusted EBITDA.

Cumulative EBITDA adjusted for special factors decreased by 2.3 percent year-on-year to EUR 7.1 billion for the first three quarters. Since we made higher investments in the market in order to acquire high-value customers and were unable to reduce our service costs to the same extent as in previous years, our cost savings did not fully compensate for the decline in revenue. At the same time, mobile interconnection costs increased due to the continuous offering of more valuable calling plans, e.g., through packages with minute buckets and text messages. The adjusted EBITDA margin remained stable at 41.7 percent, in particular due to our efficient cost management. Fewer negative effects from special factors, in particular expenses for early retirement arrangements, improved EBITDA compared with the prior-year period.

#### EBIT.

Profit from operations (EBIT) for our Germany operating segment remained more or less stable at EUR 3.5 billion. The positive EBITDA trend was offset by higher depreciation, amortization and impairment losses, mainly resulting from the capitalization of the LTE license in the previous year.

#### Cash capex.

We have the best mobile network and invest in the networks of the future. Although we reported a year-on-year decrease in cash capex in the first three quarters of 2012 regarding traditional transmission paths (for example as a result of the completed migration to modern infrastructure platforms), we also stepped up investment in our strategic focus areas such as the LTE and fiber optic roll-out as well as in All IP migration. Cash capex was still 7.4 percent lower than in the previous year.



		Sept. 30, 2012	June 30, 2012	Change Sept. 30, 2012/ June 30, 2012	Dec. 31, 2011	Change Sept. 30, 2012/ Dec. 31, 2011	Sept. 30, 2011	Change Sept. 30, 2012/ Sept. 30, 2011
	thousands	thousands	thousands	%	thousands	%	thousands	%
<b>Europe, total</b>	Fixed-network lines	10,089	10,248	(1.6)	10,563	(4.5)	10,751	(6.2)
	Retail broadband lines	4,688	4,642	1.0	4,588	2.2	4,530	3.5
	Wholesale bundled lines	155	154	0.6	153	1.3	156	(0.6)
	Wholesale unbundled lines	67	60	11.7	50	34.0	48	39.6
	Unbundled local loop lines (ULLs)	1,925	1,915	0.5	1,844	4.4	1,720	11.9
	Mobile customers	61,536	60,814	1.2	60,293	2.1	59,467	3.5
<b>Greece</b>	Fixed-network lines	3,078	3,137	(1.9)	3,317	(7.2)	3,433	(10.3)
	Broadband lines	1,170	1,136	3.0	1,126	3.9	1,136	3.0
	Mobile customers	7,778	7,856	(1.0)	7,885	(1.4)	7,873	(1.2)
<b>Romania</b>	Fixed-network lines	2,443	2,485	(1.7)	2,487	(1.8)	2,523	(3.2)
	Broadband lines	1,114	1,104	0.9	1,078	3.3	1,052	5.9
	Mobile customers	6,470	6,510	(0.6)	6,499	(0.4)	6,540	(1.1)
<b>Hungary</b>	Fixed-network lines	1,419	1,439	(1.4)	1,486	(4.5)	1,506	(5.8)
	Broadband lines	868	864	0.5	848	2.4	832	4.3
	Mobile customers	4,820	4,821	0.0	4,817	0.1	4,790	0.6
<b>Poland</b>	Mobile customers	15,575	15,048	3.5	14,161	10.0	13,406	16.2
<b>Czech Republic</b>	Fixed-network lines	105	105	0.0	100	5.0	93	12.9
	Broadband lines	105	105	0.0	100	5.0	93	12.9
	Mobile customers	5,415	5,377	0.7	5,381	0.6	5,399	0.3
<b>Croatia</b>	Fixed-network lines	1,322	1,342	(1.5)	1,387	(4.7)	1,395	(5.2)
	Broadband lines	652	652	0.0	651	0.2	648	0.6
	Mobile customers	2,443	2,378	2.7	2,418	1.0	2,485	(1.7)
<b>Netherlands</b>	Fixed-network lines	288	290	(0.7)	294	(2.0)	297	(3.0)
	Broadband lines	280	281	(0.4)	284	(1.4)	287	(2.4)
	Mobile customers	4,761	4,744	0.4	4,909	(3.0)	4,935	(3.5)
<b>Slovakia</b>	Fixed-network lines	977	993	(1.6)	1,021	(4.3)	1,029	(5.1)
	Broadband lines	473	470	0.6	464	1.9	457	3.5
	Mobile customers	2,313	2,325	(0.5)	2,326	(0.6)	2,318	(0.2)
<b>Austria</b>	Mobile customers	4,076	4,069	0.2	4,060	0.4	3,934	3.6
<b>Other<sup>a</sup></b>	Fixed-network lines	457	457	0.0	471	(3.0)	476	(4.0)
	Broadband lines	249	243	2.5	239	4.2	230	8.3
	Mobile customers	7,886	7,686	2.6	7,838	0.6	7,787	1.3

<sup>a</sup> Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia and Montenegro.

### Total.

In the first nine months of 2012, our Europe operating segment showed robust development in terms of the customer base compared with year-end 2011. This was the case in most countries of our segment, despite tough competition and the still strained economic situation.

In the fixed network, we increased the number of broadband lines compared with the end of 2011 thanks to the focus on rolling out broadband technology and thus partially offset the line losses in analog fixed-network business. In mobile communications, we recorded an increase of around 2.1 percent in the total customer base compared with the end of the prior year. This strong growth is attributable to contract net additions as well as to prepay net additions. In the prepay segment, the number of customers only grew markedly in Poland due to a change in the deregistration procedure in response to a general change in deregistration policies across the industry in the previous year.

### Fixed network.

**Telephony, Internet and TV.** The IPTV business again proved itself as a consistent growth driver. Compared with the end of 2011, the number of IPTV customers increased by around 12.0 percent. Due to innovative rate plans, for example TV together with Internet access, we further expanded our customer base in most countries of our operating segment with fixed-network operations. Compared with December 31, 2011, the number of retail broadband lines marketed increased further by around 2.2 percent to 4.7 million lines. This trend is especially pronounced in a comparison with September 30 of the prior year, with growth of 3.5 percent. Almost all countries in our Europe operating segment contributed to this. The largest absolute additions compared with the end of the prior year were achieved in Greece and Romania – due in particular to DSL business. We also generated marked growth in broadband lines in Hungary and the Czech Republic, primarily in broadband cable connections in Hungary and in DSL business in the Czech Republic. Around 10.1 million customers in our Europe operating segment used a fixed-network line as of September 30, 2012, a decrease of 4.5 percent compared with the end of 2011. This is largely the result of line losses in traditional telephony, especially in Greece, Croatia, Romania and the F.Y.R.O. Macedonia. In Greece and Romania in particular, the economic situation and the resulting intense competitive pressure caused a decline in the number of customers.

### Mobile communications.

**Mobile telephony and data services.** We increased our total mobile customer base by around 2.1 percent compared with the end of the prior year to 61.5 million thanks to substantial net contract additions. As of the end of the first nine months of the year, our contract customer base totaled around 27.3 million, an increase of around 3 percent compared with the end of the prior year. This is thanks to the encouraging trend among consumers as well as the clear increase in business customers, who accounted for half of the growth. Their numbers increased in particular in Romania, the Czech Republic, Bulgaria and Poland.

The share of contract customers as a proportion of the total customer base in our Europe operating segment remained stable at over 44 percent. We achieved this high level by focusing on winning and retaining high-value customers as part of our strategy of connected life and work. For instance,

we offered attractive rate plans and innovative data and content services for the mobile Internet. As a result of the roll-out of mobile broadband technologies in most countries of our operating segment, the use of smartphones becomes increasingly attractive. These devices remained in high demand in the third quarter of 2012, particularly in Austria and the Netherlands. At segment level, we thus maintained the volume of smartphones as a proportion of all terminal devices marketed at a high level.

As of September 30, 2012, the number of prepay customers slightly increased compared with the end of 2011. The number of prepay customers declined in most countries of our operating segment due to our strategy to focus on high-value contract customers. The prepay customer base only grew appreciably in Poland by around 1.2 million, mainly due to a change in the deregistration procedure in September 2011.

### Development of operations.

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>Total revenue</b>	3,575	3,584	3,654	3,873	(5.7)	10,813	11,352	(4.7)	15,124
Greece	819	828	825	930	(11.3)	2,472	2,679	(7.7)	3,546
Romania	264	260	260	268	(3.0)	784	799	(1.9)	1,072
Hungary	335	333	363	366	(0.8)	1,031	1,088	(5.2)	1,438
Poland	413	418	422	438	(3.7)	1,253	1,331	(5.9)	1,740
Czech Republic	255	259	273	272	0.4	787	822	(4.3)	1,092
Croatia	239	245	269	296	(9.1)	753	821	(8.3)	1,084
Netherlands	421	419	413	428	(3.5)	1,253	1,282	(2.3)	1,747
Slovakia	206	202	205	223	(8.1)	613	655	(6.4)	886
Austria	227	217	219	234	(6.4)	663	690	(3.9)	924
Other <sup>a</sup>	448	456	463	481	(3.7)	1,367	1,363	0.3	1,827
<b>Profit from operations (EBIT)</b>	450	462	617	551	12.0	1,529	1,381	10.7	780
EBIT margin	%	12.6	12.9	14.2		14.1	12.2		5.2
Depreciation, amortization and impairment losses	(717)	(706)	(707)	(800)	11.6	(2,130)	(2,381)	10.5	(4,215)
<b>EBITDA</b>	1,167	1,168	1,324	1,351	(2.0)	3,659	3,762	(2.7)	4,995
Special factors affecting EBITDA	(6)	(32)	(4)	(37)	89.2	(42)	(168)	75.0	(246)
<b>EBITDA (adjusted for special factors)</b>	1,173	1,200	1,328	1,388	(4.3)	3,701	3,930	(5.8)	5,241
Greece	309	301	310	349	(11.2)	920	979	(6.0)	1,300
Romania	69	69	78	72	8.3	216	201	7.5	274
Hungary	122	115	131	143	(8.4)	368	432	(14.8)	542
Poland	127	139	160	156	2.6	426	476	(10.5)	629
Czech Republic	123	116	136	116	17.2	375	391	(4.1)	509
Croatia	101	113	133	151	(11.9)	347	377	(8.0)	508
Netherlands	115	133	143	121	18.2	391	331	18.1	505
Slovakia	86	84	89	102	(12.7)	259	297	(12.8)	388
Austria	60	53	65	69	(5.8)	178	197	(9.6)	253
Other <sup>a</sup>	63	79	82	110	(25.5)	224	250	(10.4)	339
EBITDA margin (adjusted for special factors)	%	32.8	33.5	35.8		34.2	34.6		34.6
<b>Cash capex</b>	(505)	(287)	(328)	(437)	24.9	(1,120)	(1,305)	14.2	(1,870)

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

<sup>a</sup> Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia and Montenegro, as well as ICSS (International Carrier Sales & Solutions) and Europe Headquarters.

### Total revenue.

In the first nine months of 2012, our Europe operating segment generated total revenue of EUR 10.8 billion, down 4.7 percent compared with the prior-year level. This decline was primarily attributable to two factors. First, negative exchange rate effects had an adverse impact on our revenue, especially from the translation of the Hungarian forint and the Polish zloty into euros. Adjusted for the exchange rate effects, which accounted for some 31 percent of the decrease, segment revenue decreased by just 3.3 percent against the prior-year period. Second, the reduction in mobile termination rates imposed by the regulatory authorities caused further losses in revenue from operations in most countries of our segment. This decrease was more significant in the third quarter of 2012 than in the previous quarters. In addition, price reductions due to tough competition and not least also due to the continued challenging economic situation, especially in Southern and Eastern European countries, impacted negatively on our revenue from operations. Around half of the decrease in revenue from operations, for example, was attributable to our Greek subsidiary. In Croatia and Slovakia, fixed-network and mobile business was also impacted by declines in revenue.

At segment level, there were slight compensatory effects from revenue increases in international wholesale business and growth in broadband, television, ICT and energy. These growth areas partially compensated for the negative revenue effects from voice telephony. This shows the success of our strategy to drive forward the expansion of broadband technologies in both fixed-network and mobile operations in combination with attractive rate plans and a broad portfolio of terminal equipment. In mobile communications, we recorded tangible further growth in data revenue, with an increase of around 14 percent to EUR 0.9 billion. Adjusted for exchange rate effects, data revenue even increased by approximately 17 percent compared with the end of the prior-year period. Almost all countries of our Europe operating segment, but in particular the Netherlands, Austria, Poland and the Czech Republic, contributed to this growth.

### EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 3.7 billion in the first nine months of 2012, a year-on-year decrease of 5.8 percent. Without the overall negative exchange rate effects, especially from the translation of the Hungarian forint, the Polish zloty and also the Czech koruna, adjusted EBITDA decreased by just 4.3 percent. This operational decline at segment level resulted from lower adjusted EBITDA compared with the prior-year period, especially in Greece, Hungary, Slovakia and Poland. These decreases were partially offset by higher contributions of adjusted EBITDA in the Netherlands and in the Romanian mobile operations.

Overall, the decrease in revenue year-on-year had a negative impact on the development of EBITDA. In addition, changes in legislation (for example, as part of national austerity programs) adversely affected our EBITDA. In Hungary, for instance, the special levy introduced as of July 1, 2012 on top of the existing special tax, had a negative impact on our adjusted EBITDA. In view of the current policy pursued by the Hungarian government, we cannot exclude that further extraordinary government measures may have an impact on earnings in addition to the special levy the introduction of which had not been expected.

By systematically reducing overheads through our efficiency enhancement measures, which are primarily reflected in lower personnel costs and cost of materials, as well as by addressing customer needs in a targeted way, especially with regard to customer retention, we partially offset the negative effects from the decline in revenue.

### Development of operations in selected countries.

**Greece.** Revenue in Greece totaled EUR 2.5 billion in the first nine months of 2012, a year-on-year decrease of 7.7 percent, which was mainly attributable to fixed-network business and here primarily to line losses of some 10 percent in traditional telephony. Since regulation of fixed-network business in Greece continues to be very strict, we were not yet able to proceed with broadband customer acquisitions as planned and thus to generate the associated revenue in full. In mobile business, revenues were also down year-on-year due to lower pricing, both as a result of the reduction in termination rates imposed by the regulatory authorities and due to competition. In addition, the continued difficult economic situation also had an impact on revenue development, which is clearly reflected in the decline in service revenues and lower terminal equipment sales.

Adjusted EBITDA decreased to EUR 920 million in Greece during the reporting period, a year-on-year decline of 6.0 percent, mainly due to the decrease in revenue. We partly offset the revenue effects through targeted measures for customer acquisition and retention in mobile business and through our programs to increase efficiency in mobile and fixed-network business. The success of the efficiency enhancement programs is primarily reflected by lower personnel costs due in part to a reduced headcount and in part to the agreements with the trade unions concluded in the previous year.

**Hungary.** In Hungary, we generated revenue of EUR 1.0 billion in the first nine months of 2012, a year-on-year decrease of 5.2 percent. Adjusted for the negative exchange rate performance of the Hungarian forint against the euro, revenue from operations increased by 1.6 percent. This year-on-year increase is attributable to growth, in particular in the energy resale business. Increased overall fixed-network revenue for broadband – especially from optical fiber and cable lines –, television and ICT as well as for terminal equipment sales almost offset the decline in voice telephony. In mobile communications, service revenues adjusted for exchange rate effects declined only slightly compared with the prior-year period, mainly as a result of price cuts due to competition as well as a reduction in termination rates imposed by the regulatory authorities. These effects were also partially offset within service revenues thanks to higher data revenues as a result of increased customer usage as well as a larger contract customer base overall. In addition, increased terminal equipment sales made a positive contribution to revenue, mainly due to smartphones accounting for a large proportion of all terminal devices sold.

Adjusted EBITDA amounted to EUR 368 million in the first nine months of 2012, representing a year-on-year decrease of 14.8 percent. As with revenue, this decrease was due to the still unfavorable exchange rate performance of the Hungarian forint against the euro; adjusted for exchange rate effects, adjusted EBITDA declined by 8.7 percent. This decline is mainly attributable to higher direct costs in the energy resale business compared with the prior-year period and the special levy introduced as of July 1, 2012. Significant savings in overheads had a positive effect on adjusted EBITDA.

**Poland.** Revenue in Poland totaled EUR 1.3 billion in the first nine months of this year, down by 5.9 percent year-on-year. Adjusted for the significantly negative exchange rate performance of the Polish zloty against the euro, revenue decreased only slightly compared with the prior-year period. Intense competition and the related price war on the Polish mobile market as well as the reduction in termination rates imposed by the regulatory authorities had a negative impact on our revenue. As a result, service revenues declined, especially in the consumer segment, due to lower revenue from voice telephony. This was partially offset by significant growth in revenue from data business. In addition, increased terminal equipment sales made a positive contribution to revenue, mainly due to the successful marketing of smartphones.

Adjusted EBITDA amounted to EUR 426 million in the first nine months of 2012, down 10.5 percent year-on-year. Adjusted for negative exchange rate effects, the decrease was 6.5 percent. The decline was attributable to increased customer acquisition costs as a result of marketing higher-value terminal equipment and a higher proportion of contract customers in the business with new customers. Furthermore, the first nine months of the prior year were positively impacted by the reversal of a provision. Due to improved measures to target our high-value contract customers, savings were achieved in customer retention costs, which made a positive contribution to EBITDA.

**Netherlands.** In the first nine months of 2012, revenue decreased by 2.3 percent year-on-year to EUR 1.3 billion. Regulation-induced decreases in revenue from voice telephony and decreases in text message revenue were partially offset by the highly successful data business. A larger contract customer base thanks to new rate plans also had a positive impact on voice telephony revenue. Fixed-network business declined due to a smaller number of broadband lines compared with the prior-year period.

Adjusted EBITDA increased by 18.1 percent year-on-year in the first nine months of 2012 to EUR 391 million. This positive result was achieved despite the negative effect resulting from regulation. On the cost side, in particular regulation-induced lower termination rates and, to a lesser extent, volume effects reduced interconnection costs. Reduced costs in relation to customer retention and acquisition as well as lower overheads, including personnel costs and cost of materials, also contributed to the improvement in EBITDA.

#### EBIT.

EBIT in our Europe operating segment totaled EUR 1.5 billion as of the end of the first nine months of 2012, a year-on-year increase of 10.7 percent. Against the background of restraint in investment in the prior year, total depreciation and amortization decreased at segment level, in particular in Poland, Greece and Romania, resulting in higher EBIT which offset the negative effects from the decline in EBITDA.

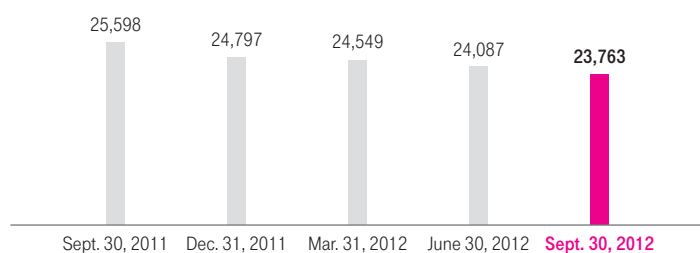
#### Cash capex.

In the first nine months of 2012, our Europe operating segment reported cash capex of EUR 1.1 billion, a year-on-year decline of 14.2 percent. A difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as the special tax in Hungary or the real estate tax in Greece, have caused most countries in our operating segment to exercise restraint in their cash capex. However, cash capex increased for extending existing and/or obtaining new mobile communications licenses, mainly in Hungary.

## United States.

### Customer development.

#### Contract customers.\* ('000)



#### Prepay customers.\* ('000)



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

	Sept. 30, 2012	June 30, 2012	Change Sept. 30, 2012/ June 30, 2012	Dec. 31, 2011	Change Sept. 30, 2012/ Dec. 31, 2011	Sept. 30, 2011	Change Sept. 30, 2012/ Sept. 30, 2011
	thousands	thousands	%	thousands	%	thousands	%
<b>United States</b>							
Mobile customers	33,327	33,168	0.5	33,186	0.4	33,711	(1.1)
Contract customers	23,763	24,087	(1.3)	24,797	(4.2)	25,598	(7.2)
Branded	20,809	21,300	(2.3)	22,367	(7.0)	23,074	(9.8)
Machine-to-machine (M2M)	2,954	2,787	6.0	2,430	21.6	2,524	17.0
Prepay customers	9,564	9,081	5.3	8,389	14.0	8,113	17.9
Branded	5,659	5,295	6.9	4,819	17.4	4,599	23.0
MVNOs	3,905	3,786	3.1	3,570	9.4	3,514	11.1

At September 30, 2012, the United States operating segment (T-Mobile USA) had 33.3 million customers, a net increase in customers of 141,000 compared to 33.2 million customers at December 31, 2011. This increase in net customers in the first nine months of 2012 was an improvement compared to a net decrease of 24,000 for the first nine months of 2011. In the first nine months of 2012, prepay customer growth more than offset contract customer losses. In the first nine months of 2012, T-Mobile USA lost 1,034,000 contract customers compared to 849,000 contract customers lost in the first nine months of 2011. In the first nine months of 2012, branded contract customer losses were impacted by a decline in branded gross customer additions partially offset by lower branded contract customer churn, which continues to be a key strategic focus for 2012. Additionally, total machine-to-machine customers continued to grow in the first nine months of 2012, although at a slower rate than the first nine months of 2011, to a total of 3.0 million customers at September 30, 2012. In the first nine months of 2012, T-Mobile USA had 1,175,000 net prepay customer additions compared to 825,000 net prepay customer additions in the first nine months of 2011. The significant improvement in net branded prepay

customer additions in the first nine months of 2012 was due to the continued success of unlimited Monthly 4G prepay plans and customer migration to prepay plans due to the discontinuation of the Company's FlexPay product that historically had higher churn. Additionally, MVNO customers continued to grow in the first nine months of 2012, and totaled 3.9 million at September 30, 2012.

T-Mobile USA's blended churn decreased to an average of 3.3 percent per month in the first nine months of 2012, compared to an average of 3.4 percent per month in the first nine months of 2011. The year-on-year decrease in blended churn was due primarily to lower branded contract churn from a change in the mix of T-Mobile USA's contract product portfolio and the continued strategic focus on churn reduction. Compared to the prior period, branded contract churn decreased by 0.3 percentage points to 2.3 percent. In order to improve the contract product portfolio, the Company discontinued certain products that had higher churn, such as FlexPay Contract, and introduced the new "Unlimited 4G data" plans in September. The continued strategic focus on churn reduction, including credit optimization initiatives, also contributed to the decrease.

## Development of operations.

	Q1 2012	Q2 2012	Q3 2012	Q3 2011	Change	Q1 - Q3 2012	Q1 - Q3 2011	Change	FY 2011
	millions of €	millions of €	millions of €	millions of €	%	millions of €	millions of €	%	millions of €
<b>Total revenue</b>	3,847	3,816	3,915	3,683	6.3	11,578	10,963	5.6	14,811
Profit (loss) from operations (EBIT)	344	396	(10,108)	976	n.a.	(9,368)	2,245	n.a.	(710)
EBIT margin	8.9	10.4	n.a.	26.5		(80.9)	20.5		(4.8)
Depreciation, amortization and impairment losses	(561)	(640)	(11,241)	-	n.a.	(12,442)	(463)	n.a.	(4,407)
EBITDA	905	1,036	1,133	976	16.1	3,074	2,708	13.5	3,697
Special factors affecting EBITDA	(78)	(22)	139	(49)	n.a.	39	(80)	n.a.	(134)
<b>EBITDA (adjusted for special factors)</b>	983	1,058	994	1,025	(3.0)	3,035	2,788	8.9	3,831
EBITDA margin (adjusted for special factors)	25.6	27.7	25.4	27.8		26.2	25.4		25.9
<b>Cash capex</b>	(571)	(425)	(865)	(527)	(64.1)	(1,861)	(1,550)	(20.1)	(1,963)

**Total revenue.**

Total revenue for the United States operating segment (T-Mobile USA) was EUR 11.6 billion in the first nine months of 2012, an increase of 5.6 percent compared to EUR 11.0 billion in the first nine months of 2011 due to fluctuations in the currency exchange rate. In U.S. dollars, total revenue declined by 3.8 percent year-on-year due primarily to a decrease in service revenues partially offset by an increase in equipment revenues associated with T-Mobile USA's Value plans and other fee revenues. Service revenues declined due to a decrease in branded contract customers (contract customers excluding machine-to-machine) and changes in the customer mix towards lower priced Value rate plans. This was partially offset by strong prepay service revenue growth associated with the continued success of unlimited Monthly 4G prepay plans introduced in the second quarter of 2011. Data service revenues increased by 7.3 percent in the first nine months of 2012 compared to the prior year driven by increased smartphone plan adoption. Equipment sales increased, despite lower volumes, by 15.5 percent due to handset program pricing changes in connection with T-Mobile USA's Value plans, which were launched in the third quarter of 2011.

**EBITDA, adjusted EBITDA.**

EBITDA increased in the first nine months of 2012 by 13.5 percent to EUR 3.1 billion compared to EUR 2.7 billion in the first nine months of 2011. Adjusted EBITDA increased in the first nine months of 2012 by 8.9 percent to EUR 3.0 billion compared to EUR 2.8 billion in the first nine months of 2011 due to fluctuations in the currency exchange rate. Adjusted EBITDA for the first nine months of 2012 excludes EUR 0.1 billion in expenses associated with organizational restructuring initiatives and the terminated AT&T acquisition of T-Mobile USA. Additionally, adjusted EBITDA for the first nine months of 2012 excludes a EUR 0.1 billion gain recognized on an AWS spectrum license transaction. In U.S. dollars, adjusted EBITDA decreased by 0.9 percent primarily due to a decline in service revenues as described above partially offset by lower equipment subsidies in connection with handset program pricing changes from T-Mobile USA's Value plans and lower equipment unit sales volumes. Additionally, lower employee-related expenses and the effects of ongoing cost management programs contributed to a decline in expenses in the first nine months of 2012. This combined reduction in costs was partially offset by higher bad debt expense related to certain customer groups.

**EBIT.**

EBIT declined due to an operating loss of EUR 9.4 billion in the first nine months of 2012 compared to an operating profit of EUR 2.2 billion in the first nine months of 2011 due to an impairment loss of EUR 10.6 billion on goodwill, other intangible assets and property, plant and equipment. See section "Depreciation, amortization and impairment losses" under "Other disclosures" in the interim consolidated financial statements on pages 37 and 38 for more information regarding the impairment assessment. Additionally, in the first nine months of 2011, EBIT was higher as the result of the discontinuation of depreciation and amortization (EUR 1.1 billion, IFRS 5) in connection with the held-for-sale classification of T-Mobile USA's non-current assets in relation to the terminated sale to AT&T. In March 2011, T-Mobile USA discontinued depreciation of these assets for accounting purposes as of the announcement of the proposed transaction. The classification as a discontinued operation was reversed as of the end of the 2011 financial year and depreciation and amortization discontinued in the course of the year was retrospectively recognized in the fourth quarter of 2011. Also, in the first nine months of 2012, T-Mobile USA recorded EUR 0.2 billion in accelerated depreciation related to network modernization initiatives.

**Cash capex.**

Cash capex increased 20.1 percent year-on-year to EUR 1.9 billion in the first nine months of 2012 compared to EUR 1.6 billion in the first nine months of 2011. In U.S. dollars, cash capex increased 9.0 percent year-on-year due to higher incurred capex in 2012 related to the network modernization transformation and the purchase of spectrum licenses, partially offset by payment timing. In the first nine months of 2012, T-Mobile USA announced that it will invest USD 4 billion in total to strengthen its 4G network, as well as refarming of 1,900 MHz spectrum previously used for GSM for HSPA+ beginning in 2012 and the planned launch of LTE technology in 2013. Additionally, T-Mobile USA recognized a USD 1.2 billion non-cash increase of AWS spectrum received as a result of the terminated AT&T transaction.

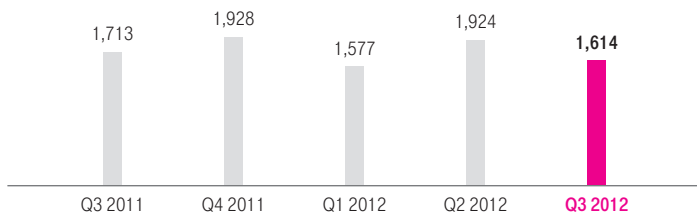
**Systems Solutions.**

As of July 1, 2012, Deutsche Telekom reorganized the Group's IT structure and pooled all internal IT units from the Germany and Systems Solutions operating segments as well as Group Headquarters & Shared Services into the new Telekom IT unit within the Systems Solutions operating segment. The Systems Solutions operating segment operates two business models: one aims to increase external revenue, while the other, Telekom IT's business model, aims to lower its own revenue and therefore the Deutsche Telekom Group's IT costs on an ongoing basis.

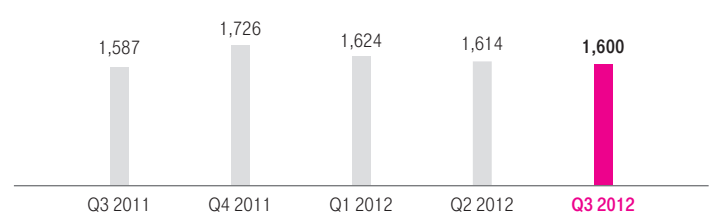
The prior-year figures have been adjusted for better comparability. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (pages 38 and 39).

## Selected KPIs.

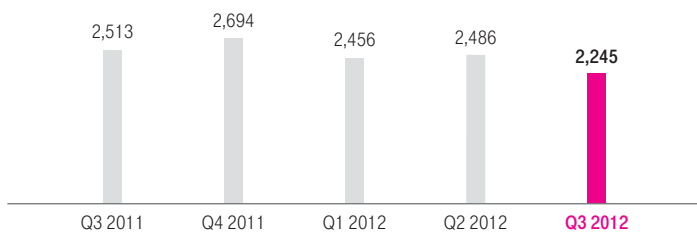
## Order entry. (millions of €)



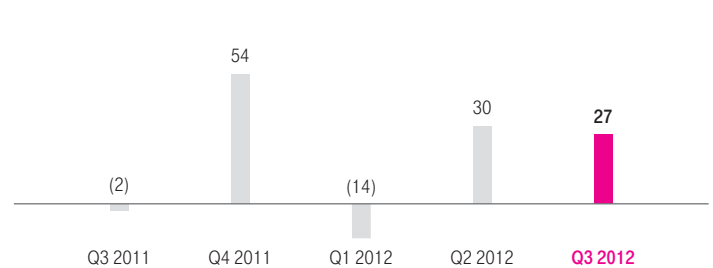
## External revenue. (millions of €)



## Revenue. (millions of €)



## Adjusted EBIT. (millions of €)



		Sept. 30, 2012	June 30, 2012	Change Sept. 30, 2012/ June 30, 2012 %	Dec. 31, 2011	Change Sept. 30, 2012/ Dec. 31, 2011 %	Sept. 30, 2011	Change Sept. 30, 2012/ Sept. 30, 2011 %
<b>Order entry</b>	millions of €	5,115	3,501	n.a.	7,396	n.a.	5,468	(6.5)
<b>Computing &amp; Desktop Services</b>								
Number of servers managed and serviced	units	56,404	56,404	-	58,053	(2.8)	57,231	(1.4)
Number of workstations managed and serviced	millions	1.93	1.95	(1.0)	2.00	(3.5)	1.99	(3.0)
<b>Systems Integration</b>								
Hours billed	millions	4.7	3.1	n.a.	n.a.	n.a.	n.a.	n.a.
Utilization rate	%	84.9	84.8	0.1p	n.a.	n.a.	n.a.	n.a.

## Development of business.

In the first nine months of 2012, the Systems Solutions operating segment concluded significant new deals, such as those with the Catalan government, Clariant, BP, Daimler, British American Tobacco and the Swiss industrial group Georg Fischer. Our standard solutions from our growth area of cloud computing won out over strong competition, winning us the contracts with many of these corporate customers. T-Systems continued to expand its dynamic resources accordingly in the 2012 reporting period (please also refer to the 2011 Annual Report, page 105 et seq.). In another encouraging development, utilities company RWE Deutschland has selected Deutsche Telekom as its partner for the largest smart metering project to date in Germany.

Order entry decreased by 6.5 percent compared with the first three quarters of the prior year. The figures in the first quarter of 2011 included the comprehensive outsourcing agreement with Everything Everywhere totaling approximately EUR 500 million. The new deals concluded in 2012 did not compensate for this effect.

The number of servers managed and serviced declined compared with the prior-year period. This was largely due to technological progress. The increasing demand for our ICT services as a consequence of new deals is now met by more powerful servers and improved utilization of their capacity. A similar development can be seen at the data centers which have been consolidated to produce larger, more powerful units.



## Development of operations.

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>Total revenue</b>	2,456	2,486	2,245	2,513	(10.7)	7,187	7,259	(1.0)	9,953
Profit (loss) from operations <b>(EBIT)</b>	(117)	(83)	(39)	(118)	66.9	(239)	(228)	(4.8)	(290)
Special factors affecting EBIT	(103)	(113)	(66)	(116)	43.1	(282)	(197)	(43.1)	(313)
EBIT (adjusted for special factors)	(14)	30	27	(2)	n.a.	43	(31)	n.a.	23
EBIT margin (adjusted for special factors) %	(0.6)	1.2	1.2	(0.1)		0.6	(0.4)		0.2
Depreciation, amortization and impairment losses	(155)	(151)	(158)	(167)	5.4	(464)	(493)	5.9	(669)
EBITDA	38	68	119	49	n.a.	225	265	(15.1)	379
Special factors affecting EBITDA	(103)	(113)	(66)	(106)	37.7	(282)	(187)	(50.8)	(293)
<b>EBITDA (adjusted for special factors)</b>	141	181	185	155	19.4	507	452	12.2	672
EBITDA margin (adjusted for special factors) %	5.7	7.3	8.2	6.2		7.1	6.2		6.8
<b>Cash capex</b>	(222)	(283)	(289)	(296)	2.4	(794)	(794)	-	(1,413)

### Total revenue.

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 7.2 billion, a slight year-on-year decrease of around 1.0 percent. This trend is primarily attributable to the intended reduction of 5.8 percent in internal revenue in the newly established Telekom IT unit, which pooled all internal IT projects of the Deutsche Telekom Group. This decline in revenue is, among other factors, a consequence of the IT cost saving initiatives in the Group and of seasonal effects in project business. External revenue was at the prior-year level. As in prior quarters, international revenue increased, whereas national revenue declined slightly.

### EBITDA, adjusted EBITDA.

Adjusted EBITDA in our Systems Solutions operating segment increased by 12.2 percent in the reporting period as a result of the restructuring and efficiency enhancement program launched. The adjusted EBITDA margin improved from 6.2 to 7.1 percent. EBITDA decreased by 15.1 percent due to provisions recognized in the first nine months of 2012 for the planned early retirement arrangements for civil servants and other restructuring measures.

### EBIT, adjusted EBIT.

Adjusted EBIT for the first nine months of 2012 was EUR 74 million higher than in the prior-year period. Among other factors, this increase is attributable to lower depreciation and amortization year-on-year in view of more efficient investing activities. The adjusted EBIT margin increased from minus 0.4 percent to plus 0.6 percent in the reporting period.

### Cash capex.

At EUR 0.8 billion, cash capex in the reporting period was at the prior-year level. Cash capex for new contracts and customer relationships was offset by enhanced efficiencies and resulting lower expenditure, for example, through the continued standardization of ICT platforms. Telekom IT management aims to reduce its own cash capex in the long term. Cash outflows include payments for the expansion of the dynamic computing platform and for technical upgrades in connection with new deals.

## 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. Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services.

As of July 1, 2012, Deutsche Telekom reorganized the Group's IT structure and pooled all internal IT units from the Germany and Systems Solutions operating segments as well as Group Headquarters & Shared Services into the new Telekom IT unit within the Systems Solutions operating segment.

The prior-year figures have been adjusted for better comparability. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (pages 38 and 39).

As of September 30, 2012, Vivento, our personnel service provider, had a workforce of around 8,400 employees (September 30, 2011: around 8,800), of which around 3,500 were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,000 or so employees were employed within the Group, especially in service centers. About 1,900 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. While Vivento took on a total of around 900 new employees in the reporting period, around 1,000 employees left the personnel service provider to pursue new opportunities.



## Development of operations.

	Q1 2012 millions of €	Q2 2012 millions of €	Q3 2012 millions of €	Q3 2011 millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	Change %	FY 2011 millions of €
<b>Total revenue</b>	717	732	727	743	(2.2)	2,176	2,219	(1.9)	2,977
Of which: Digital Business Unit	194	204	205	199	3.0	603	602	0.2	843
<b>Profit (loss) from operations (EBIT)</b>	(411)	(347)	(362)	(362)	-	(1,120)	(1,269)	11.7	1,274
Depreciation, amortization and impairment losses	(203)	(196)	(210)	(206)	(1.9)	(609)	(594)	(2.5)	(807)
<b>EBITDA</b>	(208)	(151)	(152)	(156)	2.6	(511)	(675)	24.3	2,081
Special factors affecting EBITDA	(59)	(65)	(10)	(44)	77.3	(134)	(324)	58.6	2,698
<b>EBITDA (adjusted for special factors)</b>	(149)	(86)	(142)	(112)	(26.8)	(377)	(351)	(7.4)	(617)
Of which: Digital Business Unit	56	44	27	52	(48.1)	127	149	(14.8)	168
<b>Cash capex</b>	(145)	(76)	(54)	(82)	34.1	(275)	(272)	(1.1)	(352)

### Total revenue.

Total revenue at Group Headquarters & Shared Services in the reporting period decreased slightly by 1.9 percent year-on-year, primarily due to measures to make the use of floor space more efficient in the operating segments and lower demand for call center services within the Group. The Digital Business Unit generated revenue at approximately the level of the prior-year period.

### EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Shared Services declined year-on-year in the first nine months of the 2012 financial year, mainly as a result of the decline in revenue and lower income from real estate sales. By contrast, increased income from trademark licenses had a positive impact, although this was reduced by lower take-up of services for international network technology within the Group and a one-time effect from the reversal of a provision at the Digital Business Unit in the prior year.

Overall, EBITDA was negatively impacted by special factors of EUR 134 million in the reporting period, primarily due to expenses in connection with planned and announced staff-related measures, mainly for early retirement. The refund received from Kreditanstalt für Wiederaufbau in connection with a settlement reached in the United States in 2005 was a positive special factor. In the same period of 2011, EBITDA was negatively impacted by special factors of EUR 324 million, mainly due to expenses in connection with staff-related measures and expenses in connection with the intention to sell T-Mobile USA to AT&T.

### EBIT.

Loss from operations (EBIT) decreased compared with the first three quarters of 2011, primarily as a result of the aforementioned special factors.

## 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 2011 financial year (2011 Annual Report, page 131 et seq.). Readers are also referred to the Disclaimer at the end of this report.

### Business combination of T-Mobile USA and MetroPCS.

Deutsche Telekom and the U.S. mobile company MetroPCS agreed to combine their business activities in the United States. For more details, please refer to "Events after the reporting period" (page 41) and "Depreciation, amortization and impairment losses" (pages 37 and 38) of the interim consolidated financial statements.

The combined entity will be able to compete more aggressively with other national mobile operators in the United States thanks to an improved mobile spectrum position and additional financial resources. The transaction will create a combined entity on the U.S. mobile market with the objective of providing value leadership. It will make it possible to offer customers a wider selection of affordable products and services, improved network coverage and a clear-cut technology path to one common LTE network.

The transaction is subject to approval by the U.S. Department of Justice (DOJ), the Federal Communications Commission (FCC) and the Committee on Foreign Investment in the United States (CFIUS). The approval of the MetroPCS shareholders is also required. Deutsche Telekom and MetroPCS expect to obtain all the necessary approvals in the first half of 2013. If the authorities refuse to approve the transaction and if, as a result, it cannot be consummated, Deutsche Telekom would have to pay a compensation payment of USD 250 million.

The risk of a competing bid for MetroPCS by one or more third parties cannot be ruled out. Should MetroPCS receive such a competing bid and then recommend to its shareholders to adopt this competing bid, Deutsche Telekom would be able to terminate the agreement with MetroPCS and receive a compensation payment of USD 150 million. In mid-October and thereafter, Deutsche Telekom AG also received notification of a total of six class actions filed in the United States against the business combination of MetroPCS and T-Mobile USA; four of these lawsuits were also directed at Deutsche Telekom AG and T-Mobile USA. Lawsuits of this nature are common in connection with business combinations in the United States and there is currently no reason to assume that this would lead to the prohibition of the merger.

### Litigation.

**Prospectus liability proceedings.** On May 16, 2012, the senate of the Frankfurt Higher Regional Court ruled in the model proceedings (“Musterverfahren”) that there were no errors in the prospectus for Deutsche Telekom’s third public offering and that Deutsche Telekom is not liable. This decision is not final and legally binding. The plaintiffs’ side (lead plaintiffs and summoned third parties) has filed an appeal (“Rechtsbeschwerde”) against the decision with the Federal Court of Justice.

**Eutelsat arbitration proceedings.** Eutelsat S.A. is seeking revocation by French courts of the ruling of the court of arbitration which refused to include Media Broadcast GmbH in the arbitration proceedings due to lack of jurisdiction. As part of the arbitration proceedings, Eutelsat S.A. submitted its statement of claim on February 29, 2012, to which Deutsche Telekom responded on May 9, 2012. A hearing took place from September 17 to 19, 2012. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

**Shareholder litigation.** In its ruling of January 6, 2012, the Cologne Regional Court had dismissed in its first instance the nullity and rescission suit filed by a shareholder against resolutions adopted by the Deutsche Telekom shareholders’ meeting in 2011 approving the actions of the members of the Board of Management and Supervisory Board, and seeking the nullity of the annual financial statements for the 2010 financial year. The shareholder appealed against this decision. In its ruling on September 11, 2012, the Cologne Higher Regional Court dismissed the appeal and did not admit a further appeal to the Federal Court of Justice. The shareholder filed a complaint against non-allowance of any such appeal in October 2012.

**Litigation concerning decisions by the Federal Network Agency.** Through several rulings in March and July 2012, the Cologne Administrative Court largely revoked the approval of the one-time charges for the leasing of unbundled local loop lines from 2004 and 2005. In rulings on August 30, 2012, the Cologne Administrative Court largely revoked the approval of the one-time charges for the leasing of unbundled local loop lines from 2005. The ruling is final and legally binding. The Federal Network Agency must thus decide again on the rates.

**Year-end bonus for civil servants.** In a decision dated January 17, 2012, the Federal Constitutional Court ruled that the abolition of the year-end bonus for Deutsche Telekom civil servants is constitutional. This move does not violate the principle of equal pay laid down in Article 3 (1) of the Basic Law in conjunction with Article 33 (5) of the Basic Law. The Federal Administrative Court now has to rule on the current litigation on claims for payment of the difference between the payment under the Federal Act on Bonus Payments and the reduced payment under the Deutsche Telekom Special Allowance Ordinance, taking the decision of the Federal Constitutional Court into account.

**Reduced pay tables.** In a ruling on December 15, 2009, the Stuttgart Administrative Court decided in two court proceedings to present the question of whether § 78 of the Federal Civil Service Remuneration Act is constitutional to the Federal Constitutional Court for decision. Referring to the decision to abolish the year-end bonus, the Federal Constitutional Court has since suggested to the Stuttgart Administrative Court that the question submitted be withdrawn. The Stuttgart Administrative Court has since withdrawn the question to the Federal Constitutional Court. Some complainants have withdrawn their lawsuits; others have been rejected by the court. We consider it unlikely that recourse will be taken to the courts in the cases still pending.

**Claim for damages by Kabel Deutschland GmbH.** Telekom Deutschland GmbH was notified in early April 2012 that Kabel Deutschland Vertrieb und Service GmbH (KDG) had filed a claim with the Frankfurt Regional Court; the complaint was served on June 14, 2012. KDG demands a reduction in the annual charge for the rights to use cable duct capacities in the future, and the partial refund of payments made in the past in this connection. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

**Mobile communications patent litigation.** On April 24, 2012, the Düsseldorf Regional Court ruled in favor of the claim by IPCom GmbH & Co. KG against Telekom Deutschland GmbH concerning a patent infringement in connection with the sale of UMTS-enabled devices manufactured by HTC and Nokia. On April 25, 2012, the European Patent Office in Munich fully revoked the disputed patent. Both decisions are not yet final and legally binding. We have appealed against the ruling of the Düsseldorf Regional Court and expect that it will not be enforced. IPCom filed an appeal against the ruling of the European Patent Office. The hearing is to be held on March 7, 2013. An agreement was reached with IPCom on July 18, 2012 concerning a patent for a voice encoding technique. IPCom has waived all claims against the Deutsche Telekom Group arising from this patent and withdrawn its patent infringement suit. In return, Deutsche Telekom has withdrawn its rescission suit against the patent. Further legal disputes with IPCom are still pending. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

**Claims for damages due to price squeeze.** In April 2012, two further competitors asserted their claims in court: QSC is seeking damages of EUR 7 million, DOKOM of EUR 4.5 million, plus interest in each case. Vodafone withdrew its complaint in August 2012 following a settlement agreement.

**MetroPCS.** Please refer to “Business combination of T-Mobile USA and MetroPCS” on page 25.

### Anti-trust proceedings.

**European Commission proceedings against Slovak Telekom and Deutsche Telekom.** The European Commission decided on May 8, 2012 to send a statement of objections to Slovak Telekom and Deutsche Telekom. In this statement of objections, it communicates its preliminary opinion that Slovak Telekom, in which Deutsche Telekom AG holds a 51-percent stake, has breached European anti-trust law on the Slovakian broadband market. The European Commission intends to make also the parent company, Deutsche Telekom, liable for this.

We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The statement of objections does not constitute a final decision. Should the Commission uphold its allegations in the course of the proceedings, it may impose a fine on Slovak Telekom and Deutsche Telekom. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

**Proceedings initiated by the Croatian competition authority against Hrvatski Telekom.** With a decision received on October 24, 2012, the Croatian competition authority AZTN closed the proceedings against Hrvatski Telekom (HT) and other mobile communications providers concerning alleged collusion in violation of anti-trust law relating to the introduction of a state levy on mobile communications, which it had opened in September 2011. HT expects the decision to become final after the statutory waiting period.

### Actions concluded in 2012.

**Contingent asset – Claim for compensation against the Federal Republic of Germany and Kreditanstalt für Wiederaufbau.** Following the ruling of the Federal Court of Justice in 2011 in favor of Deutsche Telekom, the state-owned KfW-Bankengruppe refunded the costs and related interest incurred by Deutsche Telekom for a settlement in a class action by shareholders in the United States. In April 2012 Deutsche Telekom received the total amount claimed – including interest accrued – of approximately EUR 96 million on the basis of a contractual agreement concluded in March 2012. In addition, Deutsche Telekom was successful in claiming EUR 20 million to be paid to the D&O insurers from which Deutsche Telekom had already received a refund in anticipation of the KfW payment. This concludes the legal dispute.

### Regulation.

**Regulation of fixed-network and mobile termination rates in Germany.** On August 24, 2012 and August 22, 2012 respectively, the Federal Network Agency published the draft regulatory orders for fixed-network termination (IC) and mobile termination (MTRs). Although the Federal Network Agency does not plan to further tighten regulation through a “pure LRIC” approach for the regulation of rates, there is still a risk that rates will be cut further. In addition, the scope of regulation was also extended to fixed-network termination in next-generation networks.

**Assignment of frequencies.** In mobile communications, 2012 and 2013 will see the extension of expiring licenses and the assignment of new frequencies in Germany as well as in a number of other European countries. This will give rise to general risks from the uncertainty with regard to the scope and availability of future spectrum as well as in terms of the costs of acquiring frequency spectrum and the market entry of new providers. In Hungary, spectrum was awarded to a new state-owned mobile communications company in the spring of 2012. The conditions of the licenses stipulated that market launch would have to come before the end of 2012. Established network operators would be obligated to offer upstream services to this potential new market player. Magyar Telekom (Hungary) appealed against the frequency award. On September 17, 2012, a Hungarian court ruled that the state-run company Magyar Posta’s participation in the 900 MHz auction was unlawful. The Hungarian regulatory authorities were ordered to annul the results of the auction. As such, it is expected that the results of the auction will be annulled and a new allocation process, potentially together with spectrum from other frequency ranges (800 MHz, 1,800 MHz, 2,100 MHz and 2,600 MHz) will be held. For Magyar Telekom, this provides a new opportunity to increase its frequency resources as intended. In Germany, the Federal Network Agency plans to make a decision by mid-2013 on the process to amend regulation of the rights to 900/1,800 MHz spectrum (extension of licenses or reallocation by auction) from 2017.

**Intensified regulation for international subsidiaries.** Regulation is also on the increase internationally. In the fixed network, Magyar Telekom (Hungary) was obligated to provide access to all elements of the access network and to give the market at least six months’ notice of the build-out of the fixed network. In Croatia, in a decision by the regulatory authority on March 21, 2012, the regulation of Hrvatski Telekom and Iskon Internet was extended to include the retail market for broadband Internet access and the broadcast of television programs, with ex-ante rate control. Montenegro’s regulatory authority is currently holding a national consultation to review the need to regulate retail markets for broadband (ADSL) and mobile communications. The decision on whether to extend regulation is expected at the end of October 2012. In Hungary, a legislative process to amend the telecommunications act has been pending since October 3, 2012, which could potentially have negative consequences for Magyar Telekom in relation to retail contracts, conditions and legal remedy

in connection with future spectrum tendering processes and the role of Magyar Telekom as a universal service provider. A decision by parliament is expected in November 2012.

At the time of preparing this report, neither our risk management system nor our management could see any material risks to the Company’s continued existence as a going concern.

### Other opportunities arising in connection with business activities.

The development of our operations gives rise to opportunities, which we describe in this section (please refer to “Business combination of T-Mobile USA and MetroPCS”) or in other parts of the interim Group management report. These opportunities include, for example the fact that only our mobile customers in Germany can currently surf the Internet at speeds of up to 100 Mbit/s in our new LTE network (page 7), the revocation of the prohibition of the VDSL contingent model by the Federal Network Agency (page 8), our partnership with network technology provider ANTEC Servicepool GmbH (page 7) and T-Systems’ new corporate customer contracts (page 7). They also include the constant expansion of our cloud activities: As of August 31, 2012, we launched the De-Mail service, thereby enlarging our “cloud for all” portfolio.

## Events after the reporting period (September 30, 2012).

For further explanations on the **agreed business combination of T-Mobile USA and MetroPCS**, please refer to “Events after the reporting period” (page 41) and “Depreciation, amortization and impairment losses” (pages 37 and 38). For the **euro bonds issued** after September 30, 2012 and the **OTE exit scheme**, please refer to “Events after the reporting period” (page 41) in the interim consolidated financial statements of this Interim Group Report.

For further explanations on the **proceedings by the Croatian competition authority against Hrvatski Telekom**, please refer to the section “Risks and opportunities” (page 25 et seq.) and to the notes on contingent liabilities (pages 39 and 40). For explanations on **Shareholder litigation**, please refer to “Risks and opportunities” (page 25 et seq.) in this Interim Group Report.

## Development of revenue and profits.

The statements in this section reflect the current views of our management. The following section explains the current main findings on changes to the development of revenue and profits in 2012 published in the 2011 combined management report (2011 Annual Report, page 149 et seq.). Other statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

### Changes compared to the 2011 Annual Report.

As of July 1, 2012, Deutsche Telekom pooled its entire internal IT from the two operating segments Germany and Systems Solutions as well as Group Headquarters & Shared Services into one new organizational unit under the umbrella of the Systems Solutions operating segment. The earnings forecasts in the 2011 Annual Report for 2012 were based on a segment structure that did not yet include the pooling of IT activities. The relocation of IT activities does not affect revenue or adjusted EBITDA for the Group, since it is an internal change in the segment structure. For the Germany operating segment, we expect the relocation of IT activities to result in unchanged revenue and slightly higher adjusted EBITDA. The expected decrease in adjusted EBITDA in the Systems Solutions operating segment will be offset by the effect in the Germany operating segment and the changed consolidation of the service relationships between the operating segments at Group level. The pooling of internal IT activities within Systems Solutions is expected to increase the operating segment's revenue which will also be eliminated at Group level.

In addition to the effects described, we also decided to step up our investments in customer retention and acquisition in the important mobile communications market in Germany, and thus to increase our market share. Following the re-statement of the comparative period to reflect the pooling of IT activities and to take account of the Digital Services growth business, we thus expect a year-on-year decrease in adjusted EBITDA in the Germany operating segment for the 2012 full year on a like-for-like basis.

### Expectations for Deutsche Telekom AG.

The contribution of T-Mobile USA to MetroPCS results in a write-down on the equity interest in T-Mobile USA held by the Deutsche Telekom AG subsidiary holding. This write-down will impact on Deutsche Telekom AG's single-entity financial statements through the profit and loss transfer agreements. As a result, a net loss is now expected for the 2012 financial year. In operational terms, however, Deutsche Telekom AG continues to expect to generate a net income in the 2013 financial year. Retained earnings would ensure the dividend payment for the 2012 financial year.

# Interim consolidated financial statements.

## Consolidated statement of financial position.

	Sept. 30, 2012 millions of €	Dec. 31, 2011 millions of €	Change millions of €	Change %	Sept. 30, 2011 millions of €
<b>Assets</b>					
<b>Current assets</b>	<b>15,065</b>	<b>15,865</b>	<b>(800)</b>	<b>(5.0)</b>	<b>50,086</b>
Cash and cash equivalents	2,529	3,749	(1,220)	(32.5)	2,130
Trade and other receivables	6,669	6,557	112	1.7	4,649
Current recoverable income taxes	65	129	(64)	(49.6)	119
Other financial assets	2,259	2,373	(114)	(4.8)	2,276
Inventories	1,129	1,084	45	4.2	779
Non-current assets and disposal groups held for sale	835	436	399	91.5	38,846
Other assets	1,579	1,537	42	2.7	1,287
<b>Non-current assets</b>	<b>93,169</b>	<b>106,677</b>	<b>(13,508)</b>	<b>(12.7)</b>	<b>74,527</b>
Intangible assets	42,116	50,097	(7,981)	(15.9)	28,337
Property, plant and equipment	37,521	41,927	(4,406)	(10.5)	33,780
Investments accounted for using the equity method	6,656	6,873	(217)	(3.2)	6,665
Other financial assets	2,154	2,096	58	2.8	2,267
Deferred tax assets	4,407	4,449	(42)	(0.9)	3,184
Other assets	315	1,235	(920)	(74.5)	294
<b>Total assets</b>	<b>108,234</b>	<b>122,542</b>	<b>(14,308)</b>	<b>(11.7)</b>	<b>124,613</b>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>	<b>23,658</b>	<b>24,338</b>	<b>(680)</b>	<b>(2.8)</b>	<b>34,585</b>
Financial liabilities	10,367	10,219	148	1.4	11,959
Trade and other payables	5,678	6,436	(758)	(11.8)	4,226
Income tax liabilities	472	577	(105)	(18.2)	280
Other provisions	2,645	3,217	(572)	(17.8)	2,548
Liabilities directly associated with non-current assets and disposal groups held for sale	99	-	99	-	11,644
Other liabilities	4,397	3,889	508	13.1	3,928
<b>Non-current liabilities</b>	<b>54,317</b>	<b>58,263</b>	<b>(3,946)</b>	<b>(6.8)</b>	<b>49,338</b>
Financial liabilities	35,248	38,099	(2,851)	(7.5)	37,816
Provisions for pensions and other employee benefits	7,820	6,095	1,725	28.3	6,431
Other provisions	1,896	1,689	207	12.3	1,719
Deferred tax liabilities	5,434	8,492	(3,058)	(36.0)	814
Other liabilities	3,919	3,888	31	0.8	2,558
<b>Liabilities</b>	<b>77,975</b>	<b>82,601</b>	<b>(4,626)</b>	<b>(5.6)</b>	<b>83,923</b>
<b>Shareholders' equity</b>	<b>30,259</b>	<b>39,941</b>	<b>(9,682)</b>	<b>(24.2)</b>	<b>40,690</b>
Issued capital	11,063	11,063	0	0.0	11,063
Treasury shares	(6)	(6)	0	0.0	(6)
	<b>11,057</b>	<b>11,057</b>	<b>0</b>	<b>0.0</b>	<b>11,057</b>
Capital reserves	51,506	51,504	2	0.0	51,506
Retained earnings including carryforwards	(29,029)	(25,498)	(3,531)	(13.8)	(25,584)
Total other comprehensive income	(1,838)	(2,326)	488	21.0	7
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	-	-	-	-	(3,040)
Net profit (loss)	(6,048)	557	(6,605)	n.a.	1,897
<b>Issued capital and reserves attributable to owners of the parent</b>	<b>25,648</b>	<b>35,294</b>	<b>(9,646)</b>	<b>(27.3)</b>	<b>35,843</b>
Non-controlling interests	4,611	4,647	(36)	(0.8)	4,847
<b>Total liabilities and shareholders' equity</b>	<b>108,234</b>	<b>122,542</b>	<b>(14,308)</b>	<b>(11.7)</b>	<b>124,613</b>

## Consolidated income statement.

	Q3 2012 millions of €	Q3 2011 <sup>a</sup> millions of €	Change %	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 <sup>a</sup> millions of €	Change %	FY 2011 millions of €
<b>Net revenue</b>	<b>14,651</b>	<b>14,670</b>	<b>(0.1)</b>	<b>43,462</b>	<b>43,742</b>	<b>(0.6)</b>	<b>58,653</b>
Cost of sales	(8,558)	(7,805)	(9.6)	(25,191)	(24,245)	(3.9)	(33,885)
<b>Gross profit</b>	<b>6,093</b>	<b>6,865</b>	<b>(11.2)</b>	<b>18,271</b>	<b>19,497</b>	<b>(6.3)</b>	<b>24,768</b>
Selling expenses	(3,385)	(3,360)	(0.7)	(10,321)	(10,280)	(0.4)	(14,060)
General and administrative expenses	(954)	(1,258)	24.2	(3,632)	(3,872)	6.2	(5,284)
Other operating income	484	303	59.7	1,083	895	21.0	4,362
Other operating expenses	(10,818)	(159)	n.a.	(11,154)	(621)	n.a.	(4,200)
<b>Profit (loss) from operations</b>	<b>(8,580)</b>	<b>2,391</b>	<b>n.a.</b>	<b>(5,753)</b>	<b>5,619</b>	<b>n.a.</b>	<b>5,586</b>
Finance costs	(513)	(573)	10.5	(1,560)	(1,745)	10.6	(2,325)
Interest income	64	63	1.6	227	199	14.1	268
Interest expense	(577)	(636)	9.3	(1,787)	(1,944)	8.1	(2,593)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(64)	(19)	n.a.	(148)	(40)	n.a.	(73)
Other financial income (expense)	(65)	83	n.a.	(76)	(131)	42.0	(169)
<b>Profit (loss) from financial activities</b>	<b>(642)</b>	<b>(509)</b>	<b>(26.1)</b>	<b>(1,784)</b>	<b>(1,916)</b>	<b>6.9</b>	<b>(2,567)</b>
<b>Profit (loss) before income taxes</b>	<b>(9,222)</b>	<b>1,882</b>	<b>n.a.</b>	<b>(7,537)</b>	<b>3,703</b>	<b>n.a.</b>	<b>3,019</b>
Income taxes	2,487	(684)	n.a.	2,004	(1,491)	n.a.	(2,349)
<b>Profit (loss)</b>	<b>(6,735)</b>	<b>1,198</b>	<b>n.a.</b>	<b>(5,533)</b>	<b>2,212</b>	<b>n.a.</b>	<b>670</b>
Profit (loss) attributable to							
Owners of the parent (net profit (loss))	(6,900)	1,069	n.a.	(6,048)	1,897	n.a.	557
Non-controlling interests	165	129	27.9	515	315	63.5	113
<b>Included in consolidated income statement</b>							
Personnel costs	(3,314)	(3,477)	4.7	(10,916)	(11,186)	2.4	(14,743)
Depreciation, amortization and impairment losses	(13,399)	(2,261)	n.a.	(18,933)	(7,138)	n.a.	(14,436)
Of which: amortization and impairment of intangible assets	(9,489)	(718)	n.a.	(11,100)	(2,233)	n.a.	(6,445)
Of which: depreciation and impairment of property, plant and equipment	(3,910)	(1,543)	n.a.	(7,833)	(4,905)	(59.7)	(7,991)

<sup>a</sup> Figures for the prior-year period adjusted, as T-Mobile USA is no longer classified as a discontinued operation.

## Earnings per share.

	Q3 2012	Q3 2011	Change %	Q1 - Q3 2012	Q1 - Q3 2011	Change %	FY 2011	
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	(6,900)	1,069	n.a.	(6,048)	1,897	n.a.	557
Weighted average number of ordinary shares (undiluted/diluted)	millions	4,300	4,300	0.0	4,300	4,300	0.0	4,300
<b>Earnings per share basic/diluted</b>	<b>€</b>	<b>(1.61)</b>	<b>0.25</b>	<b>n.a.</b>	<b>(1.41)</b>	<b>0.44</b>	<b>n.a.</b>	<b>0.13</b>

## Consolidated statement of comprehensive income.

	Q3 2012 millions of €	Q3 2011 millions of €	Change millions of €	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	Change millions of €	FY 2011 millions of €
<b>Profit (loss)</b>	<b>(6,735)</b>	<b>1,198</b>	<b>(7,933)</b>	<b>(5,533)</b>	<b>2,212</b>	<b>(7,745)</b>	<b>670</b>
Actuarial gains and losses on defined benefit pension plans	(499)	(285)	(214)	(1,583)	42	(1,625)	177
Revaluation due to business combinations	0	0	0	0	0	0	0
Exchange differences on translating foreign operations							
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)	(227)	732	(959)	642	(678)	1,320	10
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	0	0	0	(227)	0	(227)	0
Change in other comprehensive income (not recognized in income statement)	3	214	(211)	17	224	(207)	242
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	(7)	(64)	57	(51)	36	(87)	200
Change in other comprehensive income (not recognized in income statement)	(43)	(580)	537	(88)	(608)	520	(765)
Share of profit (loss) of investments accounted for using the equity method	0	(11)	11	0	12	(12)	0
Other income and expense recognized directly in equity	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	167	269	(102)	534	139	395	102
<b>Other comprehensive income</b>	<b>(606)</b>	<b>275</b>	<b>(881)</b>	<b>(756)</b>	<b>(833)</b>	<b>77</b>	<b>(34)</b>
<b>Total comprehensive income</b>	<b>(7,341)</b>	<b>1,473</b>	<b>(8,814)</b>	<b>(6,289)</b>	<b>1,379</b>	<b>(7,668)</b>	<b>636</b>
Total comprehensive income attributable to							
Owners of the parent	(7,480)	1,285	(8,765)	(6,638)	972	(7,610)	425
Non-controlling interests	139	188	(49)	349	407	(58)	211

## 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 €
<b>Balance at January 1, 2011</b>	<b>11,063</b>	<b>(5)</b>	<b>51,635</b>	<b>(24,355)</b>	<b>1,695</b>
Changes in the composition of the Group			(131)		
Unappropriated profit (loss) carried forward				1,695	(1,695)
Dividends				(3,011)	
Proceeds from the exercise of stock options/Share Matching Plan			2		
Share buy-back		(1)		(2)	
Profit (loss)					1,897
Other comprehensive income				25	
Transfer to retained earnings				64	
<b>Balance at September 30, 2011</b>	<b>11,063</b>	<b>(6)</b>	<b>51,506</b>	<b>(25,584)</b>	<b>1,897</b>
<b>Balance at January 1, 2012</b>	<b>11,063</b>	<b>(6)</b>	<b>51,504</b>	<b>(25,498)</b>	<b>557</b>
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				557	(557)
Dividends				(3,010)	
Proceeds from the exercise of stock options/Share Matching Plan			2		
Profit (loss)					(6,048)
Other comprehensive income				(1,078)	
Transfer to retained earnings					
<b>Balance at September 30, 2012</b>	<b>11,063</b>	<b>(6)</b>	<b>51,506</b>	<b>(29,029)</b>	<b>(6,048)</b>



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	Hedging instruments	Other comprehensive income	Taxes			
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
<b>(2,843)</b>	<b>37</b>	<b>(4)</b>	<b>1,122</b>	<b>0</b>	<b>(329)</b>	<b>38,016</b>	<b>5,012</b>	<b>43,028</b>
(1)	(1)					(133)	(77)	(210)
						0		0
						(3,011)	(497)	(3,508)
						2	2	4
						(3)		(3)
						1,897	315	2,212
(647)		96	(562)		163	(925)	92	(833)
	(64)					0		0
<b>(3,491)</b>	<b>(28)</b>	<b>92</b>	<b>560</b>	<b>0</b>	<b>(166)</b>	<b>35,843</b>	<b>4,847</b>	<b>40,690</b>
<b>(2,778)</b>	<b>(33)</b>	<b>102</b>	<b>557</b>	<b>0</b>	<b>(174)</b>	<b>35,294</b>	<b>4,647</b>	<b>39,941</b>
						0		0
						0		0
						(3,010)	(386)	(3,396)
						2	1	3
						(6,048)	515	(5,533)
654		(75)	(139)		48	(590)	(166)	(756)
						0		0
<b>(2,124)</b>	<b>(33)</b>	<b>27</b>	<b>418</b>	<b>0</b>	<b>(126)</b>	<b>25,648</b>	<b>4,611</b>	<b>30,259</b>

## Consolidated statement of cash flows.

	Q3 2012 millions of €	Q3 2011 millions of €	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €	FY 2011 millions of €
<b>Profit (loss)</b>	<b>(6,735)</b>	<b>1,198</b>	<b>(5,533)</b>	<b>2,212</b>	<b>670</b>
Depreciation, amortization and impairment losses	13,399	2,261	18,933	7,138	14,436
Income tax expense (benefit)	(2,487)	684	(2,004)	1,491	2,349
Interest income and interest expense	513	573	1,560	1,745	2,325
Other financial (income) expense	65	(83)	76	131	169
Share of (profit) loss of associates and joint ventures accounted for using the equity method	64	19	148	40	73
(Profit) loss on the disposal of fully consolidated subsidiaries	(6)	0	(6)	0	(4)
Non-cash transactions in connection with the compensation from AT&T	-	-	-	-	(705)
Other non-cash transactions	5	(2)	18	46	27
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(132)	17	(80)	35	28
Change in assets carried as working capital	0	152	(306)	411	690
Change in provisions	(34)	91	(32)	232	535
Change in other liabilities carried as working capital	(55)	(499)	(808)	(1,143)	(1,578)
Income taxes received (paid)	(305)	(172)	(518)	(561)	(778)
Dividends received	124	237	483	510	515
Net payments from entering into or canceling interest rate swaps	0	0	83	0	0
<b>Cash generated from operations</b>	<b>4,416</b>	<b>4,476</b>	<b>12,014</b>	<b>12,287</b>	<b>18,752</b>
Interest paid	(675)	(918)	(2,533)	(2,818)	(3,397)
Interest received	261	186	685	538	859
<b>Net cash from operating activities</b>	<b>4,002</b>	<b>3,744</b>	<b>10,166</b>	<b>10,007</b>	<b>16,214</b>
Cash outflows for investments in					
Intangible assets	(719)	(410)	(1,499)	(1,134)	(1,837)
Property, plant and equipment	(1,479)	(1,767)	(4,494)	(5,042)	(6,569)
Non-current financial assets	(59)	(36)	(164)	(126)	(430)
Investments in fully consolidated subsidiaries and business units	(2)	(400)	(19)	(1,239)	(1,239)
Proceeds from disposal of					
Intangible assets	9	3	9	11	20
Property, plant and equipment	58	73	157	229	336
Non-current financial assets	28	10	439	56	61
Investments in fully consolidated subsidiaries and business units	47	5	47	5	5
Net change in short-term investments and marketable securities and receivables	166	(166)	373	128	339
Other	0	2	8	39	39
<b>Net cash used in investing activities</b>	<b>(1,951)</b>	<b>(2,686)</b>	<b>(5,143)</b>	<b>(7,073)</b>	<b>(9,275)</b>
Proceeds from issue of current financial liabilities	6,198	23,412	19,391	54,236	66,349
Repayment of current financial liabilities	(8,859)	(25,194)	(24,120)	(56,922)	(71,685)
Proceeds from issue of non-current financial liabilities	301	301	2,155	3,282	3,303
Repayment of non-current financial liabilities	(68)	(2)	(149)	(48)	(51)
Dividends	(4)	(104)	(3,399)	(3,521)	(3,521)
Share buy-back	0	(2)	0	(3)	(3)
Repayment of lease liabilities	(42)	(39)	(125)	(117)	(163)
Other	0	0	0	(187)	(187)
<b>Net cash used in financing activities</b>	<b>(2,474)</b>	<b>(1,628)</b>	<b>(6,247)</b>	<b>(3,280)</b>	<b>(5,958)</b>
Effect of exchange rate changes on cash and cash equivalents	2	31	4	(20)	(40)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	-	(75)	-	(312)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(421)</b>	<b>(614)</b>	<b>(1,220)</b>	<b>(678)</b>	<b>941</b>
<b>Cash and cash equivalents, at the beginning of the period</b>	<b>2,950</b>	<b>2,744</b>	<b>3,749</b>	<b>2,808</b>	<b>2,808</b>
<b>Cash and cash equivalents, at the end of the period</b>	<b>2,529</b>	<b>2,130</b>	<b>2,529</b>	<b>2,130</b>	<b>3,749</b>

## Significant events and transactions.

### Accounting policies.

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

### Statement of compliance.

The interim consolidated financial statements for the period ended September 30, 2012 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, 2011. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations, financial position and cash flows of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2011 for the accounting policies applied for the Group's financial reporting (2011 Annual Report, page 165 et seq.).

The United States operating segment (T-Mobile USA) has no longer been classified as a discontinued operation since December 20, 2011. The prior-year figures disclosed in the consolidated income statement have therefore been adjusted with retroactive effect.

Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services.

As of July 1, 2012, Deutsche Telekom reorganized the Group's IT infrastructure and pooled all internal IT units from the Germany and Systems Solutions operating segments as well as Group Headquarters & Shared Services into the new Telekom IT unit within the Systems Solutions operating segment.

### Initial application of standards, interpretations and amendments to standards and interpretations in the reporting period relevant for the 2012 financial year.

In October 2010, the IASB issued the pronouncement "Disclosures – Transfers of Financial Assets" as an amendment to IFRS 7 "Financial Instruments: Disclosures." The amendments are applicable for financial years beginning on or after July 1, 2011. The European Union endorsed this pronouncement in November 2011. The amendments do not have an impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows in the interim consolidated financial statements.

In December 2010, the IASB issued the pronouncement "Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12." The pronouncement is effective for financial years beginning on or after January 1, 2012 and has not yet been endorsed by the European Union and as such has not yet been applied. The amendment would not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

For more detailed information on the aforementioned amendments, please refer to the "Summary of accounting policies" section in the notes to the consolidated financial statements in the 2011 Annual Report (2011 Annual Report, page 165 et seq.).

## Changes in the composition of the Group.

No major changes in the composition of the Deutsche Telekom Group occurred as of September 30, 2012.

## Selected notes to the consolidated statement of financial position.

### Non-current assets and disposal groups held for sale as well as directly associated liabilities.

**Non-current assets and disposal groups held for sale** increased by EUR 0.4 billion against December 31, 2011.

On September 28, 2012, T-Mobile USA concluded a framework agreement with Crown Castle International Corp., Houston/United States, concerning the leasing and use of cell sites. Approximately 6,400 cell sites will be transferred to an operating company, which will be deconsolidated as of the date of the closing of the transaction. The sole right to continue to use and lease out these sites for an average period of 28 years will be transferred to Crown Castle. Around 800 cell sites will be transferred to another operating company and then sold. In return, T-Mobile will receive a payment of approx. EUR 1.9 billion (USD 2.4 billion). T-Mobile USA will continue to operate its mobile communications systems at these cell sites and, to this end, lease back the required infrastructure from Crown Castle through operating leases. Crown Castle will lease out any infrastructure not required by T-Mobile USA to third parties. The closing of the transaction is expected to be completed in the fourth quarter of 2012. As of September 30, 2012, the assets assigned to the cell sites totaling EUR 0.6 billion are disclosed in the United States operating segment under non-current assets and disposal groups held for sale. Of this figure, EUR 0.5 billion relates to technical equipment and machinery and EUR 0.1 billion to land and buildings. Other operating income will be recognized upon closing of the transaction.

In addition, mobile spectrum licenses in the United States operating segment amounting to EUR 0.1 billion are disclosed under non-current assets and disposal groups held for sale as of September 30, 2012. These licenses will be swapped with other companies. Once the transactions are concluded, the companies involved will be able to improve their mobile network coverage.

This was contrasted by the sale of the shares in Telekom Srbija totaling EUR 0.4 billion on January 25, 2012. Following the sale, the amount of EUR 0.2 billion disclosed as total other comprehensive income as of December 31, 2011 due to the increase of carrying amounts to fair value was reclassified to other financial income/expense. Of this figure, EUR 0.1 billion was attributable to non-controlling interests.

**Liabilities directly associated with non-current assets and disposal groups held for sale** increased by EUR 0.1 billion compared with December 31, 2011 and are disclosed in the United States operating segment. They are directly related to the agreement with Crown Castle. Since T-Mobile USA will no longer lease the land for the cell sites in the future, the liabilities from straight-line leases, which constitute deferrals for the straight-line recognition of the lease expense, will be released to income upon conclusion of the transaction. Before the reclassification the amount was disclosed in other non-current liabilities.

#### Intangible assets and property, plant and equipment.

**Intangible assets** decreased in the first three quarters of the year from EUR 50.1 billion to EUR 42.1 billion. This decrease of EUR 8.0 billion primarily resulted from the impairment loss of EUR 8.7 billion (before taxes) recognized in the United States operating segment and ongoing amortization of EUR 2.4 billion. This reduction was partially offset by additions of EUR 2.5 billion and exchange rate effects of EUR 0.3 billion, mainly from the Polish zloty.

The additions to intangible assets in the second quarter of the year included EUR 0.9 billion from the transfer of AWS spectrum licenses that were part of the compensation from AT&T relating to the termination of the agreement to sell T-Mobile USA. Until the approval of the transfer by the Federal Communications Commission (FCC) in the second quarter of 2012, the licenses had been reported under other non-current assets.

#### Financial liabilities.

The table below shows the composition and maturity structure of financial liabilities as of September 30, 2012.

	Sept. 30, 2012	Due ≤ 1 year	Due > 1 ≤ 5 years	Due > 5 years
	millions of €	millions of €	millions of €	millions of €
Bonds and other securitized liabilities	34,945	6,331	15,763	12,851
Liabilities to banks	3,805	524	3,151	130
Lease liabilities	1,789	641	454	694
Liabilities to non-banks from promissory notes	1,212	50	606	556
Other interest-bearing liabilities	1,142	887	176	79
Other non-interest-bearing liabilities	1,345	1,269	75	1
Derivative financial liabilities	1,377	665	666	46
<b>Financial liabilities</b>	<b>45,615</b>	<b>10,367</b>	<b>20,891</b>	<b>14,357</b>

#### Provisions for pensions and other employee benefits.

Against the backdrop of a decline in interest rates in the second and third quarter of 2012, we recorded actuarial losses of EUR 1.6 billion as provisions for pensions and other employee benefits in the reporting period. An amount of EUR 1.1 billion (after taxes) was recognized directly in equity as other comprehensive income.

In September 2012, T-Mobile USA swapped AWS spectrum licenses with Verizon Inc., New York/United States. This transaction resulted in additions of EUR 0.5 billion and disposals of EUR 0.1 billion as well as a compensation payment of EUR 0.3 billion to Verizon. A book profit of EUR 0.1 billion attributable to the aforementioned effects was disclosed under other operating income.

The decrease of EUR 4.4 billion in **property, plant and equipment** to EUR 37.5 billion was primarily attributable to depreciation of EUR 5.9 billion, the impairment loss of EUR 1.9 billion (before taxes) recognized in the United States operating segment and reclassifications to non-current assets and disposal groups held for sale of EUR 0.7 billion, which were mainly related to the transaction in the United States with Crown Castle concerning the leasing and use of cell sites. The decrease was partially offset by additions of EUR 4.6 billion.

For information on the planned transaction to combine T-Mobile USA and MetroPCS, please refer to the section "Events after the reporting period" on page 41. For further information on the impairment loss recognized in the United States operating segment and on the impact of the reduced useful lives of property, plant and equipment in the United States operating segment, please refer to the section "Depreciation, amortization and impairment losses" under "Other disclosures" on pages 37 and 38.

## Selected notes to the consolidated income statement.

### Other operating income.

	Q1 – Q3 2012 millions of €	Q1 – Q3 2011 millions of €
Income from reimbursements	309	290
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	12	16
Income from disposal of non-current assets	181	74
Income from insurance compensation	38	31
Income from divestitures	6	–
Miscellaneous other operating income	537	484
	<b>1,083</b>	<b>895</b>

Income from disposal of non-current assets includes a book profit of around EUR 0.1 billion from a transaction consummated in September 2012 whereby T-Mobile USA and Verizon swapped AWS spectrum licenses.

In addition to a large number of smaller individual items, miscellaneous other operating income includes income of around EUR 0.1 billion resulting from litigation with Kreditanstalt für Wiederaufbau concluded in the first quarter of 2012.

### Other operating expenses.

	Q1 – Q3 2012 millions of €	Q1 – Q3 2011 millions of €
Impairment losses recognized at T-Mobile USA in connection with the agreed business combination with MetroPCS		
Of which: on goodwill	(2,605)	–
Of which: on intangible assets (excluding goodwill)	(6,094)	–
Of which: on property, plant and equipment	(1,890)	–
Losses on disposal of non-current assets	(102)	(96)
Miscellaneous other operating expenses	(463)	(525)
	<b>(11,154)</b>	<b>(621)</b>

Miscellaneous other operating expenses include expenses of EUR 0.1 billion incurred in connection with existing financial factoring agreements and a large number of smaller individual items.

### Profit/loss from financial activities.

The year-on-year improvement in the loss from financial activities by EUR 0.1 billion of 2012 related in part to the sale of shares in Telekom Srbija effective January 25, 2012. The conclusion of the transaction and the subsequently necessary reclassification of the amounts recognized directly in equity in total other comprehensive income as of December 31, 2011 resulted in income of EUR 0.2 billion, which was recognized under other financial income/expense. Of this figure, EUR 0.1 billion was attributable to non-controlling interests.

### Income taxes.

In the first three quarters of 2012, a tax income of EUR 2.0 billion was recorded. This primarily relates to income from the reversal of deferred tax liabilities of EUR 3.2 billion which resulted from an impairment loss recognized on T-Mobile USA's intangible assets and property, plant and equipment following the agreed business combination with MetroPCS and more than offset the tax expense on the otherwise positive profit before taxes. The impairment loss recognized on T-Mobile USA's goodwill, by contrast, only had minor tax impact.

## Other disclosures.

### Depreciation, amortization and impairment losses.

Depreciation, amortization and impairment losses increased by EUR 11.8 billion year-on-year to EUR 18.9 billion.

This increase was primarily due to an impairment loss of EUR 10.6 billion recognized as of September 30, 2012 on goodwill, other intangible assets and property, plant and equipment of the United States cash-generating unit. The impairment loss generated a positive tax effect of EUR 3.2 billion. As a result of the agreement on the business combination of T-Mobile USA and MetroPCS, the fair value of the United States cash-generating unit had to be determined. The value of the shares in MetroPCS that will be attributable to Deutsche Telekom were used as a basis for valuation. Deutsche Telekom will receive these shares as a consideration for the contribution of T-Mobile USA into MetroPCS. The fair value of T-Mobile USA was determined on the basis of the MetroPCS share price immediately prior to the announcement of the agreement. Since the carrying amount of the net assets of the United States cash-generating unit exceeded the fair value determined using this method, an impairment loss of EUR 7.4 billion (after taxes) had to be recognized in profit or loss to account for the difference. This impairment loss first resulted in the full write-down of the goodwill totaling EUR 2.6 billion. The remaining part was mainly attributable to mobile licenses (EUR 5.8 billion).

For more information on the planned transaction to combine T-Mobile USA and MetroPCS, please refer to the section "Events after the reporting period" on page 41.

In addition, EUR 1.1 billion of the increase was attributable to the classification of the United States operating segment as a discontinued operation in the prior year. As a result, no depreciation, amortization or impairment losses were recorded during the period in which it was classified as a discontinued operation. Cost of sales accounted for EUR 0.9 billion, selling expenses for EUR 0.1 billion and general and administrative expenses for EUR 0.1 billion of this effect.

In the second quarter of 2012, Deutsche Telekom **changed its estimates** of the useful lives of property, plant and equipment in the United States operating segment. The useful lives of legacy mobile assets that have not yet been fully depreciated have been reduced in connection with the roll-out of high-bit-rate mobile technology. This increased depreciation by EUR 0.2 billion as of September 30, 2012.

#### Notes to the consolidated statement of cash flows.

Deutsche Telekom paid EUR 1.4 billion to Elektrim and Vivendi in the first quarter of the prior year. 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 three quarters of 2012 increased by EUR 0.2 billion compared with the prior-year period to EUR 10.2 billion. This was mainly attributable to the following cash flows: lower net interest payments (EUR 0.4 billion) and cash inflows from the canceling of interest rate swaps (EUR 0.1 billion). These are partially offset by cash outflows of EUR 0.5 billion in connection with the AT&T transaction relating to the termination of the agreement for the sale of T-Mobile USA, EUR 0.2 billion of which are income taxes paid on income received in 2011. Other cash outflows related to completed investigations by the U.S. authorities into contracts signed by the F.Y.R.O. Macedonia and Montenegro (EUR 0.1 billion), with cash outflows of EUR 0.4 billion relating to the PTC transaction being recorded in the prior-year period.

#### Net cash used in investing activities.

	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €
Cash capex		
Germany operating segment	(2,399)	(2,590)
Europe operating segment	(1,120)	(1,305)
United States operating segment	(1,861)	(1,550)
Systems Solutions operating segment	(794)	(794)
Group Headquarters & Shared Services	(275)	(272)
Reconciliation	456	335
Net cash flows for collateral deposited for hedging transactions	(24)	126
PTC transaction	-	(820)
OTE Put Option II	-	(392)
Sale of Telekom Srbija	380	-
Acquisition/sale of government bonds (net)	282	(89)
Repayment of a bond issued by the Everything Everywhere joint venture	218	-
Proceeds from the disposal of property, plant and equipment	157	229
Other	(163)	49
	<b>(5,143)</b>	<b>(7,073)</b>

#### Net cash used in financing activities.

	Q1 - Q3 2012 millions of €	Q1 - Q3 2011 millions of €
Dividends (including to non-controlling interests)	(3,399)	(3,521)
Repayment of euro bond	(1,978)	(3,461)
Repayment of a medium-term note (current)	(1,617)	(1,171)
Utilization of the credit line by OTE (net)	(757)	1,223
Repayment of EIB loans	(532)	(35)
Repayment of lease liabilities	(125)	(117)
Net issue/repayment of liabilities to banks	(84)	389
Net repayment of cash deposits from the Everything Everywhere joint venture	(78)	(278)
Repayment of euro bond issued by OTE	-	(1,429)
Repayment of U.S. dollar bonds	-	(351)
PTC transaction	-	(187)
Issuance of U.S. dollar bonds	1,502	862
Issuance of a medium-term note (non-current)	342	-
Loans taken out with the EIB	300	701
Commercial paper (net)	293	3,497
Net cash flows for collateral deposited for hedging transactions	15	167
Issuance of euro bond by OTE	-	500
Other	(129)	(69)
	<b>(6,247)</b>	<b>(3,280)</b>

#### Segment reporting.

The following table gives an overall summary of Deutsche Telekom's operating segments and Group Headquarters & Shared Services for the first three quarters of 2012 and 2011.

Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services. The unit's responsibilities include research & development, innovation management and marketing, product development and management, and management of the digital product portfolio. The growth business now focuses on six business areas that develop products and services for consumers and business customers: communication services, media/entertainment, cloud services, portal/advertising, classifieds/e-commerce, and payment services. The aim of the change in organization is to ensure that Deutsche Telekom generates more growth in the digital markets and thus underlines the strategic aim of tapping into new fields of revenue beyond the core telecommunications business. Comparative figures have been adjusted accordingly.

As of July 1, 2012, Deutsche Telekom reorganized the Group's IT infrastructure and pooled all internal IT units from the Germany and Systems Solutions operating segments as well as Group Headquarters & Shared Services into the new Telekom IT unit within the Systems Solutions operating segment. The reorganization aims to establish an IT unit of clearly improved quality and stability which will be in a position to develop new high-quality products and services and shorten production times through enhanced efficiency. This organizational change is a significant step to support and further expand the core business within Deutsche Telekom's operating segments. Comparative prior-year figures have been adjusted accordingly.

A reconciliation for both changes in the disclosure of key performance indicators can be found in the section "Additional information" in the interim consolidated financial statements on page 46.

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" (page 13 et seq.) in the interim Group management report.

### Segment information in the first three quarters.

Q1 - Q3 2012 Q1 - Q3 2011	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets <sup>a</sup>	Investments accounted for using the equity method <sup>a</sup>
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
Germany	15,998	1,007	17,005	3,454	(3,283)	(3)	32,906	17
Europe	16,339	1,057	17,396	3,494	(3,206)	(2)	32,578	17
United States	11,573	5	11,578	(9,368)	(1,840)	(10,602)	27,249	25
Systems Solutions	4,838	2,349	7,187	(239)	(463)	(1)	9,667	18
Group Headquarters & Shared Services	758	1,418	2,176	(1,120)	(530)	(79)	99,925	64
<b>Total</b>	<b>43,462</b>	<b>5,297</b>	<b>48,759</b>	<b>(5,744)</b>	<b>(8,238)</b>	<b>(10,693)</b>	<b>206,506</b>	<b>6,655</b>
Reconciliation	-	(5,297)	(5,297)	(9)	(3)	1	(98,272)	1
<b>Group</b>	<b>43,462</b>	<b>-</b>	<b>43,462</b>	<b>(5,753)</b>	<b>(8,241)</b>	<b>(10,692)</b>	<b>108,234</b>	<b>6,656</b>
	43,742	-	43,742	5,619	(7,071)	(67)	122,542	6,873

<sup>a</sup> Figures relate to the reporting dates of September 30, 2012 and December 31, 2011, respectively.

### Contingent liabilities.

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2011 financial year.

**Eutelsat arbitration proceedings.** Eutelsat S.A. is seeking annulment by French courts of the decision rendered by the arbitral tribunal which refused to include Media Broadcast GmbH in the arbitration proceedings due to lack of jurisdiction. As part of the arbitration proceedings, Eutelsat S.A. submitted its statement of claim on February 29, 2012, to which Deutsche Telekom responded on May 9, 2012. A hearing took place from September 17 to 19, 2012. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

**Year-end bonus for civil servants.** In a decision dated January 17, 2012, the Federal Constitutional Court ruled that the abolition of the year-end bonus for Deutsche Telekom civil servants is constitutional. This move does not violate the principle of equal pay laid down in Article 3 (1) of the Basic Law in conjunction with Article 33 (5) of the Basic Law. The Federal Administrative Court now has to rule on the current litigation on claims for payment of the difference between the payment under the Federal Act on Bonus Payments and the reduced payment under the Deutsche Telekom Special Allowance Ordinance, taking the decision of the Federal Constitutional Court into account. Due to the decision of the Federal Constitutional Court dated January 17, 2012, Deutsche Telekom no longer discloses the contingent liabilities of around EUR 0.2 billion recognized in the 2011 Annual Report.

**Reduced pay tables.** In a ruling on December 15, 2009, the Stuttgart Administrative Court decided in two court proceedings to present the question of whether § 78 of the Federal Civil Service Remuneration Act is constitutional to the Federal Constitutional Court for decision. Referring to the decision to abolish the year-end bonus, the Federal Constitutional Court has since suggested to the Stuttgart Administrative Court that the question submitted be withdrawn. The Stuttgart Administrative Court has since withdrawn the question to the Federal Constitutional Court. Some complainants have withdrawn their lawsuits; others have been rejected by the court. We consider it unlikely that recourse will be taken to the courts in the cases still pending. As a result, Deutsche Telekom no longer discloses the contingent liabilities reported in the 2011 Annual Report of around EUR 0.1 billion.

**Claim for damages by Kabel Deutschland GmbH.** Telekom Deutschland GmbH was notified in early April 2012 that Kabel Deutschland Vertrieb und Service GmbH (KDG) had filed a claim with the Frankfurt Regional Court; the complaint was served on June 14, 2012. KDG demands a reduction in the annual charge for the rights to use cable duct capacities in the future, and the partial refund of payments made in the past in this connection. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.



**Mobile communications patent litigation.** On April 24, 2012, the Düsseldorf Regional Court ruled in favor of the claim by ICom GmbH & Co. KG against Telekom Deutschland GmbH concerning a patent infringement in connection with the sale of UMTS-enabled devices manufactured by HTC and Nokia. On April 25, 2012, the European Patent Office in Munich fully revoked the disputed patent. Both decisions are not yet final and legally binding. We have appealed against the ruling of the Düsseldorf Regional Court and expect that it will not be enforced. ICom filed an appeal against the ruling of the European Patent Office. The hearing is to be held on March 7, 2013. An agreement was reached with ICom on July 18, 2012 concerning a patent for a voice encoding technique. ICom has waived all claims against the Deutsche Telekom Group arising from this patent and withdrawn its patent infringement suit. In return, Deutsche Telekom has withdrawn its rescission suit against the patent. Further legal disputes with ICom are still pending. It is currently not possible to estimate the financial impact of the proceedings with sufficient certainty.

**European Commission proceedings against Slovak Telekom and Deutsche Telekom.** The European Commission decided on May 8, 2012 to send a statement of objections to Slovak Telekom and Deutsche Telekom. In this statement of objections, it communicates its preliminary opinion that Slovak Telekom, in which Deutsche Telekom AG holds a 51-percent stake, has breached European anti-trust law on the Slovakian broadband market. The European Commission intends to make the parent company, Deutsche Telekom, liable for this.

We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The statement of objections does not constitute a final decision. Should the Commission uphold its allegations in the course of the proceedings, it may impose a fine on Slovak Telekom and Deutsche Telekom. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

**Proceedings initiated by the Croatian competition authority against Hrvatski Telekom.** With a decision received on October 24, 2012, the Croatian competition authority AZTN closed the proceedings against Hrvatski Telekom (HT) and other mobile communications providers concerning alleged collusion in violation of anti-trust law relating to the introduction of a state levy on mobile communications, which it had opened in September 2011. HT expects the decision to become final after the statutory waiting period. Deutsche Telekom no longer reports its contingent liability as it did in the Interim Group Report for the period January 1 to June 30, 2012.

#### Contingent assets.

This section provides additional information and explains recent changes in the contingent assets as described in the consolidated financial statements for the 2011 financial year.

**Claim for compensation against the Federal Republic of Germany and Kreditanstalt für Wiederaufbau.** Following the ruling of the Federal Court of Justice in 2011 in favor of Deutsche Telekom, the state-owned KfW-Bankengruppe refunded the costs and related interest incurred by Deutsche Telekom for a settlement in a class action by shareholders in the United States. In April 2012 Deutsche Telekom received the total amount claimed – including interest accrued – of approximately EUR 96 million on the basis of a contractual agreement concluded in March 2012. In addition, Deutsche Telekom was successful in claiming EUR 20 million to be paid to the D&O insurers from which Deutsche Telekom had already received a refund in anticipation of the KfW payment. This concludes the legal dispute.

#### Related party disclosures.

There were no significant changes at September 30, 2012 to the related party disclosures reported in the consolidated financial statements as of December 31, 2011, with the exception of the matters described below.

The bond issued by the Everything Everywhere joint venture with a nominal amount of GBP 187 million as of December 31, 2011 was repaid to Deutsche Telekom in the first quarter of 2012. Loan commitments of EUR 0.3 billion to the Company as well as loan guarantees and guarantee statements of EUR 0.6 billion given by the Company to third parties existed as of September 30, 2012.

Loan guarantees of EUR 0.1 billion had been granted to banks with regard to Toll Collect.

#### Executive bodies.

**Changes in the composition of the Board of Management.** Effective midnight on May 2, 2012, Thomas Sattelberger's appointment as member of the Board of Management responsible for Human Resources and as Labor Director came to an end. Effective May 3, 2012, the Supervisory Board appointed Prof. Marion Schick as member of the Board of Management responsible for Human Resources and as Labor Director.

Effective midnight on May 31, 2012, Dr. Manfred Balz's appointment as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance came to an end. Effective June 1, 2012, the Supervisory Board appointed Dr. Thomas Kremer as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance.



**Changes in the composition of the Supervisory Board.** Ulrich Hocker resigned his seat on the Supervisory Board on May 24, 2012 with effect from the end of the shareholders' meeting. The shareholders' meeting elected Dagmar P. Kollmann to take his place effective May 24, 2012. Michael Löffler stepped down from the Supervisory Board on May 31, 2012. Klaus-Dieter Hanas was court-appointed as his successor with effect from June 1, 2012.

Hans Martin Bury stepped down from the Supervisory Board with effect from midnight on October 31, 2012. Sari Baldauf was court-appointed as his successor with effect November 1, 2012 until the 2013 shareholders' meeting. Ms. Baldauf will be proposed for election at the 2013 shareholders' meeting.

## Events after the reporting period (September 30, 2012).

**Business combination of T-Mobile USA and MetroPCS.** On October 3, 2012, Deutsche Telekom AG and MetroPCS Communications Inc., Dallas/United States (MetroPCS) concluded an agreement to combine their business activities in the United States.

As part of this transaction, Deutsche Telekom AG intends to contribute T-Mobile USA into the listed company MetroPCS and in return receive a 74-percent stake in the capital stock of the combined company through a capital increase. The remaining share of 26 percent will be held by the previous shareholders of MetroPCS, who will also receive a one-time cash payment of USD 1.5 billion from MetroPCS.

The transaction triggered an impairment test, which as of September 30, 2012 resulted in an impairment loss on goodwill, other intangible assets and property, plant and equipment of T-Mobile USA of around EUR 7.4 billion in total (after taxes). For further information, please refer to "Depreciation, amortization and impairment losses" under "Other disclosures" in the interim consolidated financial statements (pages 37 and 38).

Since the transaction is, in accounting terms, structured as a reverse acquisition, the existing carrying amounts of the assets and liabilities of T-Mobile USA will be carried forward upon its closing (expected in the first half of 2013). The carrying amounts of the assets and liabilities of MetroPCS, by contrast, will be remeasured at fair value within the scope of the business combination. Upon closing, the combined company will be shown as a fully consolidated entity in the consolidated financial statements of Deutsche Telekom and its shares are expected to be traded on the New York Stock Exchange (NYSE). The company's head office will continue to be in Bellevue, Washington, and it will retain a presence in Dallas, Texas.

The transaction is subject to approval by the U.S. Department of Justice (DOJ), the Federal Communications Commission (FCC) and the Committee on Foreign Investment in the United States (CFIUS). The approval of the MetroPCS shareholders is also required. Deutsche Telekom and MetroPCS expect to obtain all the necessary approvals in the first half of 2013.

The agreed business combination offers an excellent basis for the future of the U.S. operations thanks to an improved mobile spectrum position and additional financial resources. Deutsche Telekom expects to leverage synergies from it with a net present value of USD 6 to 7 billion. Advantages arise from a wider selection of affordable products and services, improved network coverage and a clear-cut technology path to one common LTE network. The combined company will be able to provide mobile services for approximately 42.5 million customers in the United States.

**Issuance of euro bonds.** Deutsche Telekom International Finance B.V. issued two euro bonds guaranteed by Deutsche Telekom AG. One bond with a volume of EUR 650 million was issued on October 24, 2012. This 12-year bond has a coupon of 2.75 percent. A further seven-year bond with a volume of EUR 500 million was issued on October 30, 2012 and has a coupon of 2.00 percent.

Both bonds are shown under non-current financial liabilities as of the issuance date.

**OTE exit scheme.** On November 7, 2012, OTE's Board of Directors approved a voluntary exit scheme to be implemented in the fourth quarter of 2012. The key terms and conditions of the scheme will be communicated within the next few days. It is not currently possible to calculate the financial impact of this scheme on Deutsche Telekom.

For further explanations on the **proceedings by the Croatian competition authority against Hrvatski Telekom**, please refer to the section "Risks and opportunities" (page 25 et seq.) and to the notes on contingent liabilities (pages 39 and 40). For explanations on **Shareholder litigation**, please refer to "Risks and opportunities" (page 25 et seq.) in this Interim Group 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, November 8, 2012

**Deutsche Telekom AG**  
**Board of Management**

René Obermann

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Dr. Thomas Kremer

Claudia Nemat

Prof. Marion Schick

## Review report.

### To Deutsche Telekom AG, Bonn.

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2012, which are part of the quarterly financial report pursuant to § 37x (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, November 8, 2012

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Harald Kayser  
Wirtschaftsprüfer

Thomas Tandetzki  
Wirtschaftsprüfer

# Additional information.

## Reconciliation of pro forma figures.

### Special factors.

The following table presents a reconciliation of EBITDA, EBIT 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 2011 financial year.

	EBITDA Q1 - Q3 2012 millions of €	EBIT/ Net profit Q1 - Q3 2012 millions of €	EBITDA Q1 - Q3 2011 millions of €	EBIT/ Net profit Q1 - Q3 2011 millions of €	EBITDA FY 2011 millions of €	EBIT/ Net profit FY 2011 millions of €
<b>EBITDA/EBIT</b>	<b>13,180</b>	<b>(5,753)</b>	<b>12,757</b>	<b>5,619</b>	<b>20,022</b>	<b>5,586</b>
<b>Germany</b>	<b>(352)</b>	<b>(352)</b>	<b>(557)</b>	<b>(557)</b>	<b>(689)</b>	<b>(689)</b>
Staff-related measures	(342)	(342)	(489)	(489)	(586)	(586)
Non-staff-related restructuring	0	0	0	0	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	(8)	(8)	0	0	0	0
Other	(2)	(2)	(68)	(68)	(99)	(99)
<b>Europe</b>	<b>(42)</b>	<b>(45)</b>	<b>(168)</b>	<b>(168)</b>	<b>(246)</b>	<b>(1,286)</b>
Staff-related measures	(9)	(9)	(70)	(70)	(132)	(132)
Non-staff-related restructuring	(28)	(31)	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	-	0	-	0	-	(1,040)
Other	(5)	(5)	(98)	(98)	(114)	(114)
<b>United States</b>	<b>39</b>	<b>(10,550)</b>	<b>(80)</b>	<b>(80)</b>	<b>(134)</b>	<b>(2,431)</b>
Staff-related measures	(75)	(75)	(78)	(78)	(116)	(116)
Non-staff-related restructuring	(28)	(28)	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	125	125	0	0	0	0
Impairment losses	-	(10,589)	-	0	-	(2,297)
Other	17	17	(2)	(2)	(18)	(18)
<b>Systems Solutions</b>	<b>(282)</b>	<b>(282)</b>	<b>(187)</b>	<b>(197)</b>	<b>(293)</b>	<b>(313)</b>
Staff-related measures	(187)	(187)	(74)	(74)	(99)	(99)
Non-staff-related restructuring	(94)	(94)	(101)	(111)	(163)	(175)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(1)	(1)	(12)	(12)	(31)	(39)
<b>Group Headquarters &amp; Shared Services</b>	<b>(134)</b>	<b>(134)</b>	<b>(324)</b>	<b>(324)</b>	<b>2,698</b>	<b>2,698</b>
Staff-related measures	(201)	(201)	(214)	(214)	(224)	(224)
Non-staff-related restructuring	(8)	(8)	(12)	(12)	(22)	(22)
Effects of deconsolidations, disposals and acquisitions	8	8	(98)	(98)	(56)	(56)
Compensation from AT&T	0	0	0	0	3,000	3,000
Other	67	67	0	0	0	0
<b>Group reconciliation</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>1</b>
Staff-related measures	0	0	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	0	0	(1)	(1)	1	1
<b>Total special factors</b>	<b>(771)</b>	<b>(11,363)</b>	<b>(1,317)</b>	<b>(1,327)</b>	<b>1,337</b>	<b>(2,020)</b>
<b>EBITDA/EBIT (adjusted for special factors)</b>	<b>13,951</b>	<b>5,610</b>	<b>14,074</b>	<b>6,946</b>	<b>18,685</b>	<b>7,606</b>
Profit (loss) from financial activities (adjusted for special factors)		(1,935)		(1,872)		(2,613)
<b>Profit (loss) before income taxes (adjusted for special factors)</b>		<b>3,675</b>		<b>5,074</b>		<b>4,993</b>
Income taxes (adjusted for special factors)		(949)		(1,732)		(1,708)
<b>Profit (loss) (adjusted for special factors)</b>		<b>2,726</b>		<b>3,342</b>		<b>3,285</b>
Profit (loss) (adjusted for special factors) attributable to						
Owners of the parent (net profit/loss) (adjusted for special factors)		2,326		2,943		2,851
Non-controlling interests (adjusted for special factors)		400		399		434

**Gross and net debt.**

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

	Sept. 30, 2012 millions of €	Dec. 31, 2011 millions of €	Change millions of €	Change %	Sept. 30, 2011 millions of €
Financial liabilities (current)	10,367	10,219	148	1.4	11,959
Financial liabilities (non-current)	35,248	38,099	(2,851)	(7.5)	37,816
<b>Financial liabilities</b>	<b>45,615</b>	<b>48,318</b>	<b>(2,703)</b>	<b>(5.6)</b>	<b>49,775</b>
Accrued interest	(756)	(966)	210	21.7	(780)
Other	(668)	(615)	(53)	(8.6)	(453)
<b>Gross debt</b>	<b>44,191</b>	<b>46,737</b>	<b>(2,546)</b>	<b>(5.4)</b>	<b>48,542</b>
Cash and cash equivalents	2,529	3,749	(1,220)	(32.5)	2,130
Available-for-sale/held-for-trading financial assets	132	402	(270)	(67.2)	94
Derivative financial assets	1,533	1,533	-	-	1,296
Other financial assets	996	932	64	6.9	1,654
<b>Net debt</b>	<b>39,001</b>	<b>40,121</b>	<b>(1,120)</b>	<b>(2.8)</b>	<b>43,368</b>

## Reconciliation for the change in disclosure of key performance indicators in 2012.

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets <sup>a</sup>
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
<b>Q1 – Q3 2011</b>							
<b>Presentation as of September 30, 2011</b>							
Germany	17,984	3,455	6,738	7,313	(3,280)	(3)	33,522
Europe	11,352	1,381	3,762	3,930	(2,375)	(6)	37,815
United States	10,963	2,245	2,708	2,788	(463)	-	38,075
Systems Solutions	6,792	(51)	421	590	(472)	-	8,751
Group Headquarters & Shared Services	1,623	(1,365)	(777)	(453)	(530)	(58)	101,152
<b>Total</b>	<b>48,714</b>	<b>5,665</b>	<b>12,852</b>	<b>14,168</b>	<b>(7,120)</b>	<b>(67)</b>	<b>219,315</b>
Reconciliation	(4,972)	(46)	(95)	(94)	49	-	(96,773)
<b>Group</b>	<b>43,742</b>	<b>5,619</b>	<b>12,757</b>	<b>14,074</b>	<b>(7,071)</b>	<b>(67)</b>	<b>122,542</b>
<b>Q1 – Q3 2011</b>							
<b>+/- Change in disclosure of the Digital Business Unit (DBU) as of January 1, 2012</b>							
Germany	(591)	(77)	(106)	(106)	28	1	(962)
Europe	-	-	-	-	-	-	-
United States	-	-	-	-	-	-	-
Systems Solutions	-	-	-	-	-	-	-
Group Headquarters & Shared Services	596	76	105	105	(28)	(1)	(438)
<b>Total</b>	<b>5</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>(1,400)</b>
Reconciliation	(5)	1	1	1	-	-	1,400
<b>Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Q1 – Q3 2011</b>							
<b>+/- Change in disclosure of Telekom IT as of July 1, 2012</b>							
Germany	3	116	70	52	46	-	18
Europe	-	-	-	-	-	-	-
United States	-	-	-	-	-	-	-
Systems Solutions	467	(177)	(156)	(138)	(21)	-	557
Group Headquarters & Shared Services	-	20	(3)	(3)	23	-	(546)
<b>Total</b>	<b>470</b>	<b>(41)</b>	<b>(89)</b>	<b>(89)</b>	<b>48</b>	<b>-</b>	<b>29</b>
Reconciliation	(470)	41	89	89	(48)	-	(29)
<b>Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>Q1 – Q3 2011</b>							
<b>= Presentation as of September 30, 2012</b>							
Germany	17,396	3,494	6,702	7,259	(3,206)	(2)	32,578
Europe	11,352	1,381	3,762	3,930	(2,375)	(6)	37,815
United States	10,963	2,245	2,708	2,788	(463)	-	38,075
Systems Solutions	7,259	(228)	265	452	(493)	-	9,308
Group Headquarters & Shared Services	2,219	(1,269)	(675)	(351)	(535)	(59)	100,168
<b>Total</b>	<b>49,189</b>	<b>5,623</b>	<b>12,762</b>	<b>14,078</b>	<b>(7,072)</b>	<b>(67)</b>	<b>217,944</b>
Reconciliation	(5,447)	(4)	(5)	(4)	1	-	(95,402)
<b>Group</b>	<b>43,742</b>	<b>5,619</b>	<b>12,757</b>	<b>14,074</b>	<b>(7,071)</b>	<b>(67)</b>	<b>122,542</b>

<sup>a</sup> Figures relate to the reporting date December 31, 2011.

## Glossary.

For further definitions, please refer to the 2011 Annual Report and the glossary therein (page 258 et seq.).

**ADSL, ADSL2+.** See DSL.

**AT&T transaction.** For details on the AT&T transaction relating to T-Mobile USA and the effects of the termination of the agreement for the sale of T-Mobile USA to AT&T, please also refer to the 2011 Annual Report (in particular pages 76 and 182 - 183).

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

**DSL/ADSL/VDSL.** In Deutsche Telekom's service portfolio as:

- ADSL (Asymmetrical Digital Subscriber Line) for consumer retail lines. Technology used to transmit data at fast rates (up to 8 Mbit/s downstream, 16 kbit/s to 640 kbit/s upstream) via standard copper wire pairs in the local loop within a radius of approximately three kilometers.
- ADSL2+: Successor product to ADSL that raises the maximum data rate to 16 Mbit/s (downstream) or 1 Mbit/s (upstream).
- VDSL (Very High Speed Digital Subscriber Line): Transmission technology that allows very high bandwidths (up to 50 Mbit/s downstream, up to 10 Mbit/s upstream) on short copper access lines with a maximum length of 500 meters.

**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 or thousands. Percentages were calculated on the basis of the figures shown.

**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 or thousands. Percentages were calculated on the basis of the figures shown (see also SIM card).

**PTC transaction.** For information on the agreement with the French company Vivendi, the Polish company Elektrim and Elektrim's creditors regarding PTC and its impact, please refer to the 2010 Annual Report (in particular page 48) and the Interim Group Report for the period from January 1 to March 31, 2011 (in particular pages 7 and 64).

**Pure LRIC – Pure Long-Run Incremental Cost.** A costing model for the fixed network and for mobile communications based on a long-run approach. Under this approach, the ideal size of operation (size of an efficient network) is defined for a set output volume (forecast demand) with short-term fixed costs being viewed as variable costs. According to this "Recommendation of the European Commission on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU" of May 7, 2009, regulated termination rates are based only to a minor extent on network costs.

**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 counts its customers by the number of SIM cards activated and not churned. Customer totals also include the SIM cards with which machines can communicate automatically with one another (M2M cards). The churn rate is determined and reported based on the local markets of the respective countries.

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

**VDSL.** See DSL.

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

## Disclaimer.

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

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## Financial calendar.\*

<b>November 8, 2012</b>	<b>December 6 – 7, 2012</b>	<b>February 28, 2013</b>	<b>May 8, 2013</b>
Publication of the Interim Group Report as of September 30, 2012	2012 Capital Market Day	Publication of the 2012 Annual Report	Publication of the Interim Group Report as of March 31, 2013
<b>May 16, 2013</b>	<b>August 8, 2013</b>	<b>November 7, 2013</b>	
2013 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2013	Publication of the Interim Group Report as of September 30, 2013	

\* For more dates, an updated schedule, and information on webcasts, please go to [www.telekom.com](http://www.telekom.com).

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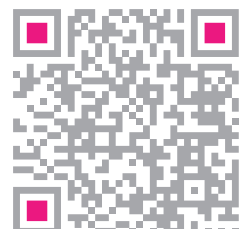
The English version of the Interim Group Report for January 1 to September 30, 2012 is a translation of the German version of the Interim Group Report. The German version is legally binding.

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