



Interim Group Report.

January 1 to March 31, 2011.

Life is for sharing.



Selected financial data of the Deutsche Telekom Group.

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

	Q1 2011 millions of €	Q1 2010 millions of €	Change %	FY 2010 millions of €
Revenue and earnings from continuing and discontinued operations				
Net revenue	14,597	15,812	(7.7)	62,421
Profit from operations (EBIT)	1,644	2,029	(19.0)	5,505
EBITDA	4,298	4,690	(8.4)	17,313
EBITDA (adjusted for special factors)	4,480	4,890	(8.4)	19,473
EBITDA margin (adjusted for special factors) %	30.6	30.9		31.2
Revenue and earnings (United States operating segment reported as a discontinued operation)				
Net revenue	10,830	12,002	(9.8)	46,346
Of which: domestic %	60.7	56.1		58.8
Of which: international %	39.3	43.9		41.2
Profit from operations (EBIT)	1,243	1,485	(16.3)	3,415
Net profit (loss)	480	767	(37.4)	1,695
Net profit (loss) (adjusted for special factors)	701	891	(21.3)	3,364
EBITDA	3,434	3,682	(6.7)	13,159
EBITDA (adjusted for special factors)	3,609	3,882	(7.0)	15,319
EBITDA margin (adjusted for special factors) %	33.3	32.3		33.1
Earnings per share basic/diluted €	0.11	0.18	(38.9)	0.39
Statement of financial position				
Total assets	123,196	130,803	(5.8)	127,812
Shareholders' equity	42,656	44,279	(3.7)	43,028
Equity ratio %	34.6	33.9		33.7
Net debt	41,800	40,418	3.4	42,269
Cash capex	(2,120)	(1,934)	(9.6)	(9,851)
Cash flows				
Net cash from operating activities	2,669	3,271	(18.4)	14,731
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	1,061	1,439	(26.3)	6,543
Net cash used in investing activities	(2,760)	(1,793)	(53.9)	(10,711)
Net cash used in financing activities	(962)	(899)	(7.0)	(6,369)

Number of fixed-network and mobile customers.

	Mar. 31, 2011 millions	Dec. 31, 2010 millions	Change Mar. 31, 2011/ Dec. 31, 2010 %	Mar. 31, 2010 millions	Change Mar. 31, 2011/ Mar. 31, 2010 %
Fixed network lines	35.5	36.0	(1.4)	37.8	(6.1)
Retail broadband lines	16.6	16.4	1.2	15.7	5.7
Mobile customers	127.9	128.5	(0.5)	133.0	(3.8)

For a detailed explanation of the performance indicators used in this Interim Group Report (special factors affecting EBIT; EBIT (adjusted for special factors); the EBITDA margin; special factors affecting EBITDA; EBITDA (adjusted for special factors); the EBITDA margin (adjusted for special factors), and special factors affecting profit/loss after income taxes; net profit (adjusted for special factors); cash capex; free cash flow and net debt), please refer to "Reconciliation of pro forma figures," page 70. The performance indicators used by Deutsche Telekom are defined in the Glossary.

Contents

To our shareholders

- 4 Developments in the Group
- 6 The T-Share
- 7 Highlights in the first quarter of 2011

Interim Group management report

- 9 The economic environment
- 10 Group strategy and Group management
- 14 Development of business in the Group
- 23 Development of business in the operating segments
- 43 Risks and opportunities
- 44 Events after the reporting period
- 45 Development of revenue and profits

Interim consolidated financial statements

- 49 Consolidated statement of financial position
- 50 Consolidated income statement
- 51 Consolidated statement of comprehensive income
- 52 Consolidated statement of changes in equity
- 54 Consolidated statement of cash flows
- 55 Significant events and transactions
- 69 Review report

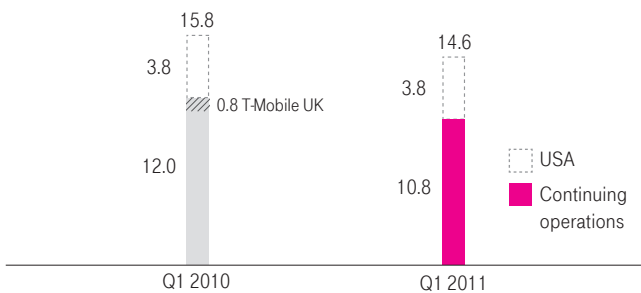
Additional information

- 70 Reconciliation of pro forma figures
- 73 Financial calendar
- 74 Glossary
- 78 Disclaimer

To our shareholders.

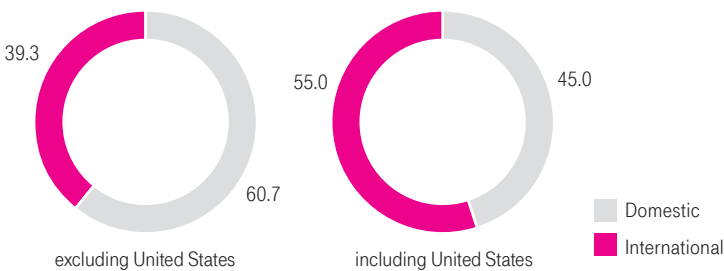
Developments in the Group.

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



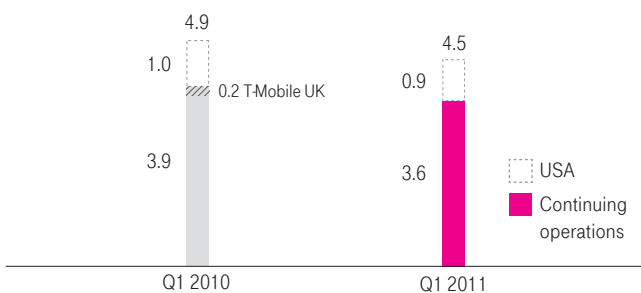
- Net revenue from continuing operations decreased by 9.8 percent compared with the first quarter of 2010. Excluding T-Mobile UK, net revenue decreased by EUR 0.4 billion or 3.7 percent.
- Operations were positively impacted by the development of mobile data revenue and the increase in revenue from Systems Solutions as a result of new deals.
- Operations were negatively impacted by line losses in the fixed network, price changes imposed by regulation, the difficult overall economic situation in some countries, and price cuts in response to intense competitive pressure.

Proportion of net revenue generated internationally. (%)



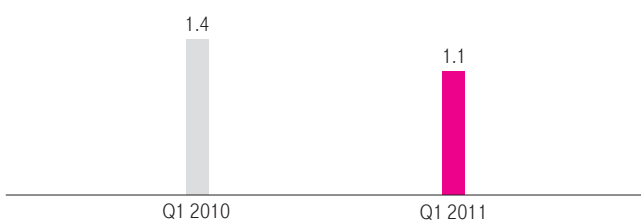
- The proportion of net revenue from continuing operations generated outside Germany fell to 39.3 percent.
- Domestic net revenue amounted to EUR 6.6 billion, EUR 0.2 billion less than in the first quarter of 2010. International net revenue decreased by 19.2 percent or EUR 1.0 billion year-on-year.
- The decline in international net revenue is primarily attributable to the establishment of the Everything Everywhere joint venture in the United Kingdom. T-Mobile UK has no longer been fully consolidated since April 1, 2010.

Adjusted EBITDA including adjusted EBITDA from discontinued operations (United States). (billions of €)

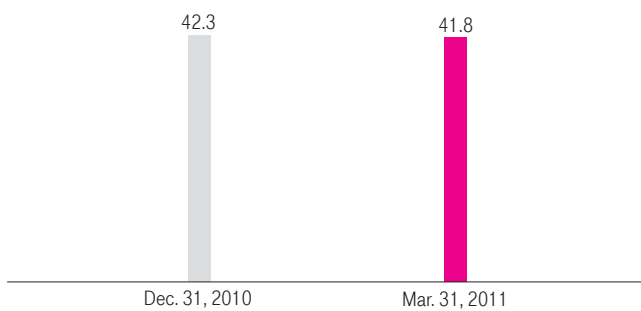


- Adjusted EBITDA decreased by EUR 0.3 billion compared with the first quarter of the prior year. Excluding T-Mobile UK, adjusted EBITDA decreased by EUR 0.1 billion or 2.7 percent.
- Fixed-network lines lost to competitors, price changes imposed by regulation, and newly imposed or raised special taxes on telecommunications services had a negative impact on adjusted EBITDA.
- Cost management and the Save for Service program only partly offset these effects.

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



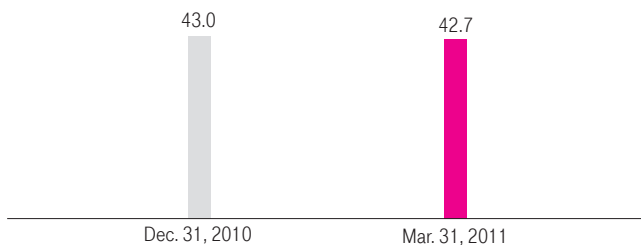
- Free cash flow decreased by EUR 0.4 billion to EUR 1.1 billion.
- Cash inflows from dividends received were offset by the lower year-on-year level of receivables sold (factoring) and higher interest payments.

Net debt. (billions of €)

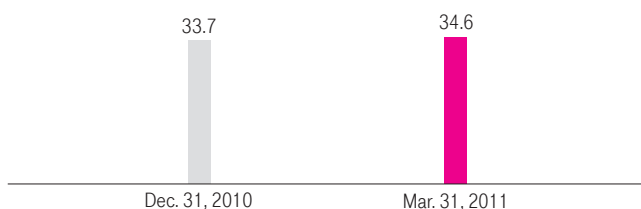
- Net debt decreased by 1.1 percent compared with the end of 2010 to EUR 41.8 billion.
- Reduced by free cash flow (EUR 1.1 billion) and exchange rate effects (EUR 0.7 billion).
- Increased by the acquisition of remaining shares in PTC (PTC transaction) for EUR 1.4 billion.

Net profit. (billions of €)

- Net profit decreased by EUR 0.3 billion to EUR 0.5 billion.
- The negative EBITDA trend could not be offset.
- The development of results at the discontinued operation in the United States made a particularly strong contribution to the decline in net profit.

Shareholders' equity. (billions of €)

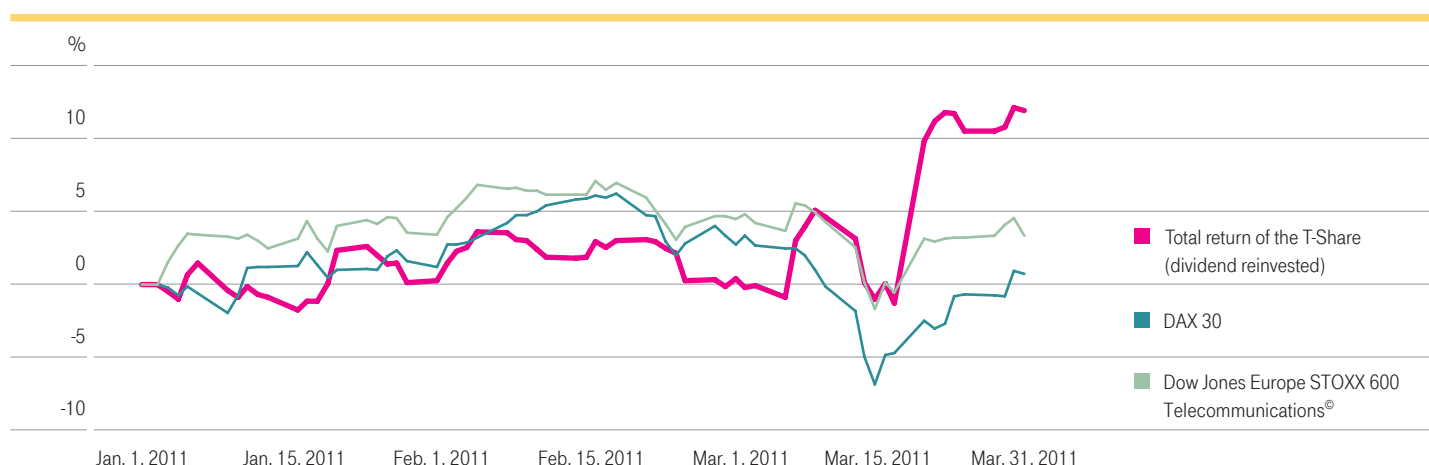
- Shareholders' equity decreased by EUR 0.4 billion compared with the end of 2010.
- Positive effects from net profit (EUR 0.5 billion) and actuarial gains and losses recognized in equity (EUR 0.2 billion).
- Negative effects from currency translation (EUR 1.1 billion) and the acquisition of remaining shares in PTC, recognized directly in equity (EUR 0.2 billion).

Equity ratio. (%)

- Total assets decreased by EUR 4.6 billion or 3.6 percent compared with the end of 2010 to EUR 123.2 billion. This was mainly due to currency translation effects and payments made in connection with the PTC transaction.
- In contrast to total assets, shareholders' equity decreased by only 0.9 percent.
- The aforementioned effects resulted in a slight improvement in the equity ratio.

The T-Share.

Total return of the T-Share in the first quarter of 2011.



T-Share performance.

		Q1 2011	Q1 2010	FY 2010
Xetra closing prices				
Share price on the last trading day	€	10.87	10.04	9.66
High		10.89	10.60	10.60
Low		9.55	9.21	8.55
Weighting of the T-Share in major stock indexes				
DAX 30	%	5.2	5.5	4.7
Dow Jones Euro STOXX 50®	%	1.2	1.8	1.1
Dow Jones Europe STOXX 600 Telecommunications®	%	10.7	9.2	9.7
Market capitalization	billions of €	47.0	43.9	41.7
Shares issued	millions	4,321	4,361	4,321

The T-Share posted gains of around 12.5 percent in the first quarter of 2011, rising to EUR 10.87. This strong performance was driven in particular by the announcement on March 20, 2011 of the agreement to sell our U.S. mobile operations to AT&T. Deutsche Telekom's share price jumped 12 percent the day after the deal was announced. This was followed by rating upgrades and, in some cases, increases of target prices for the T-Share by brokers, most of which issued "buy" recommendations.

Up until mid-March 2011, there was very little movement on stock markets around the world. Trading was marked by restraint. Initially, there was no sign of the renewed surge in government debt predicted by many euro zone analysts.

In Germany in particular, sustained robust economic growth lifted market sentiment. The natural disaster in Japan and its repercussions generated temporary uncertainty in the markets, which stabilized after a few days, however.

The DAX 30 rose slightly in the first quarter of 2011, gaining 0.7 percent, while the Dow Jones Europe Stoxx 600 Telecommunications® index increased 3.4 percent in the same period. The T-Share was one of the strongest stocks in the DAX 30 and the sector index, having grown in terms of total return (share price performance plus reinvested dividend). The T-Share not only outperformed the DAX 30 and leading international stock exchanges, but also closed the quarter as the best by far in its peer group.

Highlights in the first quarter of 2011.

Corporate transactions.

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

The agreement provides for a purchase price of USD 39 billion, consisting of USD 25 billion in cash and approximately USD 14 billion of AT&T common stock.

As a result of this agreement, Deutsche Telekom recognizes T-Mobile USA's assets and the directly associated liabilities in the consolidated statement of financial position as held for sale. T-Mobile USA's profit/loss after taxes is recognized in the consolidated income statement as profit/loss from discontinued operations. The prior-year figures in the consolidated income statement have been adjusted accordingly with retroactive effect.

The transaction is still subject to approval by the U.S. Department of Justice (DoJ) and the U.S. regulatory authority, the Federal Communications Commission (FCC). The closing of the transaction is expected to be completed in the first half of 2012.

For more information, please refer to the notes to the interim consolidated financial statements.

Litigation settlements.

Agreement concluded with French company Vivendi, Polish company Elektrim and the creditors of Elektrim. The agreement with Vivendi, Elektrim and others was concluded on January 14, 2011. Deutsche Telekom paid EUR 1.4 billion, thereby securing full, undisputed ownership of the Polish mobile operator PTC.

Investments in infrastructure.

3G network build-out with HSPA+ technology. Deutsche Telekom is also rapidly expanding its range of mobile broadband technologies in the Europe operating segment. In the first quarter of 2011, for example, we upgraded the 3G network in the Czech Republic with fast HSPA+ technology in 20 additional towns and cities. In March, T-Mobile CZ became the first provider to offer its customers a maximum download speed of up to 21.6 Mbit/s. At the beginning of this year, we launched commercial operation of HSPA+ in Poland, now offering 42 Mbit/s in Warsaw.

Network partnerships signed in Poland and the Czech Republic. The letter of intent signed with PTK Centertel in December 2010 for the shared use of network infrastructure and frequency spectrum in Poland was approved by the Polish Anti-Monopoly Commission (UOKIK) in March 2011. In February 2011, T-Mobile CZ and Telefónica O₂ CZ signed a 3G network sharing agreement. This agreement currently relates to the provision of high-speed mobile Internet to areas without broadband coverage. Commercial trials are expected to begin in the second quarter of 2011.

Fastest mobile broadband network in Hungary and best network in the Czech Republic. Based on measurement data recently published in Hungary and provided by all Hungarian mobile communications companies to the National Media and Communication Authority every year, T-Mobile Hungary has the fastest mobile broadband network in Hungary, with a download speed of up to 2.45 Mbit/s and an upload speed of up to 818 kbit/s. Independent tests carried out by P3 Communications on the 2G and 3G networks in many European countries have found that T-Mobile CZ is the leading provider of voice and data services. T-Mobile CZ achieved these results by systematically investing in upgrading and building out the network.

New products/Connected life and work.

Deutsche Telekom presents PagePlace online kiosk at CeBIT 2011. Media distribution is one of the growth areas that Deutsche Telekom is focusing on. PagePlace is a digital kiosk and online library for newspapers, magazines and books. Our customers can purchase content at any time, wherever they may be, pay for it securely and easily, and access it from a range of terminal equipment. The beta version was launched at CeBIT for PC, iPad and iPhone. PagePlace should also be available for the first Android devices from the start of May.

Regulatory decisions.

Federal Network Agency announces final approval of mobile termination rates (MTR). On February 24, 2011, the Federal Network Agency announced its final rate approvals for call termination in the mobile networks of the four German mobile network operators. Accordingly, the following mobile termination rates apply with retroactive effect from December 1, 2010: Telekom Deutschland 3.38 eurocents per minute, Vodafone and E-Plus 3.36 eurocents per minute and Telefónica O₂ Germany 3.39 eurocents per minute (source: Federal Network Agency).

Federal Network Agency suggests new rates for the last mile. The Federal Network Agency published its proposed rates for the unbundled local loop (ULL) on March 31, 2011, requiring Telekom Deutschland to provide the ULL to its competitors for EUR 10.08 a month from April 1, 2011. The new rates will apply until a final rates approval is issued, but not longer than June 30, 2013.

Developments at senior management level.

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

Employees.

2011 collective bargaining successfully concluded after arbitration. In the arbitration proceedings for the 2011 collective bargaining for Deutsche Telekom AG, Telekom Deutschland GmbH and its service companies, the parties reached agreement on March 25, 2011. As a result of this collective bargaining, the salaries of the employees of Deutsche Telekom AG, Telekom Deutschland GmbH and their service companies covered by collective agreements were raised by 3.15 percent as of April 1, 2011. The collective agreement will remain in force until the end of January 2012.

Interim Group management report.

The economic environment.

This section provides additional information on and explains recent changes in the economic situation described in the combined management report for the 2010 financial year, focusing on global economic development, the outlook, the overall economic risks, and regulation.

Global economic development.

The global economy continued its upswing in the first three months of 2011, gaining momentum once more. The overall economic trend rallied not only in emerging economies in recent months, but in most industrialized nations, too.

The growth pattern in our core countries is still uneven. The German and, since the end of the second half of 2010, U.S. economies are demonstrating strong and accelerating upturns. This contrasts with the countries in our Europe segment, where development remained inconsistent in the first few months of 2011. Both a historical and a relative comparison generates the following picture: Development in Poland and Austria is robust. The Netherlands, the Czech Republic, Hungary and Slovakia are growing moderately. Croatia and Romania are still in a difficult situation, but are showing the first signs of economic recovery. Greece is still in recession.

Outlook.

In their spring report, the institutes of the Joint Economic Forecast Project Group (Projektgruppe Gemeinschaftsdiagnose) revised their forecasts for development in 2011 and 2012. They predict that German GDP will grow by 2.8 percent in 2011 and by 2.0 percent in 2012. In the United States, increases of 3.0 percent and 2.8 percent are anticipated for the same years. For Greece, the Project Group is forecasting a decline of 3.2 percent in 2011 followed by a slight increase of 0.3 percent in 2012. It expects the GDP of countries in Central and Eastern Europe to rise by 3.0 percent in 2011 and by 3.5 percent in 2012.

Overall economic risk.

In addition to the risks facing the global economy as described in the 2010 Annual Report, the world is currently exposed to possible economic threats and the consequences resulting from the natural disaster and nuclear crisis in Japan, as well as the increase in oil prices precipitated by the political crises in North African and Arab countries.

Based on experience, the institutes of the Joint Economic Forecast Project Group assume that the macroeconomic effects of natural disasters in industrialized countries are not serious. Although this event has far-reaching economic repercussions for Japan, the impact on the global economy is likely to be perceptible for a short time only.

With regard to the rise in oil prices, the Project Group believes that it is not merely a reflex reaction to the supply bottlenecks caused by the political crises in North African and Arab countries, but that the most recent increase is more likely to be the result of an upturn in the global economy.

Regulatory influence on Deutsche Telekom's business.

At the end of March 2011, the Federal Network Agency issued the regulatory order on unbundled local loop lines (ULLs). This essentially confirms the existing obligations for unbundled access to ULLs. The obligation to provide access to the cable duct between the main distribution frame and the multi-functional street cabinet remains in force. The Federal Network Agency has also (re)imposed an obligation to provide access to dark fiber for the section between the main distribution frame and the multi-functional street cabinet. However, this obligation only applies in the event that no cable duct capacity is available. As a supplementary requirement, the Federal Network Agency includes access to fiber-optic ULL purely in the current regulatory regime, though rates are subject to ex-post control.

On March 31, 2011, the Federal Network Agency set the monthly rental for the ULL for the period from April 1, 2011 to June 30, 2013 as part of a provisional rate approval procedure. A charge of EUR 10.08 (previously: EUR 10.20, rate applied for: EUR 12.90) was approved for the most important subscriber line option – the copper wire pair. This constitutes a reduction of 1.18 percent. A rate of EUR 7.17 per month was set for the ULLs to which access is provided at a feeder distribution interface – a decrease of 0.55 percent compared with the previous rate of EUR 7.21. The rate applied for was EUR 9.58 a month.

Initially, the rates have merely been approved on a provisional basis because the draft resolution has yet to be discussed as part of consultation procedures at both national and EU level and changes may arise in the course of this process. A final decision is currently expected to be reached by the end of June 2011.

Group strategy and Group management.

Group strategy.

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

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

After successfully implementing our preceding strategy called “Focus, fix and grow” between 2007 and 2009, we have been developing our strategic approach further with the new Fix – Transform – Innovate strategy we presented in March 2010. We are focusing specifically on the challenges and opportunities in the market, which will safeguard our successful position in the long term. Our vision is still to become an international market leader for connected life and work. This is why we will systematically restructure our business model in the coming years – with investments in intelligent networks, with IT services and with Internet and network services. The aim of this strategic approach is to expand our activities across the entire value chain and position ourselves as an open partner for consumers and business customers as well as for the Internet sector.

We have defined five new strategic action areas:

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

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

Improve the performance of mobile-centric assets.

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

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

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

Leverage One Company in integrated assets.

We are continuing to integrate fixed-network and mobile communications – an approach we had taken under the One Company project – as planned and again in line with the new strategy. On the back of the successfully completed integration in Germany and several European markets (e.g., Croatia and Slovakia), we can generate additional revenues, further improve our customer service and leverage synergies. We have also reorganized our activities in Europe with good results: EBITDA margins in the integrated markets are still at a high level despite the challenging economic situation in some countries.

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

Build networks and processes for the gigabit society.

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

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

We have already started out on the path to achieving these goals. We purchased additional mobile frequency spectrum in several countries, including Germany, the Netherlands, and Austria. We made further progress with our network roll-out and put more than 3,000 additional UMTS sites into operation in Germany in 2010. On top of this, we have started to roll out the LTE network in several countries.

We are also expanding our networks on the fixed-network side. Our billion-euro investments ensure that more and more households will be covered by fast broadband lines. Put into figures: We have marketed around 12 million broadband lines in Germany, which makes us market leader. On top of this, well over 300,000 customers have already opted for a VDSL line from Deutsche Telekom.

Connected life across all screens.

One strategic goal is the provision of innovative, non-device-specific and convergent services. In our view, the greatest opportunities for growth lie in making data services mobile, particularly on the mobile Internet. We are marketing our own key solutions for connected life, such as innovative communication services centered around the personalized, network-based address book that we have successfully launched on the market in five countries (e.g., myPhonebook in Germany). Needless to say, we also place a great deal of emphasis on ensuring that our customers have attractive handsets. Initial sales of smartphones have been strong. Around 50 percent of all handsets sold in Germany are smartphones.

Deutsche Telekom is also positioning itself as a pioneer for digital content, by linking and distributing personalized media content. We have made some targeted acquisitions (e.g., ClickandBuy and STRATO), all of which are valuable additions to Deutsche Telekom's portfolio in the high-growth Internet business. Our prominent position in the European TV market is yet another success factor. By the end of 2010, we had already sold 1.6 million Entertain packages in Germany since market launch and expanded our TV customer base in Southern and Eastern European markets to 2.3 million which corresponds to a 23.0-percent increase against 2009.

Connected work with unique ICT solutions.

Deutsche Telekom provides customized ICT solutions for business customers and draws on the services of T-Systems in the ongoing standardization of its internal IT solutions. In pursuit of this task, T-Systems will continue to be re-structured and its profitability raised to industry level. T-Systems succeeded in increasing its external revenue from IT services in 2010, with particular gains in international markets.

We have developed intelligent, innovative offerings centering around secure cloud services that our business customers are happy to use. We are positioning T-Systems as an open partner, also for other sectors, with the aim of leveraging growth opportunities for ICT solutions in sectors that are undergoing major changes. As part of this initiative, we have created four new business areas for developing intelligent network solutions: energy, healthcare, media distribution, and the connected car. These also got off to a good start. At CeBIT 2010, for instance, we signed an agreement with Continental for the joint development of an open, flexible, and future-proof infotainment concept for connected cars. In addition, we were successful in establishing a partnership with ABB to develop smart grids of the future.

Growth areas of Deutsche Telekom.

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

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

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

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

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

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

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

Growth areas of Deutsche Telekom.

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

Our overall objective is to almost double revenue in the growth areas by 2015, from EUR 15 billion in 2009 to around EUR 29 billion in 2015 (subject to adjustment after implementation of the closing of the sale of T-Mobile USA to AT&T). We will therefore continue to systematically implement all five strategic action areas in 2011.

Group management.

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

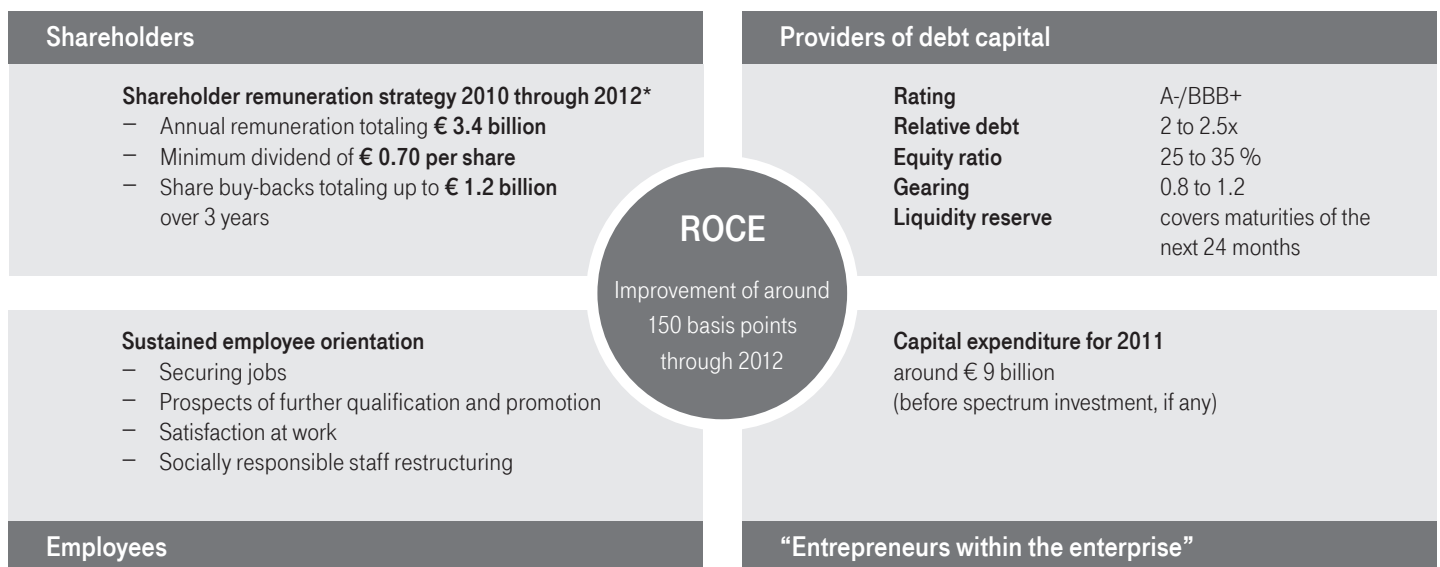
- **Shareholders** expect an appropriate, reliable return on their capital employed.
- **Providers of debt capital** and banks expect an appropriate return and that Deutsche Telekom is able to repay its debts.

- **Employees** expect jobs that are secure in the long term, prospects for the future, and that any necessary staff restructuring will be done in a socially responsible manner.
- **"Entrepreneurs within the enterprise"** expect sufficient investment funding to be able to shape Deutsche Telekom's future business and to develop products, innovations, and services for the customer.

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

Finance strategy.

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



* Please refer to footnote 2 on page 45.

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

For us **ROCE (return on capital employed)** is the main benchmark for focusing all operational measures on increasing the value of the Group. We believe that ROCE best reflects the expectations of the aforementioned groups of

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

Development of business in the Group.

Discontinued operations (United States operating segment).

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

The consolidated income statement was consequently adjusted with retro-active effect. This adjustment was necessary, as the United States operating segment must be recognized in the consolidated financial statements as a discontinued operation in the first quarter of 2011 as a result of the aforementioned agreement.

Thus the contributions of the United States operating segment are no longer included in the individual items of the consolidated income statement. Instead, profit/loss after taxes is included in aggregate form in the item "Profit/loss after taxes from discontinued operations." Assets and the directly associated liabilities of the United States operating segment are shown as held for sale in the consolidated statement of financial position. For further information, please refer to the interim consolidated financial statements.

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

Effects of changes in the composition of the Group.

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

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

	Excluding T-Mobile UK			Including T-Mobile UK		
	Q1 2011 millions of €	Q1 2010 millions of €	Change %	Q1 2011 millions of €	Q1 2010 millions of €	Change %
Revenue from continuing and discontinued operations	14,597	15,054	(3.0)	14,597	15,812	(7.7)
Revenue from continuing operations	10,830	11,244	(3.7)	10,830	12,002	(9.8)
EBITDA (adjusted for special factors) from continuing and discontinued operations	4,480	4,717	(5.0)	4,480	4,890	(8.4)
EBITDA (adjusted for special factors) from continuing operations	3,609	3,709	(2.7)	3,609	3,882	(7.0)
Net profit (loss)	480	847	(43.3)	480	767	(37.4)
Net profit (loss) (adjusted for special factors)	701	966	(27.4)	701	891	(21.3)
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	1,061	1,432	(25.9)	1,061	1,439	(26.3)
Cash capex	(2,120)	(1,873)	(13.2)	(2,120)	(1,934)	(9.6)

Results of operations of the Group.

Net revenue.

In the first three months of the 2011 financial year, we generated net revenue from continuing operations of EUR 10.8 billion, a decrease of EUR 1.2 billion or 9.8 percent compared with the first quarter of 2010. The change in the composition of the Group described on the previous page resulting from the deconsolidation of T-Mobile UK had a negative effect of EUR 0.8 billion on this development. Exchange rate effects did not have any significant impact on net revenue from continuing operations. Excluding these effects, net revenue from continuing operations decreased by EUR 0.4 billion or 4.0 percent.

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

Revenue in our **Germany** operating segment was 3.2 percent down on the first quarter of 2010 at EUR 6.0 billion. This was mainly due to declining revenues from voice telephony in both mobile communications and the fixed network. Adjusted for the price effect of the reduction in termination rates from December 2010, the first-time consolidation of ClickandBuy and the discontinuation of trade with mobile prepaid cards of other carriers, which was stopped as part of the measures for value-driven growth, we reduced the year-on-year decline in our revenue to 2.0 percent (revenue decline in the first quarter of 2010: 2.2 percent). This trend was partially offset by growing demand for complete packages with mobile data rates and broadband TV revenue, as well as the positive development of smartphone revenues.

In the first quarter of 2011, the **Europe** operating segment generated revenue of EUR 3.7 billion. This represents a decrease of 23.1 percent against the prior-

year quarter. This was impacted by the aforementioned change in the composition of the Group of EUR 0.8 billion. Excluding this effect and adjusted for the slightly positive exchange rate effects, revenue decreased by only 8.0 percent. This decline was primarily caused by the price erosion in almost all European countries. Price reductions were firstly the result of lower mobile termination rates imposed by regulation, and secondly high competitive pressure was having a negative impact on revenue. In addition, special taxes in Hungary had a negative effect on segment revenue. The difficult macroeconomic situation in the countries of Southern and Eastern Europe in particular had a considerable impact on total revenue. Greece and Romania were particularly impacted. They accounted for around 51.1 percent of the decline in revenue from operations. The negative effects were in part offset by encouraging revenue growth in the fixed-network business, primarily in broadband and television.

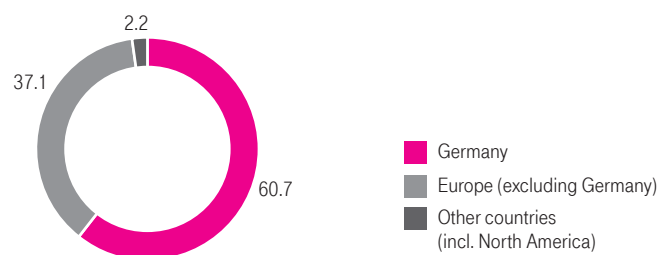
At EUR 3.8 billion, revenue in our **United States** operating segment was slightly down by 1.2 percent compared with the first quarter of 2010. Exchange rate effects from the translation of U.S. dollars had a positive effect on the revenue trend on a euro basis. On a U.S. dollar basis, revenue declined by 2.1 percent, due primarily to a decrease in equipment revenues and T-Mobile USA branded customers resulting in voice revenue declines. Service revenues, on the other hand, increased by 0.4 percent year-on-year on a U.S. dollar basis, primarily due to the strong growth in data revenue and the insourcing of the handset insurance business.

Revenue in our **Systems Solutions** operating segment stood at EUR 2.3 billion in the first quarter of 2011, an increase of EUR 0.1 billion or 6.1 percent compared with the first three months of the prior year. This increase is mainly the result of the revenue from new contracts that T-Systems concluded, e.g., with DekaBank, Deutsche Post DHL and E.ON, this year and in the prior year. The deals offset the general negative price trend in IT and communications.

Contribution of the operating segments to net revenue.

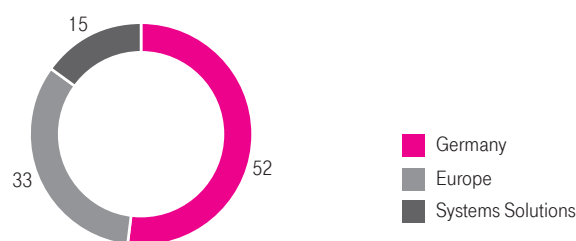
	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Germany	5,991	6,189	(198)	(3.2)	25,145
Europe	3,672	4,774	(1,102)	(23.1)	16,840
United States	3,770	3,814	(44)	(1.2)	16,087
Systems Solutions	2,260	2,131	129	6.1	9,057
Group Headquarters & Shared Services	537	565	(28)	(5.0)	2,166
Intersegment revenue	(1,633)	(1,661)	28	1.7	(6,874)
Net revenue from continuing and discontinued operations	14,597	15,812	(1,215)	(7.7)	62,421
Discontinued operations (United States)	(3,770)	(3,814)	44	1.2	(16,087)
Reconciliation	3	4	(1)	(25.0)	12
Net revenue from continuing operations	10,830	12,002	(1,172)	(9.8)	46,346

Breakdown of revenue from continuing operations by regions (%)



At 52 percent, the **Germany** operating segment provided the largest contribution to the Group's net revenue from continuing operations in the first quarter of 2011. This was up 4 percentage points from 48 percent in the first quarter of 2010. The contribution of the **Systems Solutions** operating segment to net revenue from continuing operations also increased, while the **Europe** operating segment's contribution declined by 6 percentage points compared with the first quarter of 2010, for the aforementioned reasons. The proportion of net revenue from continuing operations generated outside Germany decreased year-on-year in the first quarter of 2011 to 39.3 percent.

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



Adjusted EBITDA.

EBITDA from continuing operations adjusted for special factors amounted to EUR 3.6 billion in the first quarter of 2011, compared with EUR 3.9 billion in the first quarter of 2010. This was primarily due to the change in the composition of the Group due to the deconsolidation of T-Mobile UK, amounting to EUR 0.2 billion. Excluding this effect, adjusted EBITDA from continuing operations decreased by EUR 0.1 billion or 2.7 percent year-on-year.

EBITDA.

In the first three months of 2011, we generated EBITDA from continuing operations of EUR 3.4 billion, down 6.7 percent compared with the first quarter of 2010. Besides a decline in operations, the negative effect was primarily attributable to the change in the composition of the Group due to the deconsolidation of T-Mobile UK and the consequent loss of the company's contribution to EBITDA of EUR 0.2 billion.

Special factors of EUR 0.2 billion negatively affected EBITDA from continuing operations in the first quarter of 2011. They comprised in particular expenses for staff-related measures and non-staff-related restructuring. In the first quarter of 2010, EBITDA from continuing operations was also negatively impacted by EUR 0.2 billion. This mainly related to expenses of EUR 0.1 billion for staff-related measures and non-staff-related restructuring and to expenses of EUR 0.1 billion from the write-off of receivables from the German Main Customs Office for the years 2005 to 2009.

Contribution of the operating segments to adjusted Group EBITDA.

	Q1 2011	Proportion of adjusted Group EBITDA	Q1 2010	Change	Change	FY 2010
	millions of €	%	millions of €	millions of €	%	millions of €
Germany	2,384	66.1	2,299	85	3.7	9,618
Europe	1,226	33.9	1,587	(361)	(22.7)	5,748
United States	871	24.1	1,008	(137)	(13.6)	4,156
Systems Solutions	189	5.2	196	(7)	(3.6)	948
Group Headquarters & Shared Services	(163)	(4.5)	(172)	9	5.2	(870)
Reconciliation	(27)	(0.7)	(28)	1	3.6	(127)
EBITDA (adjusted for special factors) in the Group (continuing and discontinued operations)	4,480	124.1	4,890	(410)	(8.4)	19,473
Discontinued operations (United States)	(871)	(24.1)	(1,008)	137	13.6	(4,156)
Reconciliation	0	0	0	0	0	2
EBITDA (adjusted for special factors) in the Group (continuing operations)	3,609	100.0	3,882	(273)	(7.0)	15,319

The **Germany** operating segment generated a 3.7-percent increase in adjusted EBITDA despite a 3.2-percent decline in revenue. This increase was largely attributable to our large-scale Save for Service program, which aims to implement better service and more effective cost management. Despite the sharp increase in expenses for marketing smartphones, we reduced our operating costs further in the first three months of 2011 with a range of measures in the fields of technology and sales, and by streamlining our support processes.

Our **Europe** operating segment generated adjusted EBITDA of EUR 1.2 billion in the first quarter of 2011, a year-on-year reduction of 22.7 percent. As with the development of revenue, adjusted EBITDA was significantly impacted by the change in the composition of the Group due to the deconsolidation of T-Mobile UK. In addition, adjusted EBITDA decreased as a result of the special tax in Hungary. Positive exchange rate effects from the translation of Czech korunas and Polish zlotys into euros fully offset the negative exchange rate effects from the translation of Hungarian forints and Croatian kunas. Excluding the aforementioned effects, adjusted EBITDA declined 11.6 percent. The decline in revenue was therefore partially offset by cost cuts, for example, by targeting specific customer groups and thus considerably reducing selling expenses.

In the **United States** operating segment, adjusted EBITDA decreased by 13.6 percent year-on-year in the reporting period to EUR 0.9 billion. In addition to the aforementioned decline in revenues, operating costs rose, due in particular to customer retention expenses, increased advertising expenses, and from the expansion of the 4G HSPA+ network.

In the first three months of this year, the **Systems Solutions** operating segment generated adjusted EBITDA of EUR 0.2 billion. Despite an increase in revenue compared with the first quarter of 2010 (up 6.1 percent), adjusted EBITDA decreased by 3.6 percent, primarily due to increased start-up expenses for new contracts. Savings generated by the comprehensive restructuring and efficiency enhancement program Save for Service did not fully offset the rise in costs.

EBIT.

EBIT in the Group from continuing operations decreased year-on-year by EUR 0.2 billion to EUR 1.2 billion in the first quarter of 2011, primarily due to the aforementioned effects. At EUR 2.2 billion, depreciation, amortization and impairment losses were at the same level as in the first quarter of 2010.

Profit/loss before income taxes.

Profit before income taxes from continuing operations decreased by EUR 0.2 billion to EUR 0.6 billion in the reporting period. The slight improvement in financial income/expense was not enough to offset the aforementioned effects. While lower interest income and lower interest expenses cancelled each other out overall, this improvement was primarily attributable to other financial income/expense due to lower expenses from the translation of foreign currency transactions.

Profit/loss from continuing operations.

Profit from continuing operations decreased slightly in the reporting period to EUR 0.5 billion, primarily due to the aforementioned effects. In addition, income tax expense decreased by EUR 0.1 billion year-on-year in the first quarter of 2011, mainly as a result of the lower profit before income taxes. Additionally, the tax rate decreased year-on-year as the composition of profit before income taxes in terms of country-specific contributions changed.

Profit/loss from discontinued operations.

Profit from discontinued operations decreased by EUR 0.2 billion compared with the first quarter of 2010. For an explanation of the development of operations, please refer to the section on the United States operating segment under "Development of business in the operating segments." In addition to the development presented there, an expense of EUR 0.1 billion from deferred taxes arose, which was allocated to discontinued operations.

Net profit.

We generated net profit of EUR 0.5 billion in the first quarter of 2011 compared with EUR 0.8 billion in the first three months of 2010, due to the aforementioned effects. Profit attributable to non-controlling interests remained almost unchanged against the prior-year quarter at EUR 0.1 billion.

Financial position of the Group.

Consolidated statement of financial position.

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

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

	Mar. 31, 2011	Dec. 31, 2010	Change from the reclassification of U.S. operations	Other changes	Mar. 31, 2010
	millions of €	millions of €	millions of €	millions of €	millions of €
Assets					
Current assets	46,976	15,243	32,883	(1,150)	24,616
Cash and cash equivalents	1,676	2,808	(68)	(1,064)	5,553
Trade and other receivables	4,658	6,889	(1,807)	(424)	6,832
Non-current assets and disposal groups held for sale	35,665	51	35,622	(8)	6,776
Other current assets	4,977	5,495	(864)	346	5,455
Non-current assets	76,220	112,569	(32,883)	(3,466)	106,187
Intangible assets	29,432	53,807	(22,748)	(1,627)	53,413
Property, plant and equipment	34,923	44,298	(8,195)	(1,180)	45,361
Investments accounted for using the equity method	6,770	7,242	(25)	(447)	152
Other non-current assets	5,095	7,222	(1,915)	(212)	7,261
Total assets	123,196	127,812	-	(4,616)	130,803
Liabilities and shareholders' equity					
Current liabilities	31,586	26,452	7,855	(2,721)	25,691
Financial liabilities	9,766	11,689	(102)	(1,821)	9,960
Trade and other payables	4,307	6,750	(1,402)	(1,041)	5,856
Current provisions	3,022	3,193	(286)	115	3,455
Liabilities directly associated with non-current assets and disposal groups held for sale	10,253	-	10,253	-	1,456
Other current liabilities	4,238	4,820	(608)	26	4,964
Non-current liabilities	48,954	58,332	(7,855)	(1,523)	60,833
Financial liabilities	38,040	38,857	(8)	(809)	40,980
Non-current provisions	7,512	8,001	(92)	(397)	8,421
Other non-current liabilities	3,402	11,474	(7,755)	(317)	11,432
Shareholders' equity	42,656	43,028	-	(372)	44,279
Total shareholders' equity and liabilities	123,196	127,812	-	(4,616)	130,803

The reclassification of the U.S. operations described on the previous page resulted in a substantial shift in the Group's assets from non-current assets (reduced by 32.3 percent) to current assets (more than tripled). At the same time, non-current liabilities decreased by 16.1 percent, whereas current liabilities increased by 19.4 percent. In total, assets decreased by EUR 4.6 billion and liabilities by EUR 4.2 billion.

The following analysis does not present the reclassification of U.S. operations in detail. For further information, please refer to the interim consolidated financial statements.

Cash and cash equivalents decreased by EUR 1.1 billion compared with December 31, 2010. For detailed information on this change, please refer to the consolidated statement of cash flows and selected notes to the consolidated statement of cash flows in the interim consolidated financial statements.

Trade and other receivables decreased by EUR 0.4 billion. In addition to the decline in operations, this reduction is also attributable to increased receivables as of year-end.

Other **current assets** increased by EUR 0.3 billion. While inventories, recoverable income taxes and financial assets changed only marginally, other assets increased by EUR 0.4 billion. This increase is primarily due to the Group's ongoing advance VAT payments.

The EUR 1.6 billion decrease in **intangible assets** is mainly due to exchange rate effects. The reclassification of the U.S. operations was carried out using values as of March 20, 2011, hence the exchange rate effects from the translation of U.S. dollars into euros had a negative impact of EUR 1.8 billion on this change.

The EUR 1.2 billion decrease in **property, plant and equipment** is also significantly impacted by exchange rate effects of EUR 0.4 billion. Additions of EUR 1.2 billion as well as depreciation and impairment losses of EUR 1.8 billion also contributed substantially to this development.

Investments accounted for using the equity method declined by EUR 0.4 billion, due to negative exchange rate effects of EUR 0.2 billion as well as dividend payments of EUR 0.3 billion.

Current and non-current **financial liabilities** decreased by EUR 2.6 billion compared with the end of 2010. For more information, please refer to the following table and the accompanying explanations.

Shareholders' equity decreased by EUR 0.4 billion to EUR 42.6 billion, due to the development in total other comprehensive income of EUR 0.9 billion (mainly from currency translations from foreign operations). This was contrasted by the positive effect of actuarial gains and losses from pension obligations (EUR 0.3 billion) and profit (EUR 0.6 billion).

Reconciliation of gross debt.

	Mar. 31, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Mar. 31, 2010 millions of €
Financial liabilities (current)	9,766	11,689	(1,923)	(16.5)	9,960
Financial liabilities (non-current)	38,040	38,857	(817)	(2.1)	40,980
Financial liabilities	47,806	50,546	(2,740)	(5.4)	50,940
Accrued interest	(1,034)	(1,195)	161	13.5	(1,161)
Liabilities from corporate transactions	(444)	(1,566)	1,122	71.6	(1,391)
Other	(486)	(467)	(19)	(4.1)	(514)
Gross debt	45,842	47,318	(1,476)	(3.1)	47,874

Net debt.

	Mar. 31, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Mar. 31, 2010 millions of €
Bonds	36,751	38,190	(1,439)	(3.8)	38,722
Liabilities to banks	4,641	4,190	451	10.8	4,559
Liabilities to non-banks from promissory notes	1,144	1,164	(20)	(1.7)	1,124
Derivative financial liabilities	571	561	10	1.8	731
Lease liabilities	1,896	1,934	(38)	(2.0)	1,899
Other financial liabilities	839	1,279	(440)	(34.4)	839
Gross debt	45,842	47,318	(1,476)	(3.1)	47,874
Cash and cash equivalents	1,676	2,808	(1,132)	(40.3)	5,553
Available-for-sale/held-for-trading financial assets	84	75	9	12.0	162
Derivative financial assets	921	835	86	10.3	901
Other financial assets	1,361	1,331	30	2.3	840
Net debt	41,800	42,269	(469)	(1.1)	40,418

Net debt was reduced by EUR 0.5 billion year-on-year, due, on the one hand, to the free cash flow of EUR 1.1 billion and exchange rate effects of EUR 0.7 billion and, on the other, to the payment for the acquisition of the remaining shares in the Polish company PTC (EUR 1.4 billion).

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

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Cash generated from operations (before spectrum investment and PTC transaction)	3,901	3,918	(17)	(0.4)	17,069
Interest received (paid)	(832)	(647)	(185)	(28.6)	(2,338)
Net cash from operating activities (before spectrum investment and PTC transaction)	3,069	3,271	(202)	(6.2)	14,731
Cash outflow for investments in intangible assets (excluding goodwill) and property, plant and equipment (cash capex)	(2,120)	(1,934)	(186)	(9.6)	(8,532)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	112	102	10	9.8	344
Free cash flow (before dividend payments, spectrum investment and PTC transaction)	1,061	1,439	(378)	(26.3)	6,543
Of which: from discontinued operations (United States)	427	606	(179)	(29.5)	2,037

Free cash flow.

Free cash flow of the Group (before dividend payments, spectrum investment and PTC transaction) decreased by EUR 0.4 billion in the first quarter of 2011 compared with the first three months of 2010. Whereas net cash from operating activities decreased by EUR 0.2 billion, cash capex increased by the same amount.

In the first quarter of 2011, net cash from operating activities (before dividend payments, spectrum investment and PTC transaction) decreased by EUR 0.2

billion year-on-year. In addition to a decline from operations, this was attributable to the lower level of receivables sold (factoring) amounting to EUR 0.2 billion and higher interest payments amounting to EUR 0.2 billion. These effects were partially offset by dividends received from the Everything Everywhere joint venture in the first quarter of 2011 amounting to EUR 0.3 billion. The remaining changes in net cash from operating activities consisted of various partially offsetting effects.

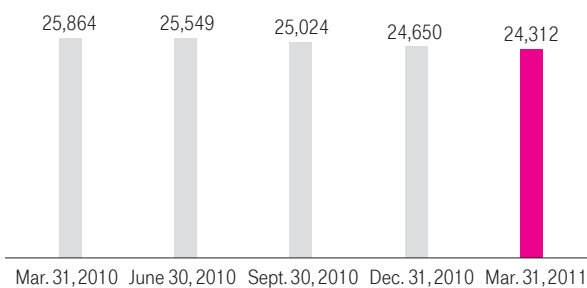
Cash capex increased by EUR 0.2 billion year-on-year in the first quarter of 2011. This increase mainly related to the Germany operating segment.

Development of business in the operating segments.

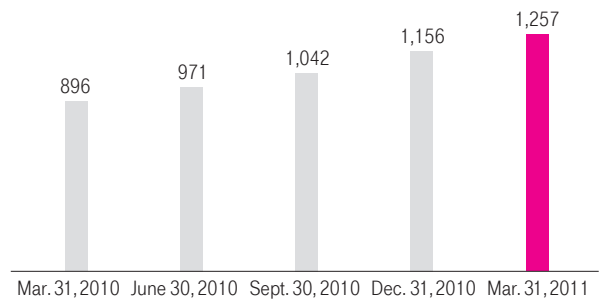
Germany.

Customer development.

Fixed-network lines ('000)

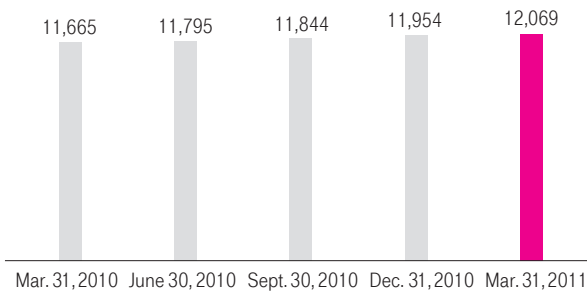


IPTV* ('000)

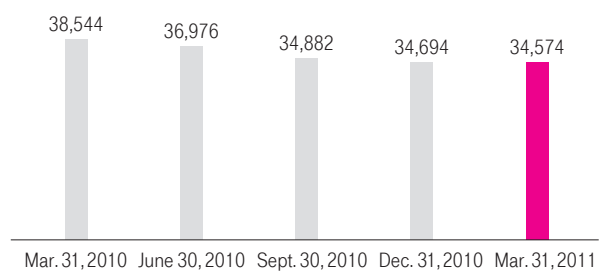


* Customers connected

Retail broadband lines ('000)



Mobile customers* ('000)



* Deregistration of inactive prepaid customers' cards: 4.4 million in FY 2009; 8.3 million in FY 2010, of which 1.5 million in Q1 2010, 2.5 million in Q2 2010, 3.1 million in Q3 2010 and 1.2 million in Q4 2010; 1.0 million in Q1 2011. Since April 1, 2010, Telekom Deutschland GmbH has automatically terminated prepaid cards that have not been topped up for two years and have been inactive for three months.

New revenue reporting by customer groups.

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

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

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

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

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

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

	Mar. 31, 2011	Dec. 31, 2010	Change Mar. 31, 2011/ Dec. 31, 2010 %	Mar. 31, 2010	Change Mar. 31, 2011/ Mar. 31, 2010 %
	millions	millions		millions	
Total					
Fixed-network lines	24.3	24.7	(1.6)	25.8	(5.8)
Retail broadband lines	12.1	12.0	0.8	11.7	3.4
TV	1.3	1.2	8.3	0.9	44.4
Mobile customers ^a	34.6	34.7	(0.3)	38.5	(10.1)
Contract customers	17.2	17.2	-	17.3	(0.6)
Prepay customers	17.4	17.5	(0.6)	21.3	(18.3)
Unbundled local loop lines (ULLs)	9.6	9.5	1.1	9.2	4.3
Wholesale unbundled lines	1.1	1.0	10.0	0.7	57.1
Wholesale bundled lines	0.9	1.0	(10.0)	1.5	(40.0)
Of which: Consumers^b					
Fixed-network lines	19.6	19.9	(1.5)	21.0	(6.7)
Retail broadband lines	9.8	9.7	1.0	9.5	3.2
TV	1.2	1.1	9.1	0.8	50.0
Mobile customers	28.9	29.2	(1.0)	33.2	(13.0)
Contract customers	12.1	12.1	-	12.5	(3.2)
Prepay customers	16.9	17.0	(0.6)	20.7	(18.4)
Of which: Business Customers^b					
Fixed-network lines	3.6	3.6	-	3.7	(2.7)
Retail broadband lines	1.9	1.9	-	1.9	-
TV	0.1	0.1	-	0.1	-
Mobile customers	5.6	5.5	1.8	5.3	5.7
Contract customers	5.1	5.1	-	4.8	6.3
Prepay customers	0.5	0.5	-	0.6	(16.7)

^a Since April 1, 2010, Telekom Deutschland GmbH has automatically terminated prepaid cards that have not been topped up for two years and have been inactive for three months.

^b As part of the One Company initiative, we have aligned our business structure even more closely with the needs of customers. This is why in the first quarter of 2011 we started classifying our mobile communications and fixed-network customer base according to consumer and business use. Prior-year comparatives have been adjusted.

Total.

In the Germany operating segment, we bundle all kinds of mobile communications, broadband and fixed-network telephony services. Over the past few years, we have constantly faced new challenges. Regulatory decisions, increasingly saturated markets, and well-positioned competitors have intensified competition. However, our German operation has held its own in all markets and continues to focus on high-value business.

Connected worlds: telephone, Internet and television.

As of March 31, 2011, some 24.3 million customers had a fixed-network line provided by Deutsche Telekom. Since 2008, however, the numbers of customers lost in the field of traditional fixed-network telephony have been steadily decreasing. Although we recorded line losses of 1.6 percent in the first quarter of 2011 compared with the end of 2010, the losses are smaller than in the first quarter of the previous year. Most of the lost lines are customers who have switched to cable network operators, network infrastructure and Internet service providers, and mobile operators.

Our share of the German broadband market remained stable at around 46 percent at the end of the first quarter of 2011. We recorded around 0.1 million net broadband additions in the first quarter of 2011, i.e., more than in the fourth quarter of the previous year. The total number of broadband lines has thus increased to 12.1 million; this includes 0.4 million customers using VDSL, which allows them to surf the Net with a bandwidth of 25 to 50 Mbit/s. Once again in the first quarter, more than 0.1 million people opted for our Entertain TV package, increasing the number of existing customers to around 1.3 million.

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

In relation to the overall market, we are once again number one in the first quarter of 2011 in terms of mobile revenue in Germany, and we have continued to increase our market share. Our strategy of focusing this business on high-value contract customers has been a success. The number of mobile customers decreased by 0.3 percent compared with the end of 2010, taking it to 34.6 million, but the number of contract customers remained more or less stable in the first quarter of 2011, at 17.2 million. The reasons for this trend can be found in our wide range of attractive and innovative smartphones and in the new rates for data traffic and telephony introduced at the end of 2010. The move to deregister inactive prepaid customers' cards had a negative effect both on 2010 and on the first quarter of 2011.

Consumers.

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

In mobile communications, we have upgraded the service content of the contracts, and at the end of 2010 we started to offer an entry-level double-play package with a data flat rate for the mobile Internet (Call & Surf Mobil). In the new mobile communications portfolio, packages with integrated flat rates for data for the mobile Internet (Call & Surf Mobil and Complete Mobil) have sold especially well.

The decision to deregister inactive prepaid cards caused a decline in the number of subscribers in the first quarter of 2011 compared with the prior-year period.

Business Customers.

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

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

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

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

Wholesale.

The number of unbundled local loop lines (ULLs) increased by 1.1 percent year-on-year, to 9.6 million; network infrastructure providers need this upstream product to access their customers. The number of our bundled wholesale lines declined by 10.0 percent in the first quarter of 2011 to 0.9 million. We expect this trend to continue for the next few years, mainly as a result of the fact that our competitors are switching from bundled to unbundled wholesale products (IP bitstream access, or IP-BSA) in order to optimize their service to their own end-customers. Hence we recorded a growth of 10.0 percent in unbundled products, to 1.1 million.

Development of operations.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Total revenue^a	5,991	6,189	(198)	(3.2)	25,145
Consumers	3,118	3,235	(117)	(3.6)	13,109
Business Customers	1,414	1,377	37	2.7	5,661
Wholesale	1,066	1,141	(75)	(6.6)	4,553
Digital Services	177	199	(22)	(11.1)	866
Value-Added Services	107	130	(23)	(17.7)	498
Other	109	107	2	1.9	458
Profit from operations (EBIT)	1,248	1,171	77	6.6	4,916
EBIT margin %	20.8	18.9			19.6
Depreciation, amortization and impairment losses	(1,067)	(1,014)	(53)	(5.2)	(4,193)
EBITDA	2,315	2,185	130	5.9	9,109
Special factors affecting EBITDA	(69)	(114)	45	39.5	(509)
EBITDA (adjusted for special factors)	2,384	2,299	85	3.7	9,618
EBITDA margin (adjusted for special factors) %	39.7	37.1			38.3
Cash capex	(815)	(651)	(164)	(25.2)	(4,765)
Average number of employees	76,598	80,729	(4,131)	(5.1)	79,364

^a As part of the One Company initiative, we have aligned our business structure even more closely with the needs of customers. From the first quarter of 2011, we report revenue for the consolidated customer segments within the Germany operating segment. The prior-year figures have been adjusted for better comparability.

Total revenue.

Total revenue amounted to EUR 6.0 billion in the first quarter of 2011. The 3.2-percent decline year-on-year was mainly attributable to the downward trend in voice telephony, both in mobile and fixed-network business. Adjusted for the price effect of the reduction in termination rates from December 2010, the first-time consolidation of ClickandBuy and the discontinuation of trade with mobile prepaid cards of other carriers, which was stopped as part of the measures for value-driven growth, we reduced the year-on-year decline in our revenue to 2.0 percent (revenue decline in the first quarter of 2010: 2.2 percent). Management's intensified focus on EBITDA margins and improving revenue trends in the Germany operating segment thus yielded some initial successes. This trend was partially offset by growing demand for complete packages with mobile data rates, broadband TV revenue and the positive trend in smartphone revenue.

Revenue from **Consumers** was down by 3.6 percent to EUR 3.1 billion. The decline was mainly attributable to continuing losses of fixed-network lines and a price effect from the decrease in mobile termination rates. This decrease was partly offset by growth in mobile data and broadband TV revenue. The high demand for mobile handsets, in particular smartphones, increased revenue from terminal equipment.

In the **Business Customers** area, total revenue increased in the first quarter of 2011 by 2.7 percent to EUR 1.4 billion, despite the reduction in termination rates. Revenue growth from mobile communications and broadband Internet more than offset the slight decline in revenue from voice telephony in the traditional fixed-network business.

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

At the beginning of 2011, the **Digital Services** customer segment was broken up into areas to focus on in the longer term and areas that will not be pursued as part of the growth strategy, which ultimately account for the decline in revenue from Digital Services. This trend was partially offset by growth in the Scout24 group in particular, and by increases in online advertising and the first-time consolidation of ClickandBuy.

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

EBITDA, adjusted EBITDA.

Adjusted EBITDA as a percentage of total revenue – the adjusted EBITDA margin – increased by 2.6 percentage points to 39.7 percent compared with the first quarter of the prior year. Adjusted for special factors, EBITDA increased year-on-year by EUR 0.1 billion to EUR 2.4 billion despite the revenue decline. The special factor in the first quarter of 2011 related to provisions recognized for litigation risks.

The increase was partly attributable to our large-scale projects aiming to improve service and make cost management more effective as part of Save for Service. Despite the sharp increase in expenses for marketing smartphones, we reduced our operating costs further in the first three months of 2011 with a range of measures in the fields of technology and sales, and by streamlining our support processes. These included the discontinuation of operations that we do not intend to pursue further as part of our strategy of value-driven growth, and a reduction in cost of sales.

EBIT.

We improved our profit from operations by EUR 0.1 billion compared with the first quarter of 2010, to EUR 1.2 billion. This improvement was achieved in spite of higher depreciation and amortization as a result of the positive trend in EBITDA.

Cash capex.

The increase in our cash capex in the first quarter of 2011 compared with the first quarter of the prior year is mainly attributable to investments made at the end of 2010 but not cash-effective before 2011. In 2011, we are investing mainly in network infrastructure for the next-generation Gigabit society, in connecting high-bit-rate base stations and in the transmission network to support the new mobile communications cells.

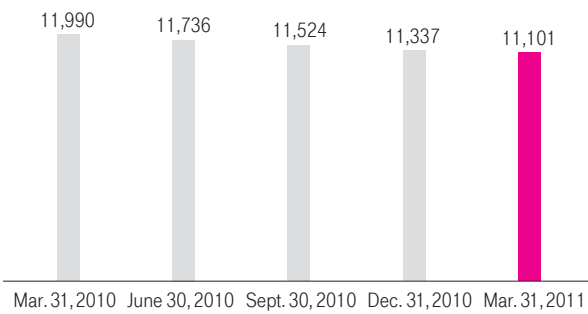
Employees.

As of the end of the first quarter of 2011, we had an average headcount of 76,598 in the Germany operating segment, making us one of the largest employers in Germany. The decline in the headcount compared with the first quarter of 2010 is mainly attributable to our socially responsible staff restructuring and reduction measures, and to staffing changes within the Group.

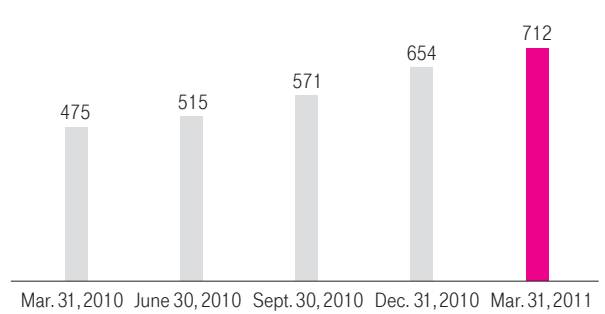
Europe.

Customer development.

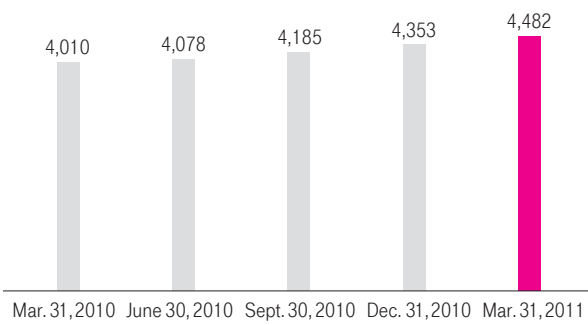
Fixed-network lines ('000)



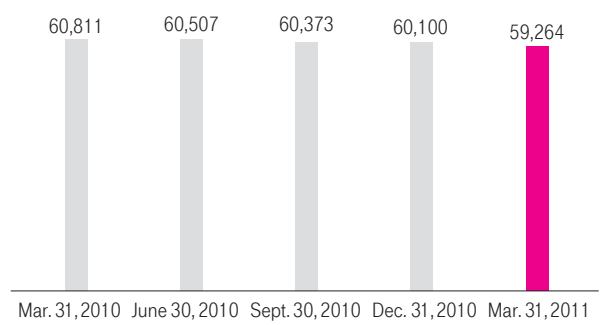
IPTV ('000)



Retail broadband lines ('000)



Mobile customers ('000)



		Mar. 31, 2011	Dec. 31, 2010	Change Mar. 31, 2011/ Dec. 31, 2010 %	Mar. 31, 2010	Change Mar. 31, 2011/ Mar. 31, 2010 %
		millions	millions		millions	
Europe, total^{a,b}	Fixed-network lines	11.1	11.3	(1.8)	12.0	(7.5)
	Retail broadband lines	4.5	4.4	2.3	4.0	12.5
	Wholesale bundled lines	0.2	0.2	-	0.2	-
	Unbundled local loop (ULL)	1.6	1.5	6.7	1.2	33.3
	Mobile customers	59.3	60.1	(1.3)	60.8	(2.5)
Greece	Fixed-network lines	3.6	3.7	(2.7)	4.1	(12.2)
	Broadband lines	1.2	1.1	9.1	1.1	9.1
	Mobile customers	7.6	8.0	(5.0)	8.8	(13.6)
Romania	Fixed-network lines	2.6	2.6	-	2.7	(3.7)
	Broadband lines	1.0	1.0	-	0.8	25.0
	Mobile customers	6.6	6.8	(2.9)	7.2	(8.3)
Hungary^b	Fixed-network lines	1.5	1.7	(11.8)	1.8	(16.7)
	Broadband lines	0.8	0.8	-	0.8	-
	Mobile customers	4.8	5.2	(7.7)	5.1	(5.9)
Poland	Mobile customers	13.2	13.3	(0.8)	13.4	(1.5)
Czech Republic	Fixed-network lines	0.1	0.1	-	0.0	n.a.
	Broadband lines	0.1	0.1	-	0.0	n.a.
	Mobile customers	5.4	5.5	(1.8)	5.4	-
Croatia	Fixed-network lines	1.4	1.4	-	1.5	(6.7)
	Broadband lines	0.6	0.6	-	0.6	-
	Mobile customers	3.0	2.9	3.4	2.8	7.1
Netherlands	Fixed-network lines	0.3	0.3	-	0.3	-
	Broadband lines	0.3	0.3	-	0.3	-
	Mobile customers	4.7	4.5	4.4	4.4	6.8
Slovakia	Fixed-network lines	1.1	1.1	-	1.1	-
	Broadband lines	0.4	0.4	-	0.4	-
	Mobile customers	2.4	2.4	-	2.4	-
Austria	Mobile customers	3.8	3.8	-	3.6	5.6
Other^c	Fixed-network lines	0.5	0.5	-	0.5	-
	Broadband lines	0.2	0.2	-	0.2	-
	Mobile customers	7.7	7.7	-	7.7	-

^a For better comparability, the customers of T-Mobile UK, who were transferred to the Everything Everywhere joint venture as of April 1, 2010 following the merger of T-Mobile UK and Orange UK, were subtracted from all historical customer figures.

^b With effect from January 1, 2011, the business customer base was reclassified and divided between the Europe and Systems Solutions operating segments. As part of this process, the mobile and fixed-network lines of corporate customers in Hungary were reassigned to T-Systems.

^c Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro.

Total.

Customer development in the Europe operating segment was influenced by three key factors in the first quarter of 2011. The still tense macroeconomic situation, especially in Greece, and the effects of the intensely contested markets in all European countries had a negative impact on customer development in Europe. In addition, with effect from January 1, 2011, we reclassified our business customer base in Hungary, dividing it between the Europe and Systems Solutions operating segments. As part of this process, the mobile and fixed-network lines of corporate customers in Hungary were reassigned to T-Systems. Moreover, we were not able to expand our customer base in Greece as planned. The long approval lead times of the Greek regulator prevented us from including the proposed bundles (combined packages of mobile and fixed-network products) in our product portfolio in time. For these reasons, the number of fixed-network lines in our Europe operating segment declined in the first quarter of 2011 compared with the end of 2010. In part, we offset this decline by an increase in broadband lines and in the innovative IPTV business. In the mobile business, the total number of customers decreased only slightly in spite of the negative effect of the customer reclassification in Hungary.

Fixed network.

Connected worlds: telephone, Internet and television.

As of the end of the first quarter of 2011, the number of fixed-network lines stood at 11.1 million, 1.8 percent fewer than at the end of 2010. This is mainly due to the development in Greece and Hungary. In Greece, the economic situation and the resulting intense competitive pressure led to a decline in the number of customers. Additionally, the attitude of the Greek regulator led to delays or cancellations of the market launch of fixed-network bundles we had proposed, meaning we were unable to increase the number of broadband lines marketed as planned. In Hungary, the number of fixed-network lines decreased as a result of the reclassification of the business customer base. All other countries assigned to the segment saw stable line numbers in the fixed-network business. In line with our strategic orientation, we focus on fast and efficient telecommunication networks. For this reason, we are consistently building out our broadband network. As a result, the number of retail broadband lines marketed has increased steadily each quarter. In the first quarter of 2011, the number of retail lines and of bundled and unbundled wholesale lines rose to a total of 4.7 million as compared with the end of 2010. All countries of our Europe operating segment contributed to this result. In addition, the IPTV business grew considerably, by 8.9 percent, as compared with the end of 2010, driven above all by Hungary and Greece, which recorded the highest, double-digit growth rates. This positive development shows that marketing broadband and television products is the right way forward.

Mobile communications.

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

We had a total of 59.3 million mobile customers in our Europe segment in the first quarter of this year. That corresponds to a slight decrease of 1.3 percent. This decrease is primarily attributable to Hungary, Greece and Romania. It was offset by a growth in total customer numbers in the Netherlands and Croatia and stable customer development in all other countries in the segment. Almost two thirds of customers lost in the first quarter of 2011 came from the prepay segment, which accounted for 56.0 percent of the total customer base. The largest share of these losses was attributable to Greece and Romania. In Greece, we deregistered 0.7 million inactive prepay customers, because they had to date not met the legal registration requirements. The number of prepay customers also declined in Romania, firstly because inactive customers were deregistered and secondly due to the difficult economic situation.

The development of the high-value contract-customer business was sound in the first quarter of 2011 in spite of the significant decline in customer numbers as a result of reclassifying the business customer base in Hungary. Strong growth, for example in the Netherlands, Croatia, the Czech Republic, and Albania, partially offset the reclassification-driven decline in Hungary. Overall, we maintained the number of contract customers as a proportion of the total number of customers in the Europe operating segment at 44.0 percent, similar to the level as at the end of 2010. This positive development was the result of our focus on our strategic aim of winning and retaining high-value customers. The marketing of attractive rates, with inclusive minutes, flat rates, and new hardware offers in conjunction with a long-term contract, helped us achieve this aim. As part of our connected life and work strategy, we successfully targeted new groups of customers with innovative data and content services for the mobile Internet and innovative mobile devices. Smartphones played a central role, accounting for a significantly increased proportion of handsets sold in the Europe operating segment.

Development of operations.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Total revenue	3,672	4,774	(1,102)	(23.1)	16,840
Of which: Greece	863	997	(134)	(13.4)	3,876
Of which: Romania	262	291	(29)	(10.0)	1,165
Of which: Hungary	352	402	(50)	(12.4)	1,517
Of which: Poland	440	441	(1)	(0.2)	1,839
Of which: Czech Republic	268	279	(11)	(3.9)	1,157
Of which: Croatia	256	267	(11)	(4.1)	1,148
Of which: Netherlands	418	442	(24)	(5.4)	1,767
Of which: Slovakia	202	230	(28)	(12.2)	934
Of which: Austria	229	248	(19)	(7.7)	983
Of which: United Kingdom	-	783	(783)	n.a.	783
Of which: Other ^a	435	462	(27)	(5.8)	1,937
Profit from operations (EBIT)	365	675	(310)	(45.9)	985
EBIT margin %	9.9	14.1			5.8
Depreciation, amortization and impairment losses	(801)	(859)	58	6.8	(4,157)
EBITDA	1,166	1,534	(368)	(24.0)	5,142
Special factors affecting EBITDA	(60)	(53)	(7)	(13.2)	(606)
EBITDA (adjusted for special factors)	1,226	1,587	(361)	(22.7)	5,748
Of which: Greece	327	376	(49)	(13.0)	1,433
Of which: Romania	61	72	(11)	(15.3)	281
Of which: Hungary	145	162	(17)	(10.5)	567
Of which: Poland	144	169	(25)	(14.8)	691
Of which: Czech Republic	136	135	1	0.7	551
Of which: Croatia	104	113	(9)	(8.0)	507
Of which: Netherlands	82	102	(20)	(19.6)	461
Of which: Slovakia	95	107	(12)	(11.2)	403
Of which: Austria	60	83	(23)	(27.7)	283
Of which: United Kingdom	-	167	(167)	n.a.	167
Of which: Other ^a	69	106	(37)	(34.9)	426
EBITDA margin (adjusted for special factors) %	33.3	33.2			34.1
Cash capex	(512)	(568)	56	9.9	(2,012)
Average number of employees	62,366	70,125	(7,759)	(11.1)	65,435

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

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

Total revenue.

In the first quarter of 2011, the Europe operating segment generated total revenue of EUR 3.7 billion, a decrease of 23.1 percent compared with the prior-year period. This decline is primarily due to the deconsolidation of T-Mobile UK as of April 1, 2010 and the reclassification of the business customer base in Hungary. Overall, marginally positive exchange rate effects against the euro resulted in an improvement in segment revenue, with above all the Czech koruna and the Polish zloty more than offsetting the negative exchange rate effects of the Hungarian forint and the Croatian kuna. Adjusted for these factors, segment revenue was down just 8.0 percent. This decline was primarily caused by the price erosion in almost all European countries. Price reductions were firstly the result of lower mobile termination rates imposed by regulation, and secondly high competitive pressure was having a negative impact on revenue. In addition, special taxes in Hungary had a negative effect on segment revenue. The difficult macroeconomic situation in the countries of Southern and Eastern Europe in particular had a considerable impact on total revenue. Greece and Romania were particularly impacted. They accounted for around 51.1 percent of the decline in revenue from operations. The negative effects were in part offset by encouraging revenue growth in the fixed-network business, primarily in broadband and television.

Greece. In Greece, revenue decreased by 13.4 percent year-on-year in the first quarter of 2011. These declines affected both the fixed-network and the mobile business. In the fixed network, line losses had a negative impact on revenue. In part, this decline was offset by positive developments in wholesale and TV revenue. The mobile business was mainly affected by intense competition and the tough macroeconomic situation in the first quarter of 2011. These factors led to a reduction in service revenue as compared with the previous year. In addition, the prepay registration requirements and the regulation-induced reduction in termination rates had a negative impact on revenue. This was offset by slight increases in roaming and content revenue.

Romania. Revenue in Romania was down by 10.0 percent in the first quarter of 2011, in particular as a result of the continuing price war in the Romanian telecommunications market and the still tense economic situation, which triggered line losses in both traditional fixed-network and mobile business. Strong broadband customer growth and the resulting slight increases in revenue partially offset the decline in the traditional fixed-network business. In the mobile business, service revenue was only marginally down, tracking lower revenue from monthly charges and text messages. Higher voice-telephony revenue, on the other hand, made a positive contribution and partially offset this decrease.

Hungary. In Hungary, we generated revenue of EUR 352 million in the first quarter. This decline of 12.4 percent was primarily due to two factors. Firstly, the special tax imposed by the Hungarian government at the end of last year reduced revenue by EUR 20 million. In addition, the reclassification of the business customer base had a negative impact on revenue of around EUR 13 million. The unfavorable development of the exchange rate of the Hungarian forint against the euro exacerbated the effect on the result. Adjusted for these factors, the decline in revenue from operations was only 3.1 percent year-on-year, primarily caused by the general economic situation. Higher broadband and TV revenue only partially offset the revenue losses in the traditional fixed-network business. In mobile communications, service revenue was down, especially from voice telephony. Here, revenue was negatively affected by price reductions driven by intense competition and lower mobile termination rates.

Poland. Due to positive exchange rate effects of the Polish zloty against the euro, we stabilized our revenue in Poland at the prior-year level, generating EUR 440 million in the first quarter of 2011. Service revenue from operations declined slightly, mainly due to lower revenue from voice telephony and text messages. These decreases in revenue were almost fully offset by higher revenue from monthly charges and data services as well as lower price discounts.

Czech Republic. Compared with the prior-year quarter, revenue in the Czech Republic decreased by 3.9 percent to EUR 268 million. Positive exchange rate effects from the translation of Czech korunas to euros only partly compensated for the decrease in revenue from operations. This was primarily due to lower service revenue, which was negatively impacted by two regulation-induced reductions in termination rates. Revenues from voice telephony and data services decreased. This was partially offset by higher monthly charges and higher revenues from terminal equipment on the back of an increase in the number of handsets sold. Moreover, the encouraging increase in fixed-network business made a positive contribution to revenue and offset declines elsewhere.

Croatia. In the first quarter, we generated revenue of EUR 256 million in Croatia. This constitutes a reduction of 4.1 percent. Adjusted for the negative exchange rate effects from the translation of Croatian kunas to euros, the decline in revenue was only 2.5 percent. The mobile business was the main reason for the slight decline in revenue from operations. Reductions in termination rates imposed by regulation in January 2011 had a negative impact on service revenue. Lower revenue from data services and visitors additionally reduced revenue. By contrast, revenue from operations in the fixed-network business grew compared with the prior-year period. Positive revenue contributions from the strong increase in broadband and TV lines and the revenues from ICT business more than offset the decline in revenue from traditional fixed-network business.

Netherlands. In the Netherlands, revenue declined by 5.4 percent year-on-year to EUR 418 million in the first quarter of 2011, primarily as a result of lower service revenue. Three regulatory decisions to reduce termination rates imposed within the past nine months resulted in significant losses in revenue from voice telephony. Moreover, a decline in online revenue also had a negative impact. The negative effect of lower termination rates was partially offset by a rise in revenue from monthly charges, roaming, text messages, and an increase in the number of handsets sold.

Slovakia. In Slovakia, revenue decreased by 12.2 percent to EUR 202 million in the first quarter of 2011. Most of this decline in revenue was attributable to lower mobile revenue. Intense competition resulted in a reduction in voice-telephony revenue, while lower visitor revenue had an additional negative impact on service revenue. Higher non-voice revenue only partially offset these negative factors. Revenue also remained under pressure in the fixed-network business. In spite of the positive development of broadband lines and the successful marketing of the television products IPTV and satellite TV, revenue, in particular from IP and Internet fees, decreased compared with the prior-year quarter.

Austria. Revenue in Austria decreased by 7.7 percent year-on-year, to EUR 229 million. This decline, which primarily related to service revenue, was the result of intense competition and reductions in termination rates imposed by regulation. Higher revenue from monthly charges in part offset the decline in revenue.

EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 1.2 billion in the first quarter of 2011, a year-on-year reduction of 22.7 percent. Almost half of this decline in EBITDA was attributable to the deconsolidation of T-Mobile UK as of April 1, 2010. In addition, adjusted EBITDA decreased as a result of the special tax in Hungary and the reclassification of the Hungarian business customer base. Positive exchange rate effects from the translation of Czech korunas and Polish zlotys into euros fully offset the negative exchange rate effects from the translation of Hungarian forints and Croatian kunas. Excluding the aforementioned effects, adjusted EBITDA declined by 11.6 percent. Significant potential savings in overhead costs were realized, for example, by targeting specific customer groups and thus considerably reducing selling expenses.

Greece. In the first quarter of 2011, we generated adjusted EBITDA of EUR 327 million in Greece. This 13.0-percent decline was primarily the result of the year-on-year decline in revenue. Savings in overheads and efficiency-enhancing initiatives, such as the staff reduction measures taken in the previous year, now had a positive effect on EBITDA.

Romania. In Romania, adjusted EBITDA declined by 15.3 percent compared with the prior-year quarter, to EUR 61 million, primarily due to the decrease in revenue in the fixed-network business and higher marketing expenses in response to strong competition. Savings in overheads were insufficient to fully offset these effects. By contrast, we generated higher adjusted EBITDA in the mobile business, although this only partially offset the negative impact of the decline in EBITDA in the fixed-network business. By keeping marketing expenses at a moderate level in the first quarter of 2011, we offset the negative impact of the decline in revenue in the mobile business.

Hungary. In the first quarter of 2011, adjusted EBITDA was down 10.5 percent year-on-year to EUR 145 million. This result was driven in particular by the introduction at the end of 2010 of a new special tax, which was responsible for a year-on-year decline in EBITDA of around EUR 20 million. In addition, the reclassification of the business customer base had a negative effect on earnings. Adjusted for these two factors and the slightly negative exchange rate effects from the translation of Hungarian forints into euros, EBITDA grew by 7.1 percent. Efficiency-enhancing measures countered the decline in revenue from operations.

Poland. In Poland, adjusted EBITDA decreased by 14.8 percent to EUR 144 million. Compared with the prior-year period, we made significant investments in acquiring and retaining customers in the first quarter of 2011 to protect our high-value customer base. In this context, selling and customer service expenses also increased.

Czech Republic. Thanks to the positive exchange rate effects from the translation of Czech korunas into euros, adjusted EBITDA in the Czech Republic slightly increased year-on-year to EUR 136 million in the first quarter of the current year. In local currency, adjusted EBITDA decreased, in particular due to the negative impact of the decline in revenue. Lower customer acquisition costs and a reduction in overheads cushioned the negative effect of the decline in revenue.

Croatia. In Croatia, adjusted EBITDA decreased by 8.0 percent to EUR 104 million in the first quarter of 2011, tracking the development in the mobile business. Savings in overheads were insufficient to fully offset the negative effect of lower mobile revenue and higher customer acquisition and retention costs. By contrast, adjusted EBITDA from the fixed-network business increased year-on-year, driven by, among other factors, efficiency gains achieved through the Save for Service program.

Netherlands. In the first quarter of 2011, adjusted EBITDA in the Netherlands was down 19.6 percent to EUR 82 million. Apart from the decrease in revenue, the decline in earnings was attributable to higher customer retention costs. It was partially offset by savings in overheads.

Slovakia. In Slovakia, adjusted EBITDA decreased by 11.2 percent year-on-year to EUR 95 million in the first quarter of 2011. Lower customer retention costs in mobile communications and savings in overheads were insufficient to fully offset the negative revenue effect in mobile and fixed-network business.

Austria. In Austria, adjusted EBITDA declined year-on-year in the first quarter of 2011. The main contributor to this decrease was a positive one-time factor in the first quarter of 2010, which did not recur in the same way in the first quarter of 2011. The decline was partially offset by lower customer acquisition costs and savings in overheads.

EBIT.

In our Europe operating segment, EBIT declined year-on-year to EUR 365 million in the first quarter of 2011. The decrease is primarily attributable to lower EBITDA. Lower depreciation and amortization charges at segment level, especially in Greece, resulted in an improvement in EBIT, but were unable to offset the negative effect of the decline in EBITDA.

Cash capex.

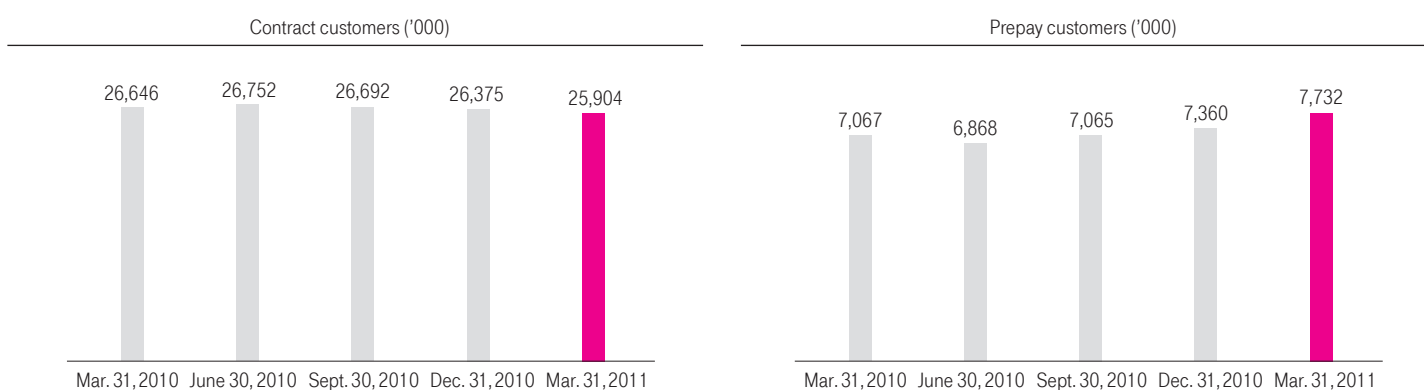
As of March 31, 2011, our Europe operating segment reported total cash capex of EUR 512 million. This corresponds to a year-on-year decline of 9.9 percent, or EUR 56 million, most of which is attributable to the deconsolidation of T-Mobile UK. In addition, the difficult market situation and charges such as the special tax in Hungary, led to restrained investment activity in most countries. The only significant increases in capital expenditure were recorded in the Czech Republic and in the Netherlands.

Employees.

The Europe operating segment employed 62,366 people on average in the first quarter of 2011. Compared with the prior-year quarter, the headcount decreased by 11.1 percent, primarily due to the deconsolidation of T-Mobile UK. Downsizing programs as part of efficiency enhancement measures in several countries also reduced the average headcount. By contrast, some smaller-scale acquisitions added marginally to the headcount.

United States (discontinued operations).

Customer development.



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

At March 31, 2011, the United States operating segment (T-Mobile USA) had 33.6 million customers, a decrease in customers of 99,000 for the first quarter of 2011 compared to a decrease of 77,000 for the first quarter of 2010. The decline in total customers year-on-year was due to the loss of branded customers (total customers excluding MVNO and connected devices) partially offset by continued growth in wholesale customers (MVNO and connected devices). In the first quarter of 2011, T-Mobile USA lost 471,000 contract customers compared to 118,000 contract customers lost in the first quarter of 2010. In the first quarter of 2011, contract customer losses were impacted primarily by a decline in postpay customer gross additions and higher postpay churn, which was partially offset by growth in the connected device business. Connected device

customers totaled 2.1 million at March 31, 2011. Total prepaid customers increased by 372,000 in the first quarter of 2011, compared to 41,000 customers added in the first quarter of 2010. The change in net prepaid customer additions in the first quarter of 2011 was due primarily to unlimited prepaid product growth, including MVNOs. At March 31, 2011, T-Mobile USA had 3.2 million MVNO customers.

T-Mobile USA's blended churn increased to 3.4 percent per month in the first quarter of 2011 from 3.1 percent per month in the first quarter of 2010. Year-on-year, blended churn increased due primarily to higher contract churn from continued competitive pressures.

Development of operations.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Total revenue	3,770	3,814	(44)	(1.2)	16,087
Profit from operations (EBIT)	401	544	(143)	(26.3)	2,092
EBIT margin %	10.6	14.3			13.0
Depreciation, amortization and impairment losses	(463)	(464)	1	0.2	(2,064)
EBITDA	864	1,008	(144)	(14.3)	4,156
Special factors affecting EBITDA	(7)	-	(7)	n.a.	-
EBITDA (adjusted for special factors)	871	1,008	(137)	(13.6)	4,156
EBITDA margin (adjusted for special factors) %	23.1	26.4			25.8
Cash capex	(546)	(481)	(65)	(13.5)	(2,121)
Average number of employees	36,237	38,663	(2,426)	(6.3)	37,795

Total revenue.

Total revenue at the United States operating segment (T-Mobile USA) of EUR 3.8 billion for the first quarter of 2011 was comparable to EUR 3.8 billion for the first quarter of 2010. In U.S. dollars, revenues of T-Mobile USA declined by 2.1 percent year-on-year, due primarily to a decrease in equipment revenues and T-Mobile USA branded customers resulting in voice revenue declines. However, service revenues increased by 0.4 percent year-on-year due to strong growth in data revenues from customers using smartphones with mobile broadband data plans. The number of customers using 3G and 4G smartphones (which include UMTS/HSPA/HSPA+ enabled smartphones) was 9.1 million at the end of the first quarter of 2011, significantly higher than the 5.2 million at the end of the first quarter of 2010. Additionally, T-Mobile USA's first quarter of 2011 total and service revenues benefitted from the launch of T-Mobile USA's hand-set protection insurance program in the fourth quarter of 2010.

EBITDA, adjusted EBITDA.

EBITDA decreased year-on-year in the first quarter of 2011 by 14.3 percent to EUR 0.9 billion compared to EUR 1.0 billion in the first quarter of 2010. In U.S. dollars, EBITDA fell due to the decrease in revenues, as discussed above, combined with an increase in operating expenses. Operating expenses were higher year-on-year due primarily to increased retention expenses related to T-Mobile USA's focus on building branded customer loyalty, and an increase in operating costs associated with the build out of the 4G HSPA+ network. Marketing and employee-related expenses were also higher year-on-year. Adjusted EBITDA of EUR 871 million excludes special factors of EUR 7 million in employee-related expenses associated with the pending AT&T acquisition.

EBIT.

EBIT (profit from operations) decreased year-on-year by 26.3 percent to EUR 401 million in the first quarter of 2011 from EUR 544 million in the first quarter of 2010 driven by the factors described above and higher network depreciation expenses from 2010's significant 4G network build-out.

Cash capex.

Cash capex increased year-on-year to EUR 546 million in the first quarter of 2011 from EUR 481 million in the first quarter of 2010, due to network coverage expansion and the upgrade to HSPA+ 42, which will double the theoretical download speed of T-Mobile USA's 4G network. T-Mobile USA currently offers its customers America's largest 4G network with HSPA+ service available in 167 markets reaching over 200 million people. By mid-2011, T-Mobile USA expects to cover more than 140 million Americans in over 25 markets with access to its most advanced 4G mobile broadband network speeds (i.e., 42 Mbit/s).

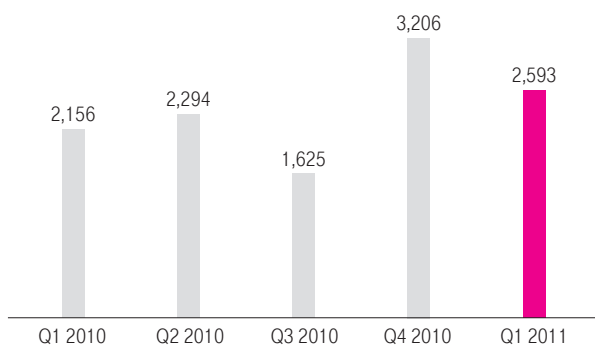
Employees.

The average number of employees in the first quarter of 2011 decreased year-on-year by 6.3 percent compared to the first quarter of 2010. This decrease was due in part to fewer customer support employees driven by lower customer care call volumes and a decrease in the number of retail employees due to labor efficiency programs and store.

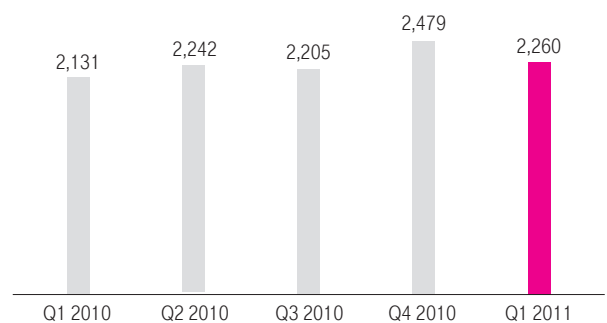
Systems Solutions.

Selected KPIs.

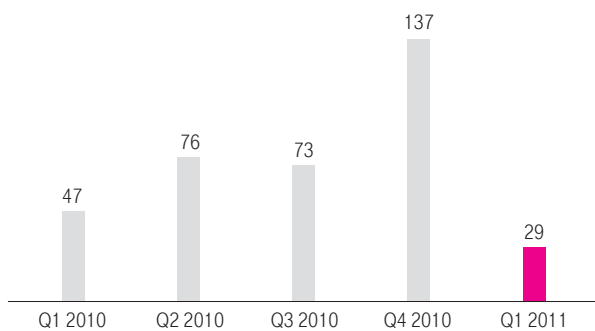
New orders (millions of €)



Revenue (millions of €)



Adjusted EBIT (millions of €)



		Mar. 31, 2011	Dec. 31, 2010	Change Mar. 31, 2011/ Dec. 31, 2010 %	Mar. 31, 2010	Change Mar. 31, 2011/ Mar. 31, 2010 %
New orders	millions of €	2,593	9,281	n.a.	2,156	20.3
Computing & Desktop Services						
Number of servers managed and serviced	units	57,936	58,073	(0.2)	49,153	17.9
Number of workstations managed and serviced	millions	1.99	1.95	2.1	1.85	7.6
Systems Integration						
Hours billed	millions	2.5	9.2	n.a.	2.4	4.2
Utilization rate	%	83.5	84.0	(0.5)p	82.5	1.0p

Development of business.

In the first quarter of the 2011 financial year, our Systems Solutions operating segment (T-Systems) secured strategically significant new deals in the ICT corporate customer market. One example is the comprehensive outsourcing agreement with Everything Everywhere, the joint venture of France Télécom and Deutsche Telekom in the UK market. These deals resulted in a positive development of new orders, which rose by around 20 percent year-on-year. There is growing demand in particular in the growth area of cloud computing, which T-Systems meets by offering Dynamic Services, which allow customers to receive bandwidth, computing capacity, and memory on demand, pay for what they use and share the infrastructure. In addition, companies are increasingly using software securely via the Net (private cloud) to manage their business processes. T-Systems has significantly expanded these dynamic resources in the past few months.

The number of servers managed and serviced increased by 17.9 percent in the period under review compared with the prior-year period, primarily as a result of an increase in demand for dynamic computing services. The number of workstations managed and serviced also increased significantly by 7.6 percent, mainly due to newly won customer orders, such as the major deal with Deutsche Post DHL. Systems Integration also continued to perform well. Although fewer hours were billed, this effect was offset by a higher utilization rate. It is also encouraging that more and more energy providers are demanding services relating to smart electricity grids, in addition to traditional ICT services. We again secured new deals in the first quarter of 2011, most recently with VOLTARIS, concerning the recording, transmission and processing of energy data. Moreover, T-Systems entered into international agreements in the area of connected healthcare in the first quarter. The successes bring us closer to meeting our aim of generating growth by providing products for the healthcare sector.

Development of operations.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Total revenue	2,260	2,131	129	6.1	9,057
Profit (loss) from operations (EBIT)	(11)	18	(29)	n.a.	44
Special factors affecting EBIT	(40)	(29)	(11)	(37.9)	(289)
EBIT (adjusted for special factors)	29	47	(18)	(38.3)	333
EBIT margin (adjusted for special factors) %	1.3	2.2			3.7
Depreciation, amortization and impairment losses	(160)	(150)	(10)	(6.7)	(623)
EBITDA	149	168	(19)	(11.3)	667
Special factors affecting EBITDA	(40)	(28)	(12)	(42.9)	(281)
EBITDA (adjusted for special factors)	189	196	(7)	(3.6)	948
EBITDA margin (adjusted for special factors) %	8.4	9.2			10.5
Cash capex	(123)	(148)	25	16.9	(725)
Average number of employees	48,191	47,446	745	1.6	47,588

Total revenue.

Total revenue in our Systems Solutions operating segment in the first quarter of the financial year amounted to EUR 2.3 billion, a year-on-year increase of 6.1 percent. This positive development is the result of the numerous contracts T-Systems concluded, e.g., with DekaBank, Deutsche Post DHL and E.ON, this year and in the prior year. The new deals offset the general negative price trend in IT and communications. Revenue generated with Deutsche Telekom's other operating segments amounted to EUR 0.6 billion in the reporting period, an increase of 7.5 percent. As a service provider for the Group, T-Systems continues to develop Deutsche Telekom's IT landscape on an ongoing basis. As part of this process, standardized systems contribute significantly to reducing the Group's IT costs.

Net revenue.

T-Systems substantially expanded business with customers outside the Deutsche Telekom Group, reflecting the success of T-Systems' new growth course. The operating segment generated net revenue of EUR 1.6 billion, 5.5 percent more than in the prior-year period. On the one hand, this positive development is attributable to Computing & Desktop Services. Many customers are already opting for so-called cloud services, which is how we already provide approximately 90 percent of SAP services for our customers. This development is complemented by growth of 11.9 percent within Systems Integration, in particular at Application Management & Development. In the intensely contested telecommunications business, the agreement entered into with E.ON provides further positive impetus.

EBITDA, adjusted EBITDA.

In the reporting period, the Systems Solutions operating segment generated EBITDA of EUR 0.1 billion. The 11.3 percent decline compared with the same period of 2010 is attributable, among other things, to increased start-up expenses for new contracts. Savings generated by the comprehensive restructuring and efficiency enhancement program Save for Service did not fully offset the rise in costs. Compared with the prior-year period, EBITDA was negatively affected by an increase in special factors, mainly arising from restructuring measures, such as nearshoring and offshoring as well as staff restructuring outside Germany. Adjusted EBITDA therefore declined more slowly, by 3.6 percent, to EUR 0.2 billion in the first quarter of 2011.

EBIT, adjusted EBIT.

Adjusted EBIT is EUR 18 million lower than in the prior-year period. This decrease is due to, among other factors, higher depreciation and amortization expense resulting from capital expenditure to expand the business in 2010. In addition, the extension of the economic useful lives of some assets, such as high-performance servers, had had a positive impact in the prior-year quarter. There was no equivalent to this effect in the first quarter of 2011, a situation which was only partially compensated for by Save for Service, the comprehensive restructuring and efficiency-enhancement program. The adjusted EBIT margin decreased from 2.2 percent in the first quarter of 2010 to 1.3 percent in the reporting period.

Cash capex.

At EUR 0.1 billion, cash capex in the reporting period was below the prior-year level. Although investments in new contracts and customer relationships continued, above all the build-out of the dynamic computing platform did not match the intensity it had reached in the previous year. The positive impact of efficiency enhancement measures, such as the increasing standardization of the ICT platform, is also contributing to the reduction in capital expenditure.

Employees.

Average headcount grew by 745 in the first quarter of 2011 to 48,191, a year-on-year increase of 1.6 percent. The average number of employees in Germany increased by 263 or 1.0 percent to 25,341, internationally by 482 or 2.2 percent. This is largely attributable to business developments at Systems Integration and the build-up of nearshore and offshore sites. Measures taken to cut costs partially offset this increase.

Group Headquarters & Shared Services.

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

Vivento, our personnel service provider consistently supported us once again in the first quarter of the 2011 financial year with staff restructuring in the Group. The focus was on securing external employment opportunities for civil

servants and employees, predominantly in the public sector. In addition, Vivento offers Group employees employment opportunities at Vivento Customer Services GmbH.

As of March 31, 2011, Vivento had a workforce of about 9,000, including around 3,300 employees who were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,400 or so employees were employed within the Group, especially in service centers. About 2,300 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. Vivento took on around 500 employees in the first quarter of 2011, while around 500 employees left Vivento in the reporting period to pursue new opportunities.

Development of operations.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Total revenue	537	565	(28)	(5.0)	2,166
Loss from operations (EBIT)	(347)	(365)	18	4.9	(2,479)
Depreciation, amortization and impairment losses	(178)	(188)	10	5.3	(840)
EBITDA	(169)	(177)	8	4.5	(1,639)
Special factors affecting EBITDA	(6)	(5)	(1)	(20.0)	(769)
EBITDA (adjusted for special factors)	(163)	(172)	9	5.2	(870)
Cash capex	(116)	(109)	(7)	(6.4)	(406)
Average number of employees	21,574	22,070	(496)	(2.2)	22,312
Of which: Vivento ^a	9,000	9,700	(700)	(7.2)	8,900

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

Total revenue.

Total revenue at Group Headquarters & Shared Services declined by 5.0 percent year-on-year in first quarter of 2011, mainly due to the decline in revenue in the Real Estate Services unit in connection with the more efficient use of floor space by the operating segments, especially for technical facilities.

EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Shared Services improved slightly year-on-year in the reporting period, primarily due to a headcount decrease at Vivento. Special factors in the first quarters of 2011 and 2010 had no material effect.

EBIT.

Loss from operations (EBIT) decreased by EUR 18 million compared with the prior-year period as a result of lower depreciation and amortization as well as the development of EBITDA.

Employees.

The average number of employees in the first quarter of 2011 was 21,574. The decrease of 496 compared with the first quarter of 2010 was mainly attributable to the headcount decrease at Vivento.

Risks and opportunities.

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

Proceedings by Anti-Monopoly Commission in Poland. The Polish Anti-Monopoly Commission (UOKiK) initiated several legal proceedings in 2010 against a number of Polish telecommunications companies. In 2011, these investigations were extended to include further proceedings against PTC, which is suspected of illegal price fixing. The UOKiK also accuses PTC of infringing customer interests in various ways. PTC believes these allegations are unfounded. The outcome and any associated fine cannot be determined at present, nor is it clear how a potential fine would be set. In Poland, the maximum fine is set at 10 percent of the revenues from telecommunications services or 10 percent of taxable revenues.

OTE Lannet case. In May 2009, Lannet Communications SA filed a lawsuit claiming compensation for damages of EUR 176 million arising from the allegedly unlawful termination of services (mainly interconnection services, unbundling of ULLs, and leasing of dedicated lines) by OTE. The court hearing set for February 17, 2011 was postponed until May 30, 2013.

IPR lawsuits in mobile communications. Patent management company IPCom GmbH & Co. KG has initiated proceedings against Deutsche Telekom AG and individual members of the Board of Management of Deutsche Telekom AG for alleged infringement of patents that are supposedly essential to certain standards in the field of mobile communications. In addition to damages, IPCom seeks abstention from the alleged use of patents in connection with important mobile services, which could lead to their compulsory deactivation. Eight infringement proceedings relating to six different patents are currently pending. IPCom lost two of the proceedings on all counts and has lodged an appeal in each case; another has been suspended. Several nullity suits and opposition proceedings are running in parallel to the infringement proceedings to review the validity of the patents that IPCom GmbH & Co. KG alleges have been infringed. Further rulings are expected in the course of the year.

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

Risks related to the sale of T-Mobile USA. The closing of our sale of T-Mobile USA to AT&T is subject to the satisfaction of a number of conditions. In particular, the transaction is subject to approval by the Federal Communications Commission and U.S. Department of Justice (DoJ). The uncertainty regarding the closing of the deal may also impact T-Mobile USA's business operations in the course of the year. We have committed to have T-Mobile USA operate in the ordinary course until the transaction is closed.

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

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

Events after the reporting period (March 31, 2011).

U.S. dollar bond issued.

At the beginning of April 2011, Deutsche Telekom issued a five-year bond with a volume of USD 1.25 billion through its financing arm Deutsche Telekom International Finance B.V.

Early retirement program for civil servants extended.

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

Deutsche Telekom and France Télécom-Orange to establish procurement joint venture.

Deutsche Telekom and France Télécom-Orange are planning a 50/50 procurement joint venture for the fourth quarter of 2011. The joint venture is to combine the procurement activities of the two companies for customer equipment, network equipment, service platforms and IT infrastructure. The partnership expects significant synergy benefits through best practice sharing, leveraging global scale and harmonized technology processes.



Development of revenue and profits.¹

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

Expectations for the Group.

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

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

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

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

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

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

The general mood on the international finance markets in 2010 was dominated by the debt crisis, which meant that some countries had difficulties refinancing their due debts on the international capital markets. In 2011, the performance of the financial markets is expected to depend largely on the implementation of suitable measures to tackle the debt crisis.

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

² This policy is subject to the requisite unappropriated net income being posted in the single-entity financial statements of Deutsche Telekom AG for the financial year in question and the ability to form the necessary reserves for the share buy-back and compliance with the requisite legal framework for a share buy-back. It is also contingent upon the executive bodies adopting resolutions to this effect, taking account of the Company's situation at the time.

We placed bonds, medium-term notes, and promissory notes worth EUR 3.1 billion in total on the international financial markets in 2010. In 2011, we expect the financial markets to be generally open to our financing measures.

As of the end of 2010, we had a comfortable liquidity reserve of around EUR 18 billion. We also plan to maintain a liquidity reserve in 2011 at a level that enables us to meet all maturities in the next 24 months. At the beginning of April 2011, Deutsche Telekom issued a five-year bond with a volume of USD 1.25 billion through its financing arm Deutsche Telekom International Finance B.V.

At the end of 2010, the rating agencies Fitch, Moody's, and Standard & Poor's rated us as a solid investment-grade company at BBB+/Baa1/BBB+. All three agencies upgraded their outlook for our rating following the announcement of the sale of T-Mobile USA. Fitch and S&P both increased their outlook from stable to positive, while Moody's put our rating on a watchlist pending a possible upgrade. In order to retain secure access to the international financial markets in the future, an equally solid investment-grade rating is part of our financial strategy for 2011.

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

Expectations for the operating segments.

Germany.

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

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

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

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

The Federal Network Agency has decided to reduce mobile call termination rates by almost 50 percent to 3.38 eurocents per minute. This will impact negatively on our mobile service revenues in 2011. Overall, however, we expect our mobile service revenues to continue developing positively and that our data revenues will continue to grow strongly.

We plan to invest more than EUR 10 billion in the Germany operating segment

between 2010 and 2012, concentrating on our strategic growth and innovation areas, such as our fixed-network and mobile network infrastructures, to respond to our customers' increasing need for bandwidth. We have been rolling out our LTE sites in rural areas since 2010, which allows customers in 1,000 areas that were previously not covered by broadband Internet to access the Internet and make calls on flat rates with the Call & Surf Comfort calling plan, all via the mobile network. The roll-out of optical fiber will also play an ever increasing role in the next few years, following a number of successful pilot projects.

Europe.

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

In order to strengthen our competitiveness, we will focus our capital expenditure on upgrading the network infrastructure. In mobile communications, we will concentrate our efforts on introducing LTE as the fourth-generation mobile technology in Austria and various other countries of our Europe segment. At the same time, investments are planned to build out the UMTS networks, introduce HSPA+, and upgrade the GSM networks. More investments are to be made in the fixed network in order to increase broadband coverage, for instance, by building out the fiber-optic infrastructure. Further investments are planned to improve customer service and make processes more efficient.

The overall economic situation in the Europe operating segment remains tense. In Greece and Romania in particular, we expect the economic situation to remain critical this year. On top of that, we continue to fight intense competition and the associated price erosion. Regulatory measures and changes in legislation (e.g., as part of government austerity programs) could have a negative impact on revenue and earnings. In Hungary, for example, the special tax for large corporations in the trade, energy, and telecommunications sector passed in October 2010 will continue to reduce revenue and earnings and limit investment potential in the country this year, too. The same applies in Croatia for the mobile communications tax levied since August 2009. In addition, exchange rate effects could adversely affect earnings on a euro basis. On the other hand, cost-cutting measures and strategic initiatives, some of them part of the Save

for Service program, should partially offset any negative effects. One cost-cutting measure, for example, will be to reduce the headcount in Romania, Croatia and Slovakia. We also intend to look into the possibility of more network cooperations with competitors in the countries of our Europe operating segment. Following Poland, we now also have an agreement with Telefónica O₂ in the Czech Republic for shared use of the 3G network.

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

United States.

On March 20, 2011, Deutsche Telekom AG and AT&T Inc., Dallas, United States (AT&T) entered into an agreement on the sale of T-Mobile USA (United States operating segment) to AT&T. The agreement provides for a purchase price of USD 39 billion, consisting of USD 25 billion in cash and approximately USD 14 billion of the AT&T common stock. AT&T has the right to increase the cash portion of the purchase price by up to USD 4.2 billion and to decrease the number of AT&T shares correspondingly. The final purchase price remains subject to certain contractually agreed conditions. The development of the exchange rate of the U.S. dollar against the euro will also affect the valuation of the transaction in euros. We expect closing in the first half of 2012.

As a result of this agreement, Deutsche Telekom recognizes the assets of T-Mobile USA (United States operating segment) and the directly associated liabilities in the consolidated statement of financial position as held for sale. The discontinued operation's profit/loss after taxes is shown in aggregate form in the consolidated income statement as profit/loss from discontinued operations.

Upon closing of the transaction, Deutsche Telekom will deconsolidate the assets and the liabilities directly associated with T-Mobile USA. Any gains or losses arising from the deconsolidation will have to be recognized in profit/loss. For further explanation of the agreement and the conditions that may lead to adjustment of the purchase price, please refer to the interim consolidated financial statements.

Systems Solutions.

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

We will continue on the path we have taken to reduce our costs. Cost-cutting measures are already showing pleasing effects and will continue. Taking into account the measures described, we expect revenue to increase slightly and adjusted EBITDA to be stable in 2011, and revenue and adjusted EBITDA to increase slightly in 2012 in this operating segment.

Group Headquarters & Shared Services.

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

Save for Service program.

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

Interim consolidated financial statements.

Consolidated statement of financial position.

	Mar. 31, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Mar. 31, 2010 millions of €
Assets					
Current assets	46,976	15,243	31,733	n.a.	24,616
Cash and cash equivalents	1,676	2,808	(1,132)	(40.3)	5,553
Trade and other receivables	4,658	6,889	(2,231)	(32.4)	6,832
Current recoverable income taxes	125	224	(99)	(44.2)	253
Other financial assets	2,201	2,372	(171)	(7.2)	1,758
Inventories	899	1,310	(411)	(31.4)	1,213
Non-current assets and disposal groups held for sale	35,665	51	35,614	n.a.	6,776
Other assets	1,752	1,589	163	10.3	2,231
Non-current assets	76,220	112,569	(36,349)	(32.3)	106,187
Intangible assets	29,432	53,807	(24,375)	(45.3)	53,413
Property, plant and equipment	34,923	44,298	(9,375)	(21.2)	45,361
Investments accounted for using the equity method	6,770	7,242	(472)	(6.5)	152
Other financial assets	1,680	1,695	(15)	(0.9)	1,621
Deferred tax assets	3,109	5,129	(2,020)	(39.4)	5,194
Other assets	306	398	(92)	(23.1)	446
Total assets	123,196	127,812	(4,616)	(3.6)	130,803
Liabilities and shareholders' equity					
Current liabilities	31,586	26,452	5,134	19.4	25,691
Financial liabilities	9,766	11,689	(1,923)	(16.5)	9,960
Trade and other payables	4,307	6,750	(2,443)	(36.2)	5,856
Income tax liabilities	331	545	(214)	(39.3)	635
Other provisions	3,022	3,193	(171)	(5.4)	3,455
Liabilities directly associated with non-current assets and disposal groups held for sale	10,253	-	10,253	n.a.	1,456
Other liabilities	3,907	4,275	(368)	(8.6)	4,329
Non-current liabilities	48,954	58,332	(9,378)	(16.1)	60,833
Financial liabilities	38,040	38,857	(817)	(2.1)	40,980
Provisions for pensions and other employee benefits	6,038	6,373	(335)	(5.3)	6,371
Other provisions	1,474	1,628	(154)	(9.5)	2,050
Deferred tax liabilities	885	7,635	(6,750)	(88.4)	7,636
Other liabilities	2,517	3,839	(1,322)	(34.4)	3,796
Liabilities	80,540	84,784	(4,244)	(5.0)	86,524
Shareholders' equity	42,656	43,028	(372)	(0.9)	44,279
Issued capital	11,063	11,063	0	0.0	11,165
Treasury shares	(5)	(5)	0	0.0	(5)
	11,058	11,058	0	0.0	11,160
Capital reserves	51,503	51,635	(132)	(0.3)	51,531
Retained earnings including carryforwards	(22,417)	(24,355)	1,938	8.0	(20,710)
Total other comprehensive income	525	(2,017)	2,542	n.a.	(2,058)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	(3,546)	-	(3,546)	n.a.	(2,151)
Net profit (loss)	480	1,695	(1,215)	(71.7)	767
Issued capital and reserves attributable to owners of the parent	37,603	38,016	(413)	(1.1)	38,539
Non-controlling interests	5,053	5,012	41	0.8	5,740
Total shareholders' equity and liabilities	123,196	127,812	(4,616)	(3.6)	130,803

Consolidated income statement.

	Q1 2011 millions of €	Q1 2010 ^a millions of €	Change millions of €	Change %	FY 2010 ^a millions of €
Continuing operations					
Net revenue	10,830	12,002	(1,172)	(9.8)	46,346
Cost of sales	(6,282)	(7,035)	753	10.7	(27,052)
Gross profit	4,548	4,967	(419)	(8.4)	19,294
Selling expenses	(2,351)	(2,533)	182	7.2	(9,873)
General and administrative expenses	(1,106)	(1,084)	(22)	(2.0)	(4,672)
Other operating income	305	304	1	0.3	1,444
Other operating expenses	(153)	(169)	16	9.5	(2,778)
Profit from operations	1,243	1,485	(242)	(16.3)	3,415
Finance costs	(584)	(597)	13	2.2	(2,499)
Interest income	67	139	(72)	(51.8)	346
Interest expense	(651)	(736)	85	11.5	(2,845)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(28)	2	(30)	n.a.	(56)
Other financial income (expense)	(41)	(120)	79	65.8	(248)
Profit (loss) from financial activities	(653)	(715)	62	8.7	(2,803)
Profit (loss) before income taxes	590	770	(180)	(23.4)	612
Income taxes	(119)	(240)	121	50.4	(189)
Profit (loss) after taxes from continuing operations	471	530	(59)	(11.1)	423
Discontinued operations					
Profit (loss) after taxes from discontinued operations	109	335	(226)	(67.5)	1,337
Profit (loss)	580	865	(285)	(32.9)	1,760
Profit (loss) attributable to	580	865	(285)	(32.9)	1,760
Owners of the parent (net profit (loss))	480	767	(287)	(37.4)	1,695
Non-controlling interests	100	98	2	2.0	65

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

Earnings per share of owners of the parent.

	Q1 2011	Q1 2010	Change	Change %	FY 2010
Earnings per share from continuing operations					
Basic/diluted	€ 0.09	0.10	(0.01)	(10.0)	0.08
Earnings per share from discontinued operations					
Basic/diluted	€ 0.02	0.08	(0.06)	(75.0)	0.31
Earnings per share (total)					
Basic/diluted	€ 0.11	0.18	(0.07)	(38.9)	0.39

Consolidated statement of comprehensive income.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	FY 2010 millions of €
Profit (loss)	580	865	(285)	1,760
Actuarial gains and losses on defined benefit pension plans	330	(190)	520	(32)
Revaluation due to business combinations	0	0	0	(2)
Exchange differences on translating foreign operations				
Recognition of other comprehensive income in income statement	0	0	0	2,151
Change in other comprehensive income (not recognized in income statement)	(1,003)	1,628	(2,631)	1,547
Available-for-sale financial assets				
Recognition of other comprehensive income in income statement	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	4	(6)	10	(3)
Fair value measurement of hedging instruments				
Recognition of other comprehensive income in income statement	20	(1)	21	0
Change in other comprehensive income (not recognized in income statement)	53	(7)	60	58
Share of profit (loss) of investments accounted for using the equity method	20	0	20	28
Other income and expense recognized directly in equity	0	0	0	0
Income taxes relating to components of other comprehensive income	(123)	65	(188)	(5)
Other comprehensive income	(699)	1,489	(2,188)	3,742
Total comprehensive income	(119)	2,354	(2,473)	5,502
Total comprehensive income attributable to				
Owners of the parent	(278)	2,184	(2,462)	5,443
Non-controlling interests	159	170	(11)	59

Consolidated statement of changes in equity.

Issued capital and reserves attributable to owners of the parent

	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
	millions of €	millions of €	millions of €	millions of €	millions of €
Balance at January 1, 2010	11,165	(5)	51,530	(20,951)	353
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				353	(353)
Dividends					
Proceeds from the exercise of stock options			1		
Profit (loss)					767
Other comprehensive income				(131)	
Transfer to retained earnings				19	
Balance at March 31, 2010	11,165	(5)	51,531	(20,710)	767
Balance at January 1, 2011	11,063	(5)	51,635	(24,355)	1,695
Changes in the composition of the Group			(132)		
Unappropriated profit (loss) carried forward				1,695	(1,695)
Dividends					
Proceeds from the exercise of stock options					
Profit (loss)					480
Other comprehensive income				222	
Transfer to retained earnings				21	
Balance at March 31, 2011	11,063	(5)	51,503	(22,417)	480

Issued capital and reserves attributable to owners of the parent

Total

Non-controlling
interestsTotal
shareholders'
equity

Total other comprehensive income

Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Cash flow hedges	Other comprehensive income	Taxes	millions of €	millions of €	millions of €
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
(6,577)	118	(3)	1,037	0	(313)	36,354	5,583	41,937
						0	(13)	(13)
						0		0
						0		0
						1		1
						767	98	865
1,555		(3)	(8)		4	1,417	72	1,489
	(19)					0		0
(5,022)	99	(6)	1,029	0	(309)	38,539	5,740	44,279
(2,843)	37	(4)	1,122	0	(329)	38,016	5,012	43,028
(2)	(1)					(135)	(76)	(211)
						0		0
						0	(43)	(43)
						0	1	1
						480	100	580
(1,054)		4	93		(23)	(758)	59	(699)
	(21)					0		0
(3,899)	15	0	1,215	0	(352)	37,603	5,053	42,656

Consolidated statement of cash flows.

	Q1 2011 millions of €	Q1 2010 millions of €	FY 2010 millions of €
Profit (loss)	580	865	1,760
Depreciation, amortization and impairment losses	2,654	2,661	11,808
Income tax expense (benefit)	406	449	935
Interest income and interest expense	586	597	2,500
Other financial (income) expense	42	121	253
Share of (profit) loss of associates and joint ventures accounted for using the equity method	30	(3)	57
(Profit) loss on the disposal of fully consolidated subsidiaries	0	-	349
Other non-cash transactions	25	82	(21)
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(14)	20	90
Change in assets carried as working capital	(244)	(629)	(243)
Change in provisions	(7)	(13)	(68)
Change in other liabilities carried as working capital	(582)	(15)	(209)
Income taxes received (paid)	(246)	(245)	(819)
Dividends received	271	1	412
Net payments from entering into or canceling interest rate swaps	0	27	265
Cash generated from operations	3,501	3,918	17,069
Interest paid	(990)	(888)	(3,223)
Interest received	158	241	885
Net cash from operating activities	2,669	3,271	14,731
Of which: from discontinued operations	974	1,086	4,144
Cash outflows for investments in			
Intangible assets	(398)	(280)	(2,978)
Property, plant and equipment	(1,722)	(1,654)	(6,873)
Non-current financial assets	(54)	(73)	(997)
Investments in fully consolidated subsidiaries and business units	(831)	(283)	(448)
Proceeds from disposal of			
Intangible assets	5	1	26
Property, plant and equipment	107	101	318
Non-current financial assets	39	16	162
Investments in fully consolidated subsidiaries and business units	0	3	4
Net change in short-term investments and marketable securities and receivables	94	374	491
Other	0	2	(416)
Net cash used in investing activities	(2,760)	(1,793)	(10,711)
Of which: from discontinued operations	(545)	(481)	(2,101)
Proceeds from issue of current financial liabilities	16,660	247	30,046
Repayment of current financial liabilities	(18,267)	(1,777)	(34,762)
Proceeds from issue of non-current financial liabilities	960	755	3,219
Repayment of non-current financial liabilities	(44)	(88)	(149)
Dividends	(44)	(1)	(4,003)
Share buy-back	0	0	(400)
Repayment of lease liabilities	(40)	(35)	(139)
Other	(187)	0	(181)
Net cash used in financing activities	(962)	(899)	(6,369)
Of which: from discontinued operations	24	0	(42)
Effect of exchange rate changes on cash and cash equivalents	(11)	52	50
Changes in cash and cash equivalents associated with assets and disposal groups held for sale	(68)	(100)	85
Net increase (decrease) in cash and cash equivalents	(1,132)	531	(2,214)
Cash and cash equivalents, at the beginning of the period	2,808	5,022	5,022
Cash and cash equivalents, at the end of the period	1,676	5,553	2,808

Significant events and transactions.

Accounting policies.

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

Statement of compliance.

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

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

The United States operating segment (T-Mobile USA) is reported as a discontinued operation as at March 31, 2011. The consolidated income statement has been adjusted accordingly with retroactive effect. For a more detailed explanation, please refer to the section "Selected notes to the consolidated statement of financial position."

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

In October 2009, the IASB issued an amendment to **IAS 32 "Financial Instruments: Presentation."** The European Union endorsed this amendment in December 2009. This amendment clarifies the classification of rights issues as equity or liabilities when the rights are denominated in a currency other

than the issuer's functional currency. Previously, such rights issues had been accounted for as derivative liabilities. The amendment requires that if such rights are issued pro rata to an entity's shareholders for a fixed amount of currency, they are to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for financial years beginning on or after February 1, 2010. The amendment did not have a material impact on the presentation of Deutsche Telekom's results of operations, financial position or cash flows.

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

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

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

Changes in the composition of the Group.

Deutsche Telekom lost control over T-Mobile UK as of April 1, 2010 due to the merger of T-Mobile UK and Orange UK into a joint venture company under the name Everything Everywhere. Instead, the joint venture is included in the consolidated statement of financial position under investments accounted for

using the equity method and reported in the Europe operating segment. This imposes certain limits on the comparability of the interim consolidated financial statements and the disclosures under segment reporting.

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

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

Selected notes to the consolidated statement of financial position.

Cash and cash equivalents.

Cash and cash equivalents decreased from EUR 2,8 billion to EUR 1,7 billion as of March 31, 2011.

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

Non-current assets and disposal groups held for sale.

As of March 31, 2011, current assets recognized in the consolidated statement of financial position included EUR 35.7 billion in non-current assets and disposal groups held for sale as well as directly associated liabilities of EUR 10.3 billion.

United States operating segment (T-Mobile USA).

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

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

The purchase agreement stipulates that T-Mobile USA is to be transferred free of debt upon closing of the transaction. As of March 31, 2011, the Group-internal financing relationships between T-Mobile USA and Deutsche Telekom totaled EUR 11.5 billion. The transaction is still subject to approval by the U.S. Department of Justice (DoJ) and the U.S. regulatory authority, the Federal Communications Commission (FCC). The closing of the transaction is expected to be completed in the first half of 2012.

As a result of this agreement, Deutsche Telekom recognizes T-Mobile USA's assets and the directly associated liabilities in the consolidated statement of financial position as held for sale. The discontinued operation's profit/loss after taxes is shown in aggregate form in the consolidated income statement as profit/loss from discontinued operations. The prior-year figures in the consolidated income statement have been adjusted accordingly with retroactive effect. T-Mobile USA's assets and the directly associated liabilities are measured at the lower of carrying amount and fair value less costs to sell. If the fair value less costs to sell is lower than the carrying amount, the difference must be recognized as an impairment loss. As of March 31, 2011, there were no indications that would have resulted in impairment.

Upon closing of the transaction, Deutsche Telekom will deconsolidate the assets and the liabilities directly associated with T-Mobile USA. In addition to the assets and liabilities disclosed in the table above, T-Mobile USA accounted for EUR -3.5 billion of total other comprehensive income in shareholders' equity as of March 31, 2011.

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

	T-Mobile USA discontinued operation millions of €	Other millions of €	Mar. 31, 2011 millions of €
Current assets	2,739	-	2,739
Trade and other receivables	1,807	-	1,807
Other current assets	932	-	932
Non-current assets	32,883	43	32,926
Intangible assets	22,748	-	22,748
Property, plant and equipment	8,195	43	8,238
Other non-current assets	1,940	-	1,940
Non-current assets and disposal groups held for sale	35,622	43	35,665
Current liabilities	2,398	-	2,398
Trade and other payables	1,402	-	1,402
Other current liabilities	996	-	996
Non-current liabilities	7,855	-	7,855
Deferred tax liabilities	6,580	-	6,580
Other non-current liabilities	1,275	-	1,275
Liabilities directly associated with non-current assets and disposal groups held for sale	10,253	-	10,253

Furthermore, obligations from operating leases totaling EUR 11.7 billion existed at T-Mobile USA at the reporting date that are no longer included in future obligations from the Group's operating leases.

Intangible assets and property, plant and equipment.

	Mar. 31, 2011 millions of €	Dec. 31, 2010 millions of €	Change millions of €	Change %	Mar. 31, 2010 millions of €
Intangible assets	29,432	53,807	(24,375)	(45.3)	53,413
Of which: UMTS licenses	5,907	6,055	(148)	(2.4)	6,505
Of which: U.S. mobile communications licenses	0	18,442	(18,442)	n.a.	18,306
Of which: goodwill	15,867	20,521	(4,654)	(22.7)	20,952
Property, plant and equipment	34,923	44,298	(9,375)	(21.2)	45,361

The EUR 24.4 billion or 45.3 percent decrease in intangible assets compared with the end of 2010 was mainly the result of the following effects. The assets of the United States operating segment (T-Mobile USA) were reported as held for sale with a carrying amount of EUR 22.7 billion and are therefore no longer included in intangible assets. Of this, EUR 17.4 billion was attributable to FCC licenses and EUR 4.5 billion to goodwill. Exchange rate effects of EUR 1.3 billion and amortization of EUR 0.8 billion also contributed to the decrease in intangible assets. Additions of EUR 0.4 billion (including the adjustment to the carrying amount of Put Option II granted to the Hellenic Republic in the share purchase agreement) offset the decrease in the carrying amounts.

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

The aforementioned change in disclosure also had a significant impact on property, plant and equipment, with a total carrying amount of EUR 8.2 billion reported as held for sale in the first quarter of 2011. The figure was also reduced by depreciation and impairment losses of EUR 1.8 billion and exchange rate effects of EUR 0.4 billion, especially from the translation of U.S. dollars into euros. This was offset by additions of EUR 1.2 billion.

Additions to assets.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Additions to assets	1,561	1,636	(75)	(4.6)	10,760
Intangible assets	332	290	42	14.5	3,520
Property, plant and equipment	1,229	1,346	(117)	(8.7)	7,240

In line with the Group's investments, additions to assets remained almost constant in the first quarter of 2011 compared with the first three months of 2010.

Investments accounted for using the equity method.

The carrying value of investments accounted for using the equity method decreased by EUR 0.5 billion at March 31, 2011 compared with December 31, 2010. This was attributable to a dividend of EUR 0.3 billion received from the Everything Everywhere joint venture, and by exchange rate effects totaling EUR 0.2 billion, especially from the translation of sterling into euros.

Financial liabilities.

The table below shows the composition and maturity structure of financial liabilities as of March 31, 2011.

	Mar. 31, 2011 millions of €	Due ≤1 year millions of €	Due >1 year ≤3 years millions of €	Due >3 years ≤5 years millions of €	Due >5 years millions of €
Bonds and other securitized liabilities	36,751	5,829	8,405	7,064	15,453
Liabilities to banks	4,641	1,087	2,244	870	440
Lease liabilities	1,896	134	219	208	1,335
Liabilities to non-banks from promissory notes	1,144	0	88	399	657
Other interest-bearing liabilities	890	657	48	75	110
Other non-interest-bearing liabilities	1,905	1,888	13	3	1
Derivative financial liabilities	579	171	340	39	29
Financial liabilities	47,806	9,766	11,357	8,658	18,025

Selected notes to the consolidated income statement.

Net revenue.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Net revenue	10,830	12,002	(1,172)	(9.8)	46,346

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

Cost of sales.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Cost of sales	(6,282)	(7,035)	753	10.7	(27,052)

Cost of sales decreased by EUR 0.8 billion compared with the first quarter of 2010. This development was the result of the consolidation effect of EUR 0.4 billion described in the section "Changes in the composition of the Group."

In addition, a write-off of receivables from the German main customs office for the years 2005 to 2009 was included in cost of sales in the prior-year quarter.

Selling expenses.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Selling expenses	(2,351)	(2,533)	182	7.2	(9,873)

The main reason for the decrease of EUR 0.2 billion in selling expenses was the previously described effect of changes in the composition of the Group.

General and administrative expenses.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
General and administrative expenses	(1,106)	(1,084)	(22)	(2.0)	(4,672)

There was no significant change in general and administrative expenses compared with the first quarter of 2010.

Other operating income/expenses.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Other operating income	305	304	1	0.3	1,444
Other operating expenses	(153)	(169)	16	9.5	(2,778)

Other operating income and expenses remained at the same level in the first quarter of 2011 as in the prior-year period.

Profit/loss from financial activities.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Profit (loss) from financial activities	(653)	(715)	62	8.7	(2,803)
Finance costs	(584)	(597)	13	2.2	(2,499)
Interest income	67	139	(72)	(51.8)	346
Interest expense	(651)	(736)	85	11.5	(2,845)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(28)	2	(30)	n.a.	(56)
Other financial income (expense)	(41)	(120)	79	65.8	(248)

Loss from financial activities decreased by EUR 0.1 billion year-on-year in the first quarter of 2011. While lower interest income and lower interest expenses cancelled each other out overall, this improvement was primarily attributable to other financial income/expense due to lower expenses from the translation of foreign currency transactions.

Income taxes.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Income taxes	(119)	(240)	121	50.4	(189)

Income tax expense from continuing operations decreased year-on-year by EUR 0.1 billion, mainly as a result of the lower profit before income taxes. Additionally, the tax rate decreased year-on-year as the composition of profit before income taxes in terms of country-specific contributions changed.

Profit/loss after taxes from discontinued operations.

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

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Net revenue	3,767	3,810	(43)	(1.1)	16,075
Cost of sales	(2,065)	(1,990)	(75)	(3.8)	(8,673)
Gross profit	1,702	1,820	(118)	(6.5)	7,402
Selling expenses	(1,139)	(1,122)	(17)	(1.5)	(4,747)
General and administrative expenses	(163)	(138)	(25)	(18.1)	(580)
Other operating income	4	3	1	33.3	54
Other operating expenses	(3)	(19)	16	84.2	(39)
Profit from operations	401	544	(143)	(26.3)	2,090
Profit (loss) from financial activities	(5)	0	(5)	n.a.	(7)
Profit (loss) before income taxes	396	544	(148)	(27.2)	2,083
Income taxes	(287)	(209)	(78)	(37.3)	(746)
Profit (loss) after taxes from discontinued operations	109	335	(226)	(67.5)	1,337

Income tax expense from discontinued operations increased despite the lower profit before income taxes compared with the first quarter of 2010, mainly as a result of the classification of T-Mobile USA as a discontinued operation. This resulted in the first-time recognition of deferred tax liabilities of EUR 0.1 billion on temporary differences in connection with the carrying amount of the investment.

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

Profit/loss from discontinued operations includes personnel costs of EUR 0.5 billion (Q1 2010: EUR 0.5 billion, FY 2010: EUR 2.1 billion) that are no longer included in the Group's personnel costs.

Other disclosures.

Employees.

	Q1 2011	Q1 2010	Change	Change %	FY 2010
Average number of employees	244,966	259,033	(14,067)	(5.4)	252,494
Domestic	123,367	128,197	(4,830)	(3.8)	126,952
International	121,599	130,836	(9,237)	(7.1)	125,542
Employees	219,434	230,073	(10,639)	(4.6)	224,428
Civil servants (domestic)	25,532	28,960	(3,428)	(11.8)	28,066
Trainees and student interns	9,167	9,474	(307)	(3.2)	9,217
Personnel costs	(3,088)	(3,220)	132	4.1	(12,988)

Average headcount in Germany decreased by 3.8 percent, mainly due to work-force reduction in the Germany operating segment and a reduction in Vivento's headcount at Group Headquarters & Shared Services. Average headcount outside Germany decreased by 7.1 percent. In the Europe operating segment, it declined due to the change in the composition of the Group explained under "Effects of changes in the composition of the Group." Staff reduction programs implemented as a result of efficiency improvements also contributed to the lower headcount. In the United States operating segment, fewer staff were employed in customer support and sales units in the first quarter of 2011.

The average number of employees in the first quarter of 2011 includes 36,237 employees (Q1 2010: 38,663; FY 2010: 37,795) from discontinued operations.

The aforementioned effects on the average headcount were the main reason for a 4.1-percent decrease in personnel costs in the first quarter of 2011 compared with the first quarter of 2010. Personnel costs no longer included any amounts relating to T-Mobile USA.

Depreciation, amortization and impairment losses.

	Q1 2011 millions of €	Q1 2010 millions of €	Change millions of €	Change %	FY 2010 millions of €
Amortization and impairment of intangible assets	(704)	(700)	(4)	(0.6)	(3,284)
Of which: mobile communications licenses	(185)	(186)	1	0.5	(743)
Of which: goodwill	-	-	-	-	(395)
Depreciation and impairment of property, plant and equipment	(1,487)	(1,497)	10	0.7	(6,460)
Total depreciation, amortization and impairment losses	(2,191)	(2,197)	6	0.3	(9,744)

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

and impairment losses as shown here differ from the figures included in the statement of intangible assets and property, plant and equipment.

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

Notes to the consolidated statement of cash flows.

Deutsche Telekom paid EUR 1.4 billion to Elektrim and Vivendi in the first quarter of 2011. This gave Deutsche Telekom full, undisputed ownership of PTC (PTC transaction). In accordance with the standards governing statements of cash flows, this total 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 quarter of 2011 decreased by EUR 0.6 billion compared with the prior-year period to EUR 2.7 billion. In addition to a decline from operations, this was attributable to the following cash flows: payments for the PTC transaction of EUR 0.4 billion, for which there was no corresponding item in the prior-year quarter, and a reduction in the level of receivables sold (factoring) of EUR 0.2 billion compared with the first quarter of 2010, and EUR 0.2 billion higher interest payments. These effects were partially offset by dividends received from the Everything Everywhere joint venture in the first quarter of 2011 amounting to EUR 0.3 billion. The remaining changes in net cash from operating activities consisted of various partially offsetting effects.

Net cash used in investing activities.

Net cash used in investing activities totaled EUR 2.8 billion as compared with EUR 1.8 billion in first quarter of 2010. This increase was mainly attributable to an increase of EUR 0.5 billion in payments for the acquisition of companies. While cash outflows for the acquisition of STRATO in the first quarter of 2010 totaled EUR 0.3 billion, the cash outflows relating to the PTC transaction in the first quarter of 2011 amounted to EUR 0.8 billion. In addition, cash outflows for intangible assets and property, plant and equipment increased by EUR 0.2 billion and net cash inflows from the change in short-term investments and marketable securities and receivables decreased by EUR 0.3 billion. Inflows from the return of cash collateral for the acquisition of STRATO were recorded in the first quarter of 2010, while the first quarter of 2011 saw net inflows of EUR 0.1 billion from the return of collateral deposited for hedging transactions.

Net cash used in financing activities.

Net cash used in financing activities amounted to EUR 1.0 billion in the reporting period, compared with EUR 0.9 billion in the prior-year quarter.

This increase is mainly attributable to payments of EUR 0.2 billion relating to the PTC transaction, whereas there were no comparable payments in the prior-year period. In addition, net repayment of current financial liabilities increased by EUR 0.1 billion, whereas the issue of non-current financial liabilities increased by EUR 0.2 billion.

The financial liabilities issued in the first quarter of 2011 mainly related to the utilization of a credit facility for EUR 0.9 billion issued by OTE, commercial paper for a net amount of EUR 0.5 billion and net liabilities to banks of EUR 0.1 billion. A eurobond issued by OTE for an amount of EUR 1.4 billion, a U.S. dollar bond for an amount of EUR 0.4 billion, medium-term notes for an amount of EUR 0.1 billion, funds from the joint venture in the United Kingdom amounting to EUR 0.3 billion net, and collaterals in the amount of EUR 0.1 billion were repaid during the same period.

Segment reporting.

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

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

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

Segment information in the quarters.

Q1 2011 Q1 2010	Net revenue	Inter- segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets	Investments accounted for using the equity method
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
Germany	5,653	338	5,991	1,248	(1,067)	-	34,447	27
	5,804	385	6,189	1,171	(1,014)	-	34,010	24
Europe	3,504	168	3,672	365	(799)	(2)	42,109	6,697
	4,613	161	4,774	675	(857)	(2)	47,141	52
United States	3,767	3	3,770	401	(463)	-	35,974	25
	3,810	4	3,814	544	(463)	(1)	37,941	20
Systems Solutions	1,616	644	2,260	(11)	(160)	-	8,898	47
	1,532	599	2,131	18	(150)	-	8,651	56
Group Headquarters & Shared Services	57	480	537	(347)	(172)	(6)	101,080	-
	53	512	565	(365)	(167)	(21)	111,046	-
Total from continuing and discontinued operations	14,597	1,633	16,230	1,656	(2,661)	(8)	222,508	6,796
	15,812	1,661	17,473	2,043	(2,651)	(24)	238,789	152
Reconciliation	-	(1,633)	(1,633)	(12)	15	-	(99,312)	-
	-	(1,661)	(1,661)	(14)	13	1	(107,986)	-
Consolidated total from continuing and discontinued operations	14,597	-	14,597	1,644	(2,646)	(8)	123,196	6,796
	15,812	-	15,812	2,029	(2,638)	(23)	130,803	152
Discontinued operations (United States)	(3,767)	(3)	(3,770)	(401)	463	-	-	(25)
	(3,810)	(4)	(3,814)	(544)	463	1	-	-
Reconciliation	-	3	3	-	-	-	-	(1)
	-	4	4	-	-	-	-	-
Group total	10,830	-	10,830	1,243	(2,183)	(8)	123,196	6,770
	12,002	-	12,002	1,485	(2,175)	(22)	130,803	152

Segment information for the 2010 financial year.

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

Contingencies.

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

Proceedings by Anti-Monopoly Commission in Poland. The Polish Anti-Monopoly Commission (UOKiK) initiated several legal proceedings in 2010 against a number of Polish telecommunications companies. In 2011, these investigations were extended to include further proceedings against PTC, which is suspected of illegal price fixing. The UOKiK also accuses PTC of infringing customer interests in various ways. PTC believes these allegations are unfounded. The outcome and any associated fine cannot be determined at present, nor is it clear how a potential fine would be set. In Poland, the maximum fine is set at 10 percent of the revenues from telecommunications services or 10 percent of taxable revenues.

OTE Lannet case. In May 2009, Lannet Communications SA filed a lawsuit claiming compensation for damages of EUR 176 million arising from the allegedly unlawful termination of services (mainly interconnection services, unbundling of ULLs, and leasing of dedicated lines) by OTE. The court hearing set for February 17, 2011 was postponed until May 30, 2013.

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

Disclosures on leases.

There were no significant changes at March 31, 2011 to the disclosures on leases reported in the 2010 consolidated financial statements, with the exception of the matter described below.

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

	Mar. 31, 2011	Dec. 31, 2010
	millions of €	millions of €
Maturity		
Within 1 year	989	2,627
In 1 to 3 years	1,534	4,502
In 3 to 5 years	1,077	3,767
After 5 years	1,632	6,767
	5,232	17,663

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

Executive bodies.

Changes in the composition of the Board of Management.

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

Events after the reporting period (March 31, 2011).

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

Bonn, May 6, 2011

Deutsche Telekom AG
Board of Management

René Obermann

Dr. Manfred Balz

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Edward R. Kozel

Thomas Sattelberger

Review report.

To Deutsche Telekom AG

We have reviewed the condensed consolidated interim financial statements – comprising 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 March 31, 2011, which are part of the quarterly financial report pursuant to § 37x (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, May 6, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer

Thomas Tandetzki
Wirtschaftsprüfer

Additional information.

Reconciliation of pro forma figures.

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

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

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

EBITDA and EBITDA adjusted for special factors.

EBITDA.

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

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

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

Adjusted EBITDA.

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

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

EBITDA margin/adjusted EBITDA margin.

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

Special factors.

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

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

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

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

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

	EBITDA	EBIT/ Net profit	EBITDA	EBIT/ Net profit	EBITDA	EBIT/ Net profit
	Q1 2011 millions of €	Q1 2011 millions of €	Q1 2010 millions of €	Q1 2010 millions of €	FY 2010 millions of €	FY 2010 millions of €
EBITDA/EBIT from continuing and discontinued operations	4,298	1,644	4,690	2,029	17,313	5,505
Germany	(69)	(69)	(114)	(114)	(509)	(509)
Staff-related measures	(15)	(15)	(20)	(20)	(401)	(401)
Non-staff-related restructuring	0	0	(1)	(1)	(11)	(11)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(54)	(54)	(93)	(93)	(97)	(97)
Europe	(60)	(61)	(53)	(53)	(606)	(1,297)
Staff-related measures	(45)	(45)	(45)	(45)	(209)	(209)
Non-staff-related restructuring	0	0	0	0	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(355)	(355)
Impairment losses	0	0	0	0	0	(680)
Other	(15)	(16)	(8)	(8)	(37)	(48)
United States	(7)	(7)	0	0	0	0
Staff-related measures	(7)	(7)	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	0	0	0	0
Systems Solutions	(40)	(40)	(28)	(29)	(281)	(289)
Staff-related measures	(12)	(12)	(9)	(9)	(113)	(113)
Non-staff-related restructuring	(28)	(28)	(27)	(28)	(170)	(178)
Effects of deconsolidations, disposals and acquisitions	0	0	8	8	0	0
Other	0	0	0	0	2	2
Group Headquarters & Shared Services	(6)	(6)	(5)	(5)	(769)	(769)
Staff-related measures	(2)	(2)	(3)	(3)	(281)	(281)
Non-staff-related restructuring	(4)	(4)	0	0	(100)	(100)
Effects of deconsolidations, disposals and acquisitions	0	0	(2)	(2)	(385)	(385)
Other	0	0	0	0	(3)	(3)
Group reconciliation	0	0	0	0	5	5
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	0	0	1	1
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	4	4
Other	0	0	0	0	0	0
Total special factors	(182)	(183)	(200)	(201)	(2,160)	(2,859)
EBITDA/EBIT (adjusted for special factors) from continuing and discontinued operations	4,480	1,827	4,890	2,230	19,473	8,364

	EBITDA	EBIT/ Net profit	EBITDA	EBIT/ Net profit	EBITDA	EBIT/ Net profit
	Q1 2011 millions of €	Q1 2011 millions of €	Q1 2010 millions of €	Q1 2010 millions of €	FY 2010 millions of €	FY 2010 millions of €
EBITDA/EBIT (adjusted for special factors) from continuing and discontinued operations	4,480	1,827	4,890	2,230	19,473	8,364
EBITDA/EBIT (adjusted for special factors) from discontinued operations (United States)	871	408	1,008	544	4,154	2,090
EBITDA/EBIT (adjusted for special factors) from continuing operations	3,609	1,419	3,882	1,686	15,319	6,274
Profit (loss) from financial activities (adjusted for special factors)		(648)		(702)		(2,717)
Taxes (adjusted for special factors)		(157)		(305)		(1,152)
Profit (loss) after taxes (adjusted for special factors) from discontinued operations		218		335		1,337
Profit (loss) (adjusted for special factors)		832		1,014		3,742
Non-controlling interests (adjusted for special factors)		131		123		378
Net profit (loss) (adjusted for special factors)		701		891		3,364

Free cash flow in the Group.

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

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

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

Gross and net debt of the Group.

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

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

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

Financial calendar.

Dates^a

May 12, 2011	Shareholders' meeting of Deutsche Telekom AG
August 4, 2011	Report on the first half of 2011, Deutsche Telekom
November 10, 2011	Report on the first three quarters of 2011, Deutsche Telekom

^a Dates not yet finalized.

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

Glossary.

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

4G. See LTE.

Access. Internet access.

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

ADSL, ADSL2+. See DSL.

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

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

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

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

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

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

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

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

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

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

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

- ADSL (Asymmetrical Digital Subscriber Line) for private end-customer lines. Technology used to transmit data at fast rates (from 16 kbit/s to 640 kbit/s upstream, up to 8 Mbit/s downstream) via standard copper wire pairs in the local loop within a radius of approximately three kilometers.
- ADSL2+: Successor product to ADSL that raises the maximum data rate to 16 Mbit/s (downstream) or 1 Mbit/s (upstream).
- VDSL (Very high bit rate Digital Subscriber Line) is a new technology used to transmit exceptionally high data rates (10 Mbit/s upstream, 50 Mbit/s downstream) via a fiber-optic network.

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

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

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

Entertain. Deutsche Telekom's Internet Protocol TV service (see also IPTV). TV signals are transported over the digital subscriber line, facilitating interactive features such as time-shift TV or access to online video stores.

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

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

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

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

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

Gigabit. 1 billion bits. Unit of measurement of data transfer rates.

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

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

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

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

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

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

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

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

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

ICT – Information and Communication Technology.

Infotainment. A contraction of the words information and entertainment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Optical fiber. Channel for optical data transmission.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VDSL. See DSL.

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

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

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

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

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

Disclaimer.

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

Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom’s control. They include, for instance, the progress of Deutsche Telekom’s workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom’s actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents non-GAAP financial performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net profit, free cash flow, gross debt, and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the section “Reconciliation of pro forma figures” of this report.

Contacts.

Deutsche Telekom AG

Unternehmenskommunikation
Postfach 20 00, 53105 Bonn, Germany
Phone +49 (0) 228 1 81 49 49
Fax +49 (0) 228 1 81 9 40 04

This Interim Group Report can be
downloaded from the Investor Relations
site on the Internet at:
www.telekom.com/investor-relations

For further information on products of
Deutsche Telekom AG:
www.telekom.com

Investor Relations, Bonn office
Phone +49 (0) 228 181 8 88 80
Fax +49 (0) 228 181 8 88 99
E-mail investor.relations@telekom.de

Investor Relations, New York office:
Phone +1 212 424 2959
Phone +1 877 DT SHARE (toll-free)
Fax +1 212 424 2977
E-mail investor.relations@usa.telekom.de

The English version of the Interim Group Report for the
first quarter of 2011 is a translation of the German
version of the Interim Group Report.
The German version of this Interim Group Report
is legally binding.

This Interim Group Report is a publication
of Deutsche Telekom AG
KNr. 642 200 205 (German)
KNr. 642 200 206 (English)

Life is for sharing.

