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12

Interim Group Report.

January 1 to March 31, 2012.

Life is for sharing.

Selected financial data of the Deutsche Telekom Group.

		Q1 2012 millions of €	Q1 2011[a] millions of €	Change %	FY 2011 millions of €
Revenue and earnings					
Net revenue		14,432	14,597	(1.1)	58,653
Of which: domestic	%	44.4	45.1		44.9
Of which: international	%	55.6	54.9		55.1
Profit from operations (EBIT)		1,218	1,644	(25.9)	5,586
Net profit (loss)		238	480	(50.4)	557
Net profit (loss) (adjusted for special factors)		581	701	(17.1)	2,851
EBITDA		3,952	4,298	(8.1)	20,022
EBITDA (adjusted for special factors)		4,477	4,480	(0.1)	18,685
EBITDA margin (adjusted for special factors)	%	31.0	30.6		31.8
Earnings per share basic/diluted	€	0.06	0.11	(45.5)	0.13
Statement of financial position					
Total assets		120,484	123,196	(2.2)	122,542
Shareholders' equity		39,818	42,656	(6.7)	39,941
Equity ratio	%	33.0	34.6		32.6
Net debt		38,627	41,800	(7.6)	40,121
Cash capex		(2,169)	(2,120)	(2.3)	(8,406)
Cash flows					
Net cash from operating activities		2,973	2,669	11.4	16,214
Free cash flow (before dividend payments and spectrum investment)[b]		1,122	1,061	5.7	6,421
Net cash used in investing activities		(2,101)	(2,760)	23.9	(9,275)
Net cash used in financing activities		(1,342)	(962)	(39.5)	(5,958)

[a] Revenue, earnings and profit/loss for the prior-year period adjusted, as T-Mobile USA is no longer reported as a discontinued operation.
[b] and before PTC and AT&T transactions.

Number of fixed-network and mobile customers.

	Mar. 31, 2012 millions	Dec. 31, 2011 millions	Change Mar. 31, 2012/ Dec. 31, 2011 %	Mar. 31, 2011 millions	Change Mar. 31, 2012/ Mar. 31, 2011 %
Fixed-network lines	33.5	34.1	(1.8)	35.5	(5.6)
Retail broadband lines	17.0	16.9	0.6	16.6	2.4
Mobile customers	129.1	129.3	(0.2)	127.9	0.9

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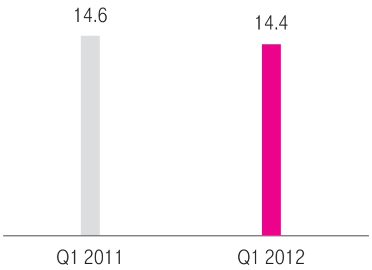
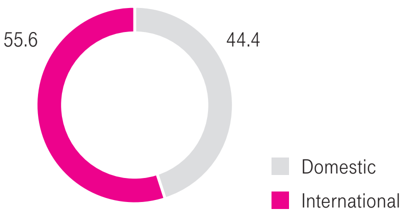
Net revenue. (billions of €)



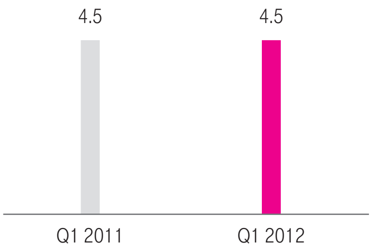
- Net revenue decreased by 1.1 percent compared with the first three months of 2011. This includes positive net exchange rate effects of around EUR 0.1 billion.
- Operations were positively impacted by the development of mobile data revenue, smartphone revenue and TV services.
- Macroeconomic situation stabilized in some countries, but also further deterioration, in particular in Greece. A decrease in revenue from voice telephony, price changes imposed by regulatory authorities and intense competitive pressure had a negative impact on operations.

Proportion of net revenue generated internationally. (%)



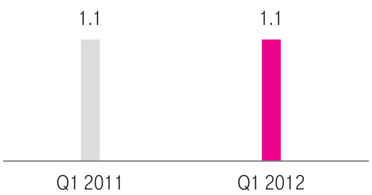
- The proportion of net revenue generated internationally increased to 55.6 percent, compared with 54.9 percent in the first quarter of 2011.
- Domestic net revenue amounted to EUR 6.4 billion, around EUR 0.2 billion lower than in the first three months of 2011. International net revenue remained on a par with the level in the prior-year quarter at EUR 8.0 billion.

Adjusted EBITDA. (billions of €)



- Despite the revenue decrease, adjusted EBITDA remained almost constant compared with the first three months of the prior year.
- Negative effects included fixed-network lines lost to competitors, price changes imposed by regulatory authorities and special taxes on telecommunications services.
- These effects were offset by various measures, including our comprehensive cost management.

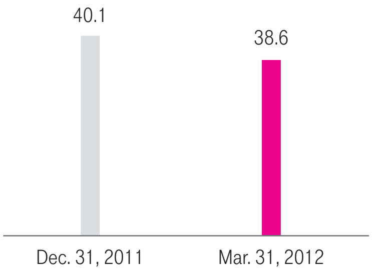
Free cash flow (before dividend payments and spectrum investment).* (billions of €)



- Free cash flow remained stable at EUR 1.1 billion.
- Although net cash from operating activities increased slightly, cash capex remained unchanged on the level of the first quarter of 2011.

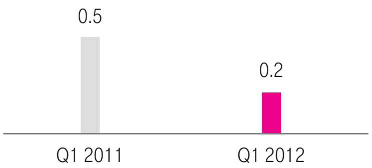
* and before PTC and AT&T transactions.

Net debt. (billions of €)



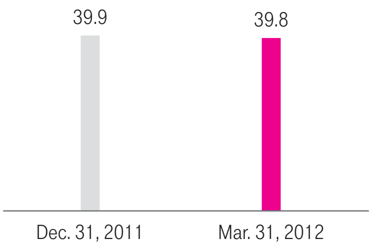
- Net debt decreased by 3.7 percent compared with the end of 2011 to EUR 38.6 billion.
- Free cash flow (EUR 1.1 billion) as well as proceeds from the sale of equity interests in Telekom Srbija (EUR 0.4 billion) in particular had a positive impact.

Net profit. (billions of €)



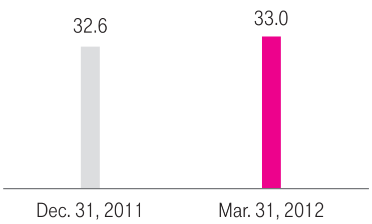
- Net profit decreased to EUR 0.2 billion.
- Negative effects included expenses for early retirement arrangements for civil servants (EUR 0.5 billion).
- Effects included in the first quarter of 2011 due to the classification of T-Mobile USA as a discontinued operation did not recur. The discontinuation of depreciation and amortization resulting from the reclassification (IFRS 5) had a positive impact on net profit in the comparative period.

Shareholders' equity. (billions of €)



- Shareholders' equity decreased by EUR 0.1 billion compared with the end of 2011.
- Positive effects from net profit of EUR 0.2 billion.
- Currency translations (EUR 0.1 billion) and dividend payments to non-controlling interest (EUR 0.1 billion) had a negative effect.

Equity ratio. (%)



- The equity ratio increased to 33.0 percent primarily due to the decrease in total assets by EUR 2.1 billion to EUR 120.5 billion.
- This decrease in total assets was mainly attributable to a reduction in property, plant and equipment and intangible assets.

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

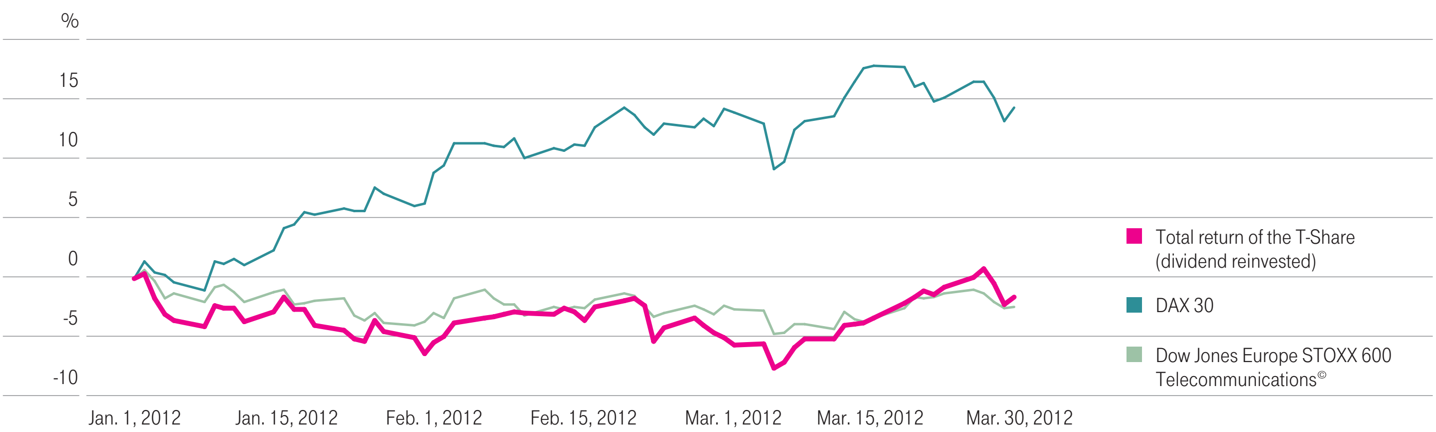
Deutsche Telekom at a glance.

We have made a solid start to the financial year and confirm our guidance for the full year 2012 despite tough environmental factors such as the intense competitive pressure and price changes imposed by regulatory authorities in many countries. The overall economic situation has stabilized in some countries.

The development of our business in the first three months of the year was largely shaped by a generally positive development in Europe and the United States. Revenue and adjusted EBITDA are trending upward in the Europe operating segment compared with prior quarters. Despite the decline in earnings, Deutsche Telekom's home market offers significant strategic advantages, particularly in comparison with competitors, such as a better position on the domestic fixed-network and mobile communications markets, a better structure of competition on the mobile communications market, and a better economic environment. Net revenue decreased only slightly, while adjusted EBITDA and free cash flow remained constant.

The T-Share.

Total return of the T-Share in the first quarter of 2012.



T-Share performance.

		Q1 2012	Q1 2011	FY 2011
Xetra closing prices				
Share price on the last trading day	€	9.02	10.87	8.87
Year high	€	9.24	10.89	11.32
Year low	€	8.48	9.55	7.95
Weighting of the T-Share in major stock indexes				
DAX 30	%	4.4	5.2	5.1
Dow Jones Euro STOXX 50©	%	1.9	1.2	2.0
Dow Jones Europe STOXX 600 Telecommunications©	%	10.5	10.7	10.2
Market capitalization	billions of €	39.0	47.0	38.3
Number of shares issued	millions	4,321	4,321	4,321

In the first quarter of 2012, the T-Share posted a price advance of 1.6 percent on a total return basis (share price performance plus reinvested dividend), closing at EUR 9.02 on March 30, 2012 (Xetra trading). The Supervisory Board and the Board of Management will propose to the shareholders' meeting convened for May 24, 2012 a stable dividend of 70 cents per share.

After outperforming the overall market in 2011, which had been a year of crisis, the T-Share's upward trend was halted in the opening months of 2012 by profit warnings and dividend cuts at a number of our competitors in the European telecommunications sector. This sector continues to be impacted by competition on many markets and difficult economic conditions in some countries. The uncertainty dragged the Dow Jones Europe Stoxx 600 Telecommunications© down 2.3 percent in the first quarter.

In the first quarter of the year, stock markets around the world recovered well from the slump in 2011. The DAX 30 gained 14 percent. Thanks to capital injections of around one trillion euros from the European Central Bank, the markets were jump-started primarily by the banks that had been weak in the previous year and by economically sensitive securities. In February in particular, share prices on the international equities markets rose, prompted not only by the economic trend toward greater stabilization of economic activity, but also by lessening concerns about Greece following agreement on a EUR 130 billion aid package.

Highlights in the first quarter of 2012.

Developments at senior management level. On February 22, 2012, the Supervisory Board of Deutsche Telekom appointed Dr. Thomas Kremer as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance. He will succeed Dr. Manfred Balz effective June 1, 2012.

Corporate transactions. The sale of the stake in Telekom Srbija was completed on January 25, 2012. For more details on this transaction, please refer to the combined management report for the 2011 financial year (2011 Annual Report, page 147).

Issuances. We took advantage of the relatively positive capital market environment in the first quarter of 2012 for issuances at very favorable financing conditions. Among other transactions, we issued a U.S. dollar bond (first tranche: USD 1 billion, coupon 2.25 percent, maturity 5 years; second tranche: USD 1 billion, coupon 4.875 percent, maturity 30 years) on March 6, 2012. With this transaction, we achieved better conditions than were available for bonds on the euro market with comparable maturities.

Partnerships. We have signed a network partnership with **Telefónica Germany** for the shared use of parts of the Deutsche Telekom network infrastructure. In order to accelerate growth in the area of mobile location-based services, we concluded a strategic partnership with **Groupon**. By increasing our equity investment in the IT service provider **HMM Deutschland**, we are further expanding our healthcare business area, for example, driving forward the digital data flow between health insurance companies, pharmacies, and medical supply stores.

Investments in networks and new spectrum. In Germany, we have already met the LTE roll-out obligations in 11 of the 16 federal states. In Hungary and Croatia, we are the first company to provide mobile Internet services based on 4G/LTE mobile communications technology. We also purchased spectrum in the 0.9 GHz frequency range in Hungary. In February 2012, T-Mobile USA announced it will invest USD 4 billion in total over time into network modernization and LTE deployment to strengthen its 4G network. Re-using the existing spectrum (re-farming), combined with the AWS spectrum T-Mobile USA received in April 2012 from AT&T, will allow the deployment of LTE service in 2013. Over the next two years, this represents approximately USD 1.4 billion in incremental network investment.

Litigation. Two court cases developed in our favor during this quarter. ("Claim for compensation against the Federal Republic of Germany and Kreditanstalt für Wiederaufbau" as well as "Year-end bonus for civil servants"). For more details, please refer to "Risks and opportunities" (pages 25 and 26).

T-Systems signs new contracts. T-Systems has concluded one of the largest cloud deals in its history with the **British American Tobacco (BAT)** group. Under the contract with a seven-year term, it will migrate the BAT's business software into the cloud over the next two years. Insurance group **Old Mutual** and T-Systems signed an outsourcing deal in South Africa under which T-Systems will provide computing power, storage space and workstation support for Old Mutual for the next seven years.

Employees. We revised our **early retirement arrangements for civil servants** and are offering a limited number of our civil servants an early retirement program up to the end of 2012. Payments will be spread over the next six to seven years. In the ongoing **2012 collective wage bargaining** for Deutsche Telekom AG, Telekom Deutschland GmbH, and its service companies as well as for T-Systems, the parties already reached some agreements with the union Verdi in April and May 2012. For further information, please refer to the disclosure under "Events after the reporting period" in the interim consolidated financial statements (page 36).

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 2011 financial year, focusing on global economic development in the first quarter of 2012, the regulatory environment and the currently prevailing economic risks, and the outlook. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

Global economic development.

The global economy performed slightly better than expected in the opening months of 2012. The economic risks arising from the eurozone sovereign debt crisis and the uncertainty about fiscal policy in the United States have eased slightly, lifting business and consumer confidence compared with the fourth quarter of 2011. Greece's economic situation continued to deteriorate in the first quarter of 2012. The recessionary trend seen in the second half of 2011 intensified in the economies of the Netherlands and Croatia. Hungary also recorded a downtrend.

GDP growth rates in our core countries.

	Q1 2012 compared with Q1 2011 %
Germany	0.5
United States	2.1
Greece	(9.1)
Poland	3.5
Hungary	0.1
Czech Republic	(0.1)
Croatia	(0.8)
Netherlands	(1.1)
Slovakia	2.1
Austria	0.7
United Kingdom	0.6

Source: Oxford Economics, forecast from April 2012

Overall economic risk.

One of the main risks still facing the global economy is a renewed intensification of the European sovereign debt crisis. An unwavering high oil price, possibly accompanied by a geopolitical escalation in Iran, would have a further major impact on the global economy.

Outlook.

We expect the global economy to stabilize at a moderate level in 2012, but without achieving high growth rates. The pace of growth will continue to vary considerably from region to region, with some countries developing relatively robustly (e.g., Germany and Poland) and others displaying mild recessionary trends to say the least (e.g., Hungary and Croatia). And then there will be highly recessionary economies like Greece.

Telecommunications market.

According to the recent economic survey on business confidence in the information and telecommunications (ITC) industry conducted by the industry association BITKOM, the first quarter of 2012 saw a steady improvement in the ITC business climate, boosted primarily by the demand from corporates and private users for new devices such as tablet PCs and smartphones, applications (apps) and services such as cloud computing.

Regulatory influence on Deutsche Telekom's business.

VDSL contingent model in Germany rejected by Federal Network Agency.
In a provisional decision on April 2, 2012, the Federal Network Agency rejected a VDSL price model presented by Telekom Deutschland in ex-post control proceedings. The model, which has become known as the VDSL contingent model, provides for attractive prices for the VDSL wholesale product in return for an upfront payment for a minimum number of lines. On account of the EU-wide consultation on this provisional decision, the final decision is not expected until June 2012. Rejection of this model by the Federal Network Agency does not augur well for the broadband roll-out in Germany. It impedes cooperation models such as the network partnership planned with NetCologne. The telecommunications industry has always stressed that partnerships and risk-sharing are vital for the broadband roll-out. Voluntary agreements within the industry not only allow companies to share the risk for network investments, but are also in the interest of customers. Vodafone, Telefónica, NetCologne and 1&1 underlined in a public hearing in April 2012 at the Federal Network Agency that they back a Deutsche Telekom VDSL contingent model for the sale of fast VDSL Internet lines.

New decision on ULL rates in Germany. The Federal Network Agency set new one-time rates for unbundled local loop lines (ULLs) for the period April 1, 2001 through March 31, 2002 in its decision dated April 5, 2012. The new decision became necessary after the Cologne Administrative Court revoked the original ruling from 2001 for the corresponding plaintiffs. This reduces the charges in the most important rate options by between 10 and 18 percent.

Reduction of termination rates at subsidiaries. In the first quarter of 2012, the mobile termination rates (MTRs) at our subsidiaries in Romania, Slovakia, Croatia, and Hungary were reduced as a result of regulatory decisions. In the fixed-network business, the highest cuts in termination rates were at our subsidiaries in Greece and Romania. At OTE in Greece, rates for wholesale services including ULLs were reduced. Fixed-network termination rates were reduced in Romania.

Group structure, strategy and management.

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

Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (page 35).

Development of business in the Group.

Results of operations of the Group.

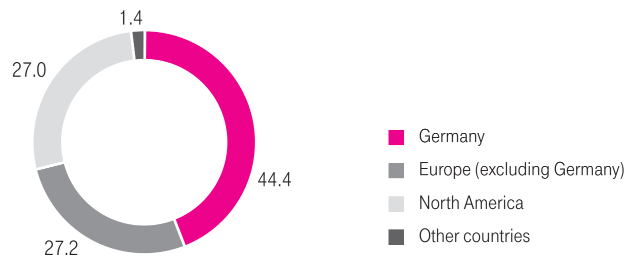
Net revenue.
In the first quarter of the 2012 financial year, we generated net revenue of EUR 14.4 billion, slightly down on the same period in the prior year. Intense competition and price changes imposed by the regulatory authorities had a negative effect. Net exchange rate effects of around EUR 0.1 billion on the proportion of net revenue generated internationally, especially from the translation of U.S. dollars into euros, had a positive impact on net revenue.

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

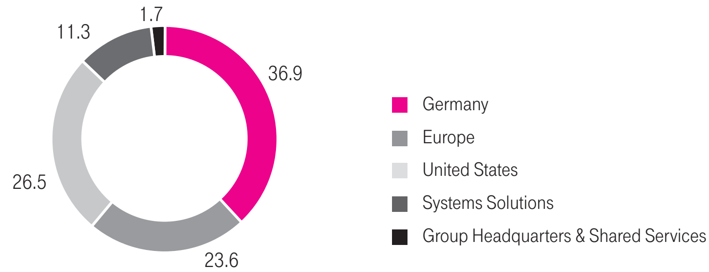
Contribution of the operating segments to net revenue.

	Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Net revenue	**14,432**	**14,597**	**(165)**	**(1.1)**	**58,653**
Germany	5,658	5,794	(136)	(2.3)	23,201
Europe	3,575	3,672	(97)	(2.6)	15,124
United States	3,847	3,770	77	2.0	14,811
Systems Solutions	2,245	2,260	(15)	(0.7)	9,249
Group Headquarters & Shared Services	717	735	(18)	(2.4)	2,977
Intersegment revenue	(1,610)	(1,634)	24	1.5	(6,709)

Breakdown of revenue by regions. (%)



Contribution of the segments to net revenue. (%)



At 36.9 percent, just half a percentage point down against the prior-year period, our **Germany** operating segment again provided the largest contribution to the net revenue of the Group. The increase in revenue in the **United States** operating segment in conjunction with the downward trend in revenue in the other segments resulted in an increase of 0.7 percentage points in the proportion of net revenue contributed by the United States. This is also reflected in the proportion of net revenue generated internationally, which increased in the reporting period from 54.9 percent to 55.6 percent. The contributions of the other segments to net revenue remained almost constant.

EBITDA, adjusted EBITDA.

In the first quarter of 2012, we generated EBITDA of EUR 4.0 billion, EUR 0.3 billion less than in the same period in 2011. In addition to the decline in revenue, our EBITDA was adversely affected mainly by an increase in special factors of around EUR 0.3 billion. They mainly comprised expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses, totaling EUR 0.6 billion. Earnings of around EUR 0.1 billion from Kreditanstalt für Wiederaufbau in connection with legal proceedings concluded in the reporting period had a positive impact. Overall, exchange rate effects only marginally affected the development of our EBITDA.

Excluding special effects, which had a negative impact, adjusted EBITDA remained stable in the first quarter of 2012 compared with the same period in the prior year, at EUR 4.5 billion. For detailed information on the development of EBITDA/adjusted EBITDA in our segments, please refer to the section “Development of business in the operating segments” (page 13 et seq.).

Contribution of the operating segments to adjusted Group EBITDA.

	Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
EBITDA (adjusted for special factors) in the Group	**4,477**	**4,480**	**(3)**	**(0.1)**	**18,685**
Germany	2,302	2,350	(48)	(2.0)	9,474
Europe	1,173	1,226	(53)	(4.3)	5,241
United States	983	871	112	12.9	3,831
Systems Solutions	192	189	3	1.6	872
Group Headquarters & Shared Services	(137)	(129)	(8)	(6.2)	(617)
Reconciliation	(36)	(27)	(9)	(33.3)	(116)

EBIT.

Group EBIT decreased by EUR 0.4 billion to EUR 1.2 billion compared with the first quarter of 2011, primarily due to the aforementioned effects. At EUR 2.7 billion, depreciation, amortization and impairment losses were at the same level as in the prior-year quarter. In the first three months of 2011, the classification of our United States operating segment as a discontinued operation had to be taken into account. As a result, no depreciation, amortization or impairment losses were recorded pro rata temporis for this segment. The classification as a discontinued operation was reversed as of the end of the 2011 financial year.

Profit/loss before income taxes.

Profit before income taxes decreased by EUR 0.3 billion to EUR 0.7 billion year-on-year in the first quarter of 2012. The decrease of EUR 0.1 billion in loss from financial activities was not sufficient to offset the aforementioned effects. The change in the loss from financial activities was due in part to the sale of the shares in Telekom Srbija.

Net profit.

We generated net profit of EUR 0.2 billion in the first quarter of 2012 compared with EUR 0.5 billion in the first quarter of 2011.

Year-on-year, the income tax expense decreased substantially in the first quarter of 2012 from EUR 0.4 billion to EUR 0.2 billion, mainly as a result of the lower profit before income taxes. Furthermore, in the prior-year period, our United States operating segment was classified as a discontinued operation. At the time, this resulted in the recognition of deferred tax liabilities of EUR 0.1 billion on temporary differences in connection with the carrying amount of the investment in T-Mobile USA.

The aforementioned effects resulted in a EUR 0.1 billion reduction in profit compared with the first quarter of 2011. Profit attributable to non-controlling interests also increased. Thus net profit decreased from EUR 0.5 billion to EUR 0.2 billion.

Average number of employees.

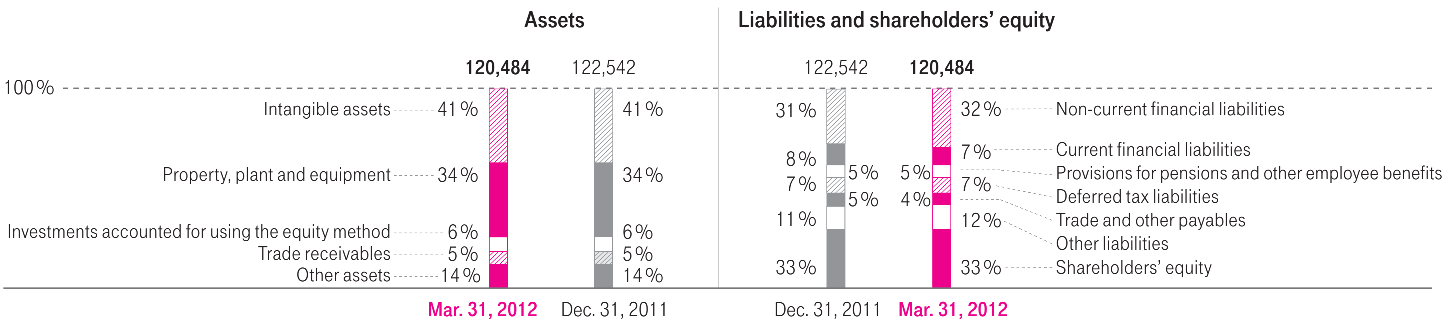
	Q1 2012	Q1 2011
Germany	73,043	74,285
Europe	57,472	62,366
United States	32,029	36,237
Systems Solutions	48,505	48,191
Group Headquarters & Shared Services	23,492	23,887
Number of employees in the Group	**234,541**	**244,966**
Of which: civil servants (in Germany, with an active service relationship)	23,522	25,532

Average headcount decreased by 4.3 percent compared with the prior-year period. This trend is largely attributable to a lower international headcount, which was down by 7.4 percent. In our Europe operating segment, downsizing programs carried out as a result of programs to enhance efficiency contributed to this lower figure. In the United States operating segment, fewer staff were employed in customer support and sales units compared with the prior-year period.

Average headcount in Germany decreased by 1.1 percent, mainly due to socially responsible staff restructuring and reduction in the Germany operating segment and a reduction in Vivento's headcount at Group Headquarters & Shared Services. The overall decrease was partially offset by increased staff levels in the Systems Solutions operating segment, attributable to employees taken on in connection with big deals.

Financial position of the Group.

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



The level of **total assets** decreased by EUR 2.1 billion compared with December 31, 2011, although the structure did not change.

The decrease of EUR 0.4 billion in **non-current assets and disposal groups held for sale** compared with December 31, 2011 to EUR 0.1 billion is primarily attributable to the sale of the shares in Telekom Srbija on January 25, 2012.

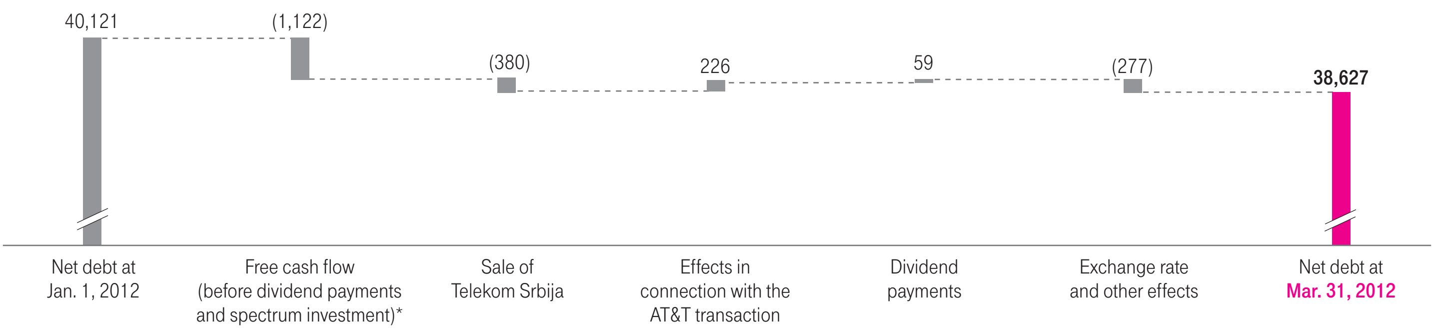
The decrease of EUR 0.6 billion in **intangible assets** to EUR 49.5 billion mainly resulted from amortization of EUR 0.8 billion and exchange rate effects of EUR 0.4 billion. Investments were made in the amount of EUR 0.4 billion.

The decrease of EUR 1.1 billion in **property, plant and equipment** to EUR 40.9 billion is primarily attributable to depreciation of EUR 1.9 billion and exchange rate effects of EUR 0.1 billion. This was partially offset by investments of EUR 1.3 billion.

Current and non-current **financial liabilities** decreased by EUR 2.0 billion compared with the end of 2011 to EUR 46.3 billion in total. For more information, please refer to the following table and the accompanying explanations.

The decrease of EUR 1.1 billion in **trade and other payables** to EUR 5.3 billion mainly related to the Germany operating segment and to the Europe and United States operating segments.

Change in net debt. (millions of €)



* and before AT&T transaction.

Net debt decreased by EUR 1.5 billion or 3.7 percent compared with the end of 2011. This decrease was attributable to the free cash flow before dividend payments and spectrum investment as well as before the AT&T transaction (EUR 1.1 billion), the sale of the shares in Telekom Srbija (EUR 0.4 billion), as well as exchange rate and other effects (EUR 0.3 billion). These effects were partially offset by dividend payments for non-controlling interests (EUR 0.1 billion) and effects in connection with the AT&T transaction (EUR 0.2 billion).

For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information" (page 39).

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

	Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Cash generated from operations*	**3,977**	**3,901**	**76**	**1.9**	**16,863**
Interest received (paid)	(778)	(832)	54	6.5	(2,538)
Net cash from operating activities*	**3,199**	**3,069**	**130**	**4.2**	**14,325**
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment **(cash capex)**	(2,129)	(2,120)	(9)	(0.4)	(8,260)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	52	112	(60)	(53.6)	356
Free cash flow (before dividend payments and spectrum investment)*	**1,122**	**1,061**	**61**	**5.7**	**6,421**

* before PTC and AT&T transactions.

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment and before PTC and AT&T transactions increased by EUR 61 million year-on-year in the reporting period. While net cash from operating activities increased slightly, cash capex remained unchanged against the prior-year period.

Net cash from operating activities (before PTC and AT&T transactions) in the first quarter of 2012 increased by EUR 130 million compared with the prior-year period to EUR 3.2 billion. This was mainly attributable to the following cash flows: lower income tax paid (EUR 0.1 billion), lower net interest payments (EUR 0.1 billion) and cash inflows from the canceling of interest rate swaps (EUR 0.1 billion). These effects were partially offset by cash outflows of EUR 0.1 billion in connection with investigations by the U.S. authorities into contracts in the F.Y.R.O. Macedonia and Montenegro. Dividend payments from the Everything Everywhere joint venture were EUR 0.1 billion lower in the first quarter of 2012 compared with the prior-year period.

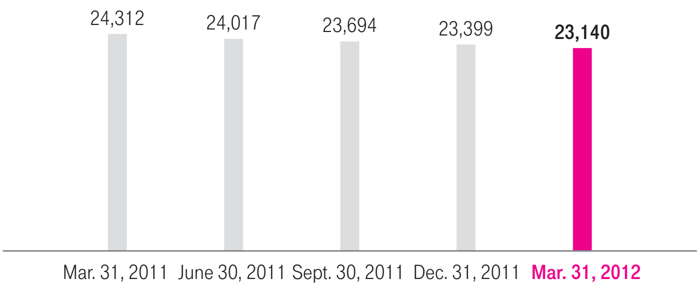
Whereas in the first quarter of 2011 cash outflows of EUR 0.4 billion were recorded for the PTC transaction, the first quarter of 2012 saw cash outflows of EUR 0.2 billion in connection with the AT&T transaction with regard to the termination of the agreement for the sale of T-Mobile USA.

Development of business in the operating segments.

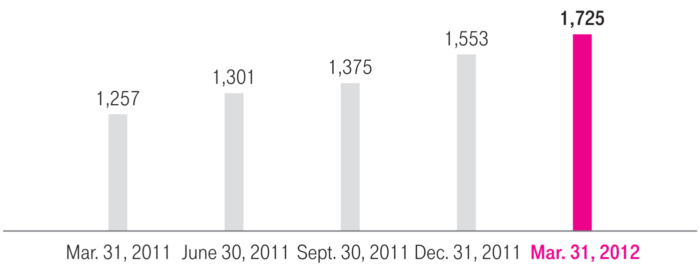
Germany.

Customer development.

Fixed-network lines. ('000)

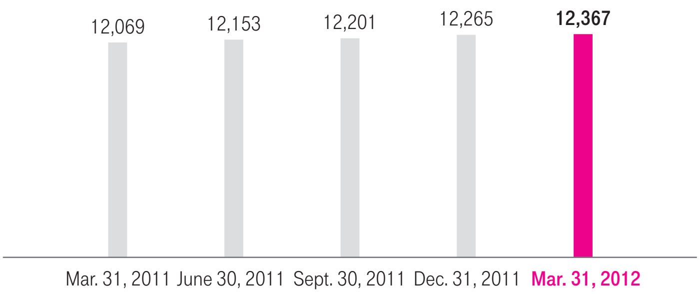


TV customers.* ('000)

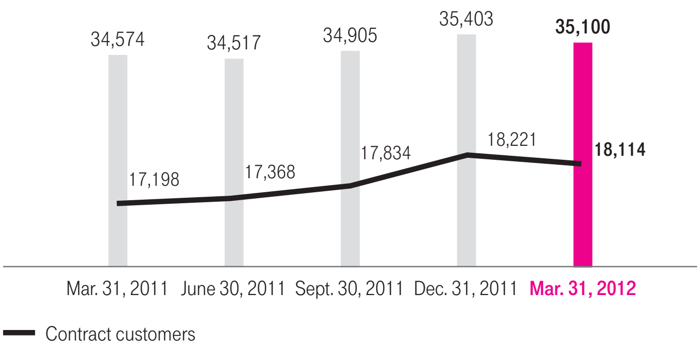


* Customers connected

Retail broadband lines. ('000)



Mobile customers. ('000)



	Mar. 31, 2012 thousands	Dec. 31, 2011 thousands	Change Mar. 31, 2012/ Dec. 31, 2011 %	Mar. 31, 2011 thousands	Change Mar. 31, 2012/ Mar. 31, 2011 %
Total					
Fixed-network lines	23,140	23,399	(1.1)	24,312	(4.8)
Retail broadband lines[a]	12,367	12,265	0.8	12,069	2.5
TV	1,725	1,553	11.1	1,257	37.2
Mobile customers	35,100	35,403	(0.9)	34,574	1.5
Contract customers[a]	18,114	18,221	(0.6)	17,198	5.3
Prepay customers	16,987	17,182	(1.1)	17,376	(2.2)
Unbundled local loop lines (ULLs)	9,602	9,598	0,0	9,570	0.3
Wholesale unbundled lines	1,253	1,222	2.5	1,108	13.1
Wholesale bundled lines	657	704	(6.7)	891	(26.3)
Of which: consumers					
Fixed-network lines	18,448	18,763	(1.7)	19,579	(5.8)
Retail broadband lines[a]	9,983	9,959	0.2	9,796	1.9
TV	1,582	1,434	10.3	1,162	36.1
Mobile customers	29,008	29,333	(1.1)	28,926	0.3
Contract customers[a]	12,799	12,874	(0.6)	12,052	6.2
Prepay customers	16,209	16,459	(1.5)	16,874	(3.9)
Of which: business customers					
Fixed-network lines	3,566	3,505	1.7	3,599	(0.9)
Retail broadband lines	2,051	1,973	4.0	1,942	5.6
TV	142	117	21.4	95	49.5
Mobile customers	6,092	6,070	0.4	5,648	7.9
Contract customers[a]	5,314	5,347	(0.6)	5,145	3.3
Prepay customers (M2M)[b]	778	723	7.6	502	55.0

[a] Stationary wireless solutions have been reported under mobile contract customers since October 1, 2011.
[b] M2M: machine-to-machine.

Total.

In our Germany operating segment, we held our own in the market in the face of regulatory interventions and intense competition by focusing on high-value business. By the end of the first quarter of 2012, 67,000 customers had already used our Call & Surf Comfort via Funk product, which was launched in the second quarter of 2011. This wireless technology enables fast Internet surfing even in areas without DSL coverage.

Fixed network.

Telephony, Internet, and TV. Line losses in traditional fixed-network telephony decreased year-on-year, now totaling 259 thousand. The vast majority of these losses resulted from customers switching to cable network operators.

Our share of the German broadband market stood at around 45 percent in the first three months of the year. The number of broadband lines increased by 0.1 million to 12.4 million in the reporting period. Of these customers, 0.7 million have VDSL lines. As of March 31, 2012, a total of 1.7 million customers were using our television service Entertain. As many as 192,000 of them were using Entertain via Sat.

Mobile communications.

Mobile telephony and data services. The number of mobile customers at the end of the first quarter of 2012 totaled 35.1 million; this corresponds to a decrease of 0.9 percent compared with December 31, 2011. The development was positive on the whole thanks to the strong performance of machine-to-machine, congstar and Call & Surf Comfort via Funk. It was adversely affected by a legal dispute with a reseller which resulted in the migration of customers to another network operator.

The proportion of smartphones (e.g., the iPhone) in all cell phones sold has increased by around 14 percent since the end of 2011. Thus 76 percent of all cell phones sold in the first quarter of 2012 were smartphones.

Consumers.

The number of mobile contract customers increased further in the first quarter of 2012. In particular, packages with integrated data flat rates for the mobile Internet (Call & Surf Mobil and Complete Mobil), especially the promotional rates included, sold well. Through these packages we migrated a large number of customers from pure voice rates to higher-value data calling plans. In the area of text messaging rates, we successfully marketed our “SMS Flat all net” option.

The decrease in the number of prepay customers is largely attributable to the deactivation of inactive cards. This decline was not compensated by new customer additions.

Business Customers.

Fixed-network lines in the Business Customers area remained at the prior-year level in the reporting period. The trend in Internet usage is toward high bandwidths with all-round service. Accordingly, we recorded an upward growth trend in our CompanyConnect dedicated Internet connections. In the field of data communications, we significantly increased the number of networks and connections with Internet-based data networks (IP VPNs) and high-bandwidth location networking. With a clear focus on calling plans with integrated data flat rates for the mobile Internet, the new set of mobile calling plans we introduced in February 2011 helped to increase subscriber numbers compared with the prior year.

Subscriber numbers continued to rise compared with the prior-year quarter in the area of machine-to-machine mobile communication as well as among contract customers, due not least to the marketing kick-off in February 2012 of new, attractive mobile calling plans for business customers with and without data flat rates.

Wholesale.

The number of unbundled local loop lines (ULLs) was virtually unchanged from year-end 2011. The number of bundled wholesale lines declined only slightly in the first quarter of 2012. This trend is expected to continue in the next few years, due in particular to the fact that our competitors are switching from bundled to unbundled wholesale products.

Development of operations.

		Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Total revenue[a]		5,658	5,794	(136)	(2.3)	23,201
Consumers		2,997	3,097	(100)	(3.2)	12,497
Business Customers		1,418	1,415	3	0.2	5,615
Wholesale		1,034	1,067	(33)	(3.1)	4,209
Value-Added Services		97	107	(10)	(9.3)	421
Other		112	108	4	3.7	459
Profit from operations **(EBIT)**		887	1,225	(338)	(27.6)	4,359
EBIT margin	%	15.7	21.1			18.8
Depreciation, amortization and impairment losses		(1,119)	(1,056)	(63)	(6.0)	(4,408)
EBITDA		2,006	2,281	(275)	(12.1)	8,767
Special factors affecting EBITDA		(296)	(69)	(227)	n.a.	(707)
EBITDA (adjusted for special factors)		2,302	2,350	(48)	(2.0)	9,474
EBITDA margin (adjusted for special factors)	%	40.7	40.5			40.8
Cash capex		(823)	(820)	(3)	(0.4)	(3,649)

[a] The activities and functions of the Digital Services growth area and of the Internet service provider STRATO (Consumers) that were previously reported under the Germany operating segment, have been assigned to Group Headquarters & Shared Services from January 1, 2012 and reported as part of the DBU (Digital Business Unit). The prior-year figures have been adjusted for better comparability.

Total revenue.

The rate of the revenue decrease slowed compared with the prior-year period to 2.3 percent, an improvement of 1.8 percentage points compared with the 4.1-percent decrease from 2010 to 2011.

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

In mobile communications, data revenues increased thanks to smartphone sales. Revenue from mobile voice telephony decreased as a result of the demand for favorably priced calling plans with flat-rate components.

The main reason for the decline in the **Consumers** area was the downward trend in voice telephony business, in particular in the fixed network. The decrease was partially offset by growth in TV (up 29.2 percent). The growth in mobile data revenues (up 27.5 percent) almost succeeded in compensating for the decline in revenue, principally in traditional voice telephony.

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

The decline in **Wholesale** revenue – down 3.1 percent to EUR 1.0 billion – was primarily attributable to the following factors: regulatory price cuts for digital leased lines, unbundled local loop lines, and interconnection calls (from July 1, 2011) and the declining use of interconnection calls.

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

EBITDA, adjusted EBITDA.
EBITDA adjusted for special factors decreased by 2.0 percent to EUR 2.3 billion. It was not possible to fully offset the decline in revenue by cost savings. We were not able to lower service costs as we had done in recent years. At the same time, mobile interconnection costs increased, for instance, by continuously offering more valuable calling plans, e.g., with minute buckets and unlimited text messaging into third-party networks. Nevertheless, the adjusted EBITDA margin improved by 0.2 percentage points. EBITDA was adversely affected in particular by early retirement expenses, which we recognized as a special factor.

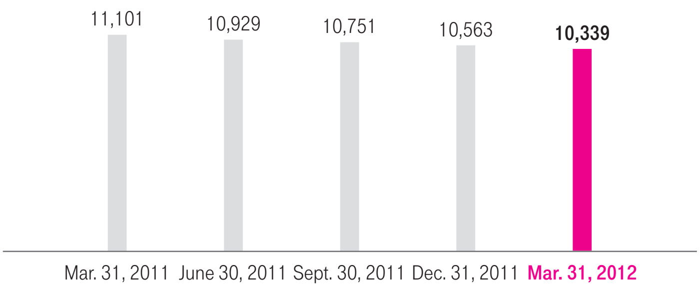
EBIT.
Profit from operations for our Germany operating segment amounted to EUR 0.9 billion, down EUR 0.3 billion year-on-year. The decrease was primarily attributable to higher depreciation and amortization following major investments in the prior year as well as early retirement expenses included under special factors.

Cash capex.
Our cash capex remained at the prior-year level. We mainly invested in network infrastructure for the next-generation Gigabit society, in connecting base stations with high bit rates, and in the core network to operate the new mobile communications cells.

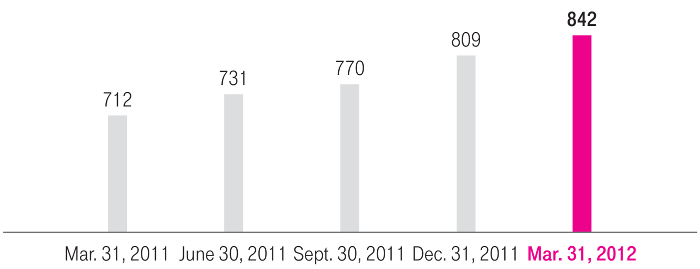
Europe.

Customer development.

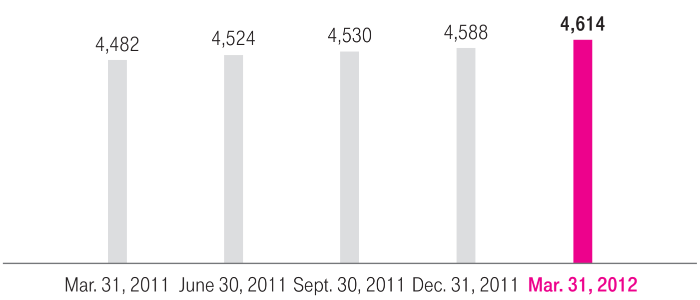
Fixed-network lines. ('000)



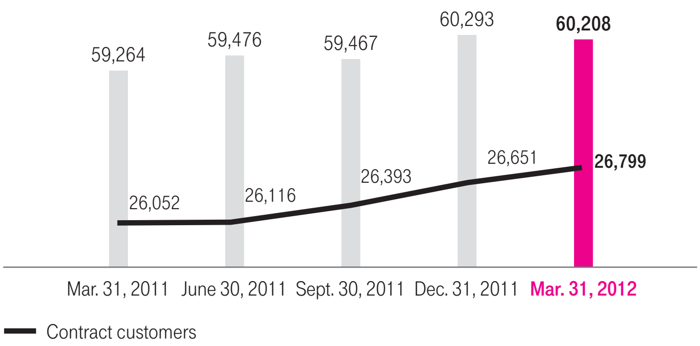
IPTV customers. ('000)



Retail broadband lines. ('000)



Mobile customers. ('000)



		Mar. 31, 2012 thousands	Dec. 31, 2011 thousands	Change Mar. 31, 2012/ Dec. 31, 2011 %	Mar. 31, 2011 thousands	Change Mar. 31, 2012/ Mar. 31, 2011 %
Europe, total	Fixed-network lines	10,339	10,563	(2.1)	11,101	(6.9)
	Retail broadband lines	4,614	4,588	0.6	4,482	2.9
	Wholesale bundled lines	153	153	–	166	(7.8)
	Unbundled local loop lines (ULLs)	1,870	1,844	1.4	1,591	17.5
	Mobile customers	60,208	60,293	(0.1)	59,264	1.6
Greece	Fixed-network lines	3,219	3,317	(3.0)	3,640	(11.6)
	Broadband lines	1,120	1,126	(0.5)	1,153	(2.9)
	Mobile customers	7,862	7,885	(0.3)	7,600	3.4
Romania	Fixed-network lines	2,428	2,487	(2.4)	2,578	(5.8)
	Broadband lines	1,100	1,078	2.0	1,044	5.4
	Mobile customers	6,407	6,499	(1.4)	6,641	(3.5)
Hungary	Fixed-network lines	1,462	1,486	(1.6)	1,546	(5.4)
	Broadband lines	855	848	0.8	814	5.0
	Mobile customers	4,815	4,817	(0.0)	4,777	0.8
Poland	Mobile customers	14,512	14,161	2.5	13,175	10.1
Czech Republic	Fixed-network lines	103	100	3.0	82	25.6
	Broadband lines	103	100	3.0	82	25.6
	Mobile customers	5,354	5,381	(0.5)	5,446	(1.7)
Croatia	Fixed-network lines	1,367	1,387	(1.4)	1,418	(3.6)
	Broadband lines	654	651	0.5	642	1.9
	Mobile customers	2,350	2,418	(2.8)	3,006	(21.8)
Netherlands	Fixed-network lines	291	294	(1.0)	298	(2.3)
	Broadband lines	282	284	(0.7)	288	(2.1)
	Mobile customers	4,856	4,909	(1.1)	4,718	2.9
Slovakia	Fixed-network lines	1,009	1,021	(1.2)	1,051	(4.0)
	Broadband lines	468	464	0.9	449	4.2
	Mobile customers	2,312	2,326	(0.6)	2,363	(2.2)
Austria	Mobile customers	4,069	4,060	0.2	3,833	6.2
Other[a]	Fixed-network lines	461	471	(2.1)	488	(5.5)
	Broadband lines	239	239	–	223	7.2
	Mobile customers	7,670	7,838	(2.1)	7,705	(0.5)

[a] Other: national companies of Bulgaria, Albania, the F.Y.R.O. Macedonia and Montenegro.

Total.

In the first quarter of 2012, our Europe operating segment consolidated its customer base despite the still strained economic situation and competition. The number of our broadband lines grew again slightly. This helped us to partially offset the line losses in traditional fixed-network business. The number of fixed-network lines declined by approximately 2 percent compared with the end of the prior quarter. Thanks to encouraging growth in the number of contract customers, the total mobile customer base remained unchanged against the end of the prior year. In the prepay segment, the number of customers only grew markedly in Poland due to a change in the deregistration procedure.

Fixed network.

Telephony, Internet and TV. Compared with the prior-year quarter, the number of retail broadband lines marketed increased by around 3 percent to 4.6 million lines. Almost all countries in our Europe operating segment contributed to this result. The highest growth in absolute terms compared with the end of 2011 was achieved in Romania, where the increase in broadband lines was attributable to both broadband cable and DSL lines. There was also a positive trend in the number of DSL lines in the Czech Republic, where the customer base increased by 3 percent in the first quarter compared with the end of the prior year. In Hungary, business with broadband cable lines continued to grow at the same pace as in the prior quarters, recording net customer additions of more than 4 percent compared with December 31, 2011. As regards optical fiber technology, we also continued to expand our customer base, e.g., in Romania, Croatia and Hungary. The IPTV business established itself as a consistent growth driver. Compared with the end of the prior year, we increased the number of customers by around 4 percent, largely thanks to encouraging growth in Hungary.

Around 10.3 million customers in our Europe operating segment used a fixed-network line as of March 31, 2012, a decrease of 2.1 percent compared with the end of the prior year. This is primarily attributable to line losses in Greece, Romania, Hungary and Croatia. In Greece and Romania in particular, the economic situation and the resulting intense competitive pressure caused a decline in the number of customers.

Mobile communications.

Mobile telephony and data services. We consolidated our total mobile customer base at 60.2 million thanks to the positive contribution of our contract customers. The total contract customer base increased slightly by almost 1 percent year-on-year to around 26.8 million. This is mainly attributable to the encouraging trend among business customers, who account for some 30 percent of contract customers. Their numbers increased in particular in Bulgaria, the Czech Republic, Romania and Poland.

The share of contract customers as a proportion of the total customer base in our Europe operating segment increased to around 45 percent. This development was the result of our focus on winning and retaining high-value customers as part of our connected life and work approach. For instance, we offered attractive rate plans and innovative data and content services for the mobile Internet. Smartphones remained in high demand, particularly in the Netherlands and in Austria. As a result, smartphones as a proportion of all terminal devices marketed in our operating segment increased yet again.

As of the end of the first quarter of 2012, the total number of prepay customers was more or less on a par with the level at the end of the prior year. As a result of our strategy of focusing on high-value contract customers, the number of prepay customers declined in almost all countries. The number of prepay customers only grew markedly in Poland by around 0.3 million due to a change in the deregistration procedure in September 2011.

Development of operations.

		Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Total revenue		3,575	3,672	(97)	(2.6)	15,124
Greece		819	863	(44)	(5.1)	3,546
Romania		264	262	2	0.8	1,072
Hungary		335	352	(17)	(4.8)	1,438
Poland		413	440	(27)	(6.1)	1,740
Czech Republic		255	268	(13)	(4.9)	1,092
Croatia		239	256	(17)	(6.6)	1,084
Netherlands		421	418	3	0.7	1,747
Slovakia		206	202	4	2.0	886
Austria		227	229	(2)	(0.9)	924
Other[a]		448	435	13	3.0	1,827
Profit from operations **(EBIT)**		450	365	85	23.3	780
EBIT margin	%	12.6	9.9			5.2
Depreciation, amortization and impairment losses		(717)	(801)	84	10.5	(4,215)
EBITDA		1,167	1,166	1	0.1	4,995
Special factors affecting EBITDA		(6)	(60)	54	90.0	(246)
EBITDA (adjusted for special factors)		1,173	1,226	(53)	(4.3)	5,241
Greece		309	327	(18)	(5.5)	1,300
Romania		69	61	8	13.1	274
Hungary		122	145	(23)	(15.9)	542
Poland		127	144	(17)	(11.8)	629
Czech Republic		123	136	(13)	(9.6)	509
Croatia		101	104	(3)	(2.9)	508
Netherlands		115	82	33	40.2	505
Slovakia		86	95	(9)	(9.5)	388
Austria		60	60	–	–	253
Other[a]		63	69	(6)	(8.7)	339
EBITDA margin (adjusted for special factors)	%	32.8	33.3			34.6
Cash capex		(505)	(512)	7	1.4	(1,870)

The contributions of the national companies correspond to their respective unconsolidated financial statements and do not take into consideration consolidation effects at 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 & Solutions) and Europe Headquarters.

Total revenue.
In the first quarter of 2012, our Europe operating segment generated total revenue of EUR 3.6 billion, down 2.6 percent compared with the prior-year quarter. The rate of decline was thus slowed again and despite negative exchange rate effects was the lowest since 12 months. The development of exchange rates against the euro – mainly driven by the Polish zloty and the Hungarian forint – had a significantly negative impact on our revenue: Around 75 percent of the revenue decline was due to exchange rate effects. Adjusted for this effect, segment revenue stabilized approximately on a par with the level in the prior-year period.

The first quarter was characterized by continued price erosion in most European countries, driven on the one hand by intense competition and on the other by the reduction in mobile termination rates imposed by the regulatory authorities. Furthermore, the difficult economic situation, especially in Southern and Eastern European countries, had a negative impact. In Greece, revenue declined in fixed-network business, in Croatia, both fixed-network and mobile communications business were affected. Higher revenue from operations in several countries largely offset the slight revenue losses at segment level.

Growth in broadband, television, ICT and energy in several countries of our segment had a positive effect on the revenue trend at segment level and partially compensated for the negative effects from traditional fixed-network business. In mobile communications, strong growth in data revenue, which increased by more than 11 percent and adjusted for currency translation effects by as much as 14 percent, had a positive effect on our revenue trend. Almost all the countries in our Europe operating segment contributed to this growth, especially the Netherlands, Austria, the Czech Republic and Poland.

EBITDA, adjusted EBITDA.
Our Europe operating segment generated adjusted EBITDA of EUR 1.2 billion in the first quarter of 2012, a year-on-year decrease of 4.3 percent. Excluding the strong negative exchange rate effect from the translation of the Hungarian forint and the Polish zloty, adjusted EBITDA decreased by just 2.2 percent. The decreases in adjusted EBITDA in Greece, Hungary and the Czech Republic were largely offset by increases in adjusted EBITDA in the Netherlands and in the Romanian mobile operations.

Overall, the decrease in revenue year-on-year had a negative impact on the development of EBITDA. By systematically reducing overheads, above all in Greece and Hungary, and targeting customers more efficiently, especially with regard to customer retention, we were able to partially offset this negative development. In addition, in the first quarter of 2012, EBITDA was negatively affected by the real estate tax in Greece which had not yet been introduced in the first quarter of the prior year, as well as a positive one-time effect in Hungary in the first three months of 2011.

Development of operations in selected countries.
Greece. Revenue in Greece totaled EUR 819 million in the first quarter of 2012, a year-on-year decrease of 5.1 percent, which was attributable to the fixed-network business and only partially offset by an increase in mobile revenue. In the fixed network, declining revenue was primarily a result of line losses in traditional telephony. Furthermore, with regulation of fixed-network business in Greece continuing to be strict, we were not yet able to make planned broadband acquisitions and thus failed to generate the associated revenue. By contrast, mobile business performed very well: Compared with the same quarter in the prior year, we generated a slight increase in revenue despite the difficult economic environment and intense competition. This increase mainly resulted from higher revenue from voice telephony.

Adjusted EBITDA decreased to EUR 309 million in Greece during the reporting period, a year-on-year decline of 5.5 percent. On the one hand, this was due to decreased revenue in fixed-network business, and to decisions by public authorities on the other. In September 2011, the Greek government introduced a real estate tax for 2011, which accounted for around half of the year-on-year decline in EBITDA in Greece in the first quarter of 2012. Our programs and initiatives to increase efficiency, most tangible in lower personnel costs, partially offset the decline in adjusted EBITDA.

Hungary. In Hungary, we generated revenue of EUR 335 million in the first quarter of 2012, a year-on-year decrease of 4.8 percent. Adjusted for the negative exchange rate performance of the Hungarian forint against the euro, revenue from operations increased by 3.8 percent. A year-on-year increase in revenue from broadband, television and equipment sales partially offset the decreases in voice telephony. In addition, the strong growth in energy resale business made a positive contribution to revenue performance. As a result, our fixed-network operations recorded growth as of the end of the the first quarter. In mobile business, higher data, text message, and terminal equipment revenue partially offset the revenue losses in voice telephony. The decline in voice telephony is mainly the result of price cuts due to competition as well as reductions in termination rates imposed by the regulatory authorities in the first quarter of 2012.

Adjusted EBITDA amounted to EUR 122 million in the reporting period, representing a year-on-year decrease of 15.9 percent. As with revenue, this decrease was largely due to the unfavorable exchange rate performance of the Hungarian forint against the euro. Adjusted for this factor, EBITDA decreased by 8.3 percent. This was due on the one hand to a positive one-time effect in the first quarter of 2011, which did not recur to the same extent in the current quarter. On the other hand, increased customer acquisition and retention costs as well as costs from the energy business counteracted the positive revenue effects. Savings in overheads only partially offset increases in direct costs.

Poland. In the first quarter of 2012, revenue decreased by 6.1 percent compared with the first quarter of 2011 to EUR 413 million. Adjusted for the significantly negative exchange rate performance of the Polish zloty against the euro, we generated a slight increase in revenue of 0.7 percent. Declining revenue from voice telephony due to intense competition impacted negatively on service revenues especially in the consumers segment. Increased equipment sales made a positive contribution to revenue, which was, among other factors, due to the successful marketing of smartphones.

Adjusted EBITDA amounted to EUR 127 million in the first quarter of the year, down 11.8 percent year-on-year. Adjusted for negative exchange rate effects, the decrease was 5.4 percent, due in part to increased customer acquisition costs as a result of marketing higher-value terminal equipment. This effect was contrasted by savings in customer retention costs due to improved targeting of our high-value contract customers.

Netherlands. Revenue in the Netherlands totaled around EUR 421 million in the first quarter of 2012, up slightly by 0.7 percent year-on-year. Our successful data business made a significant contribution here. A higher number of contract customers and a very high share of smartphones as a proportion of all terminal devices resulted in a positive contribution to revenue. This helped to partially offset the regulation-induced decreases in revenue from call termination. Fixed-network business declined slightly due to a small decrease in the number of fixed-network lines compared with the prior-year period.

Adjusted EBITDA increased by 40.2 percent year-on-year to EUR 115 million. In addition to increased revenue, savings in customer retention costs due to a clear market approach in the first quarter of 2011 contributed to EBITDA growth. Lower overheads, including personnel costs, also made a positive contribution to EBITDA.

EBIT.

EBIT in our Europe operating segment totaled EUR 450 million as of the end of the first quarter of 2012, a year-on-year increase of 23.3 percent. Against the background of restraint in investment in the prior year, total depreciation and amortization decreased at segment level resulting in considerably higher EBIT. Lower depreciation and amortization also offset the negative effects from the decline in adjusted EBITDA.

Cash capex.

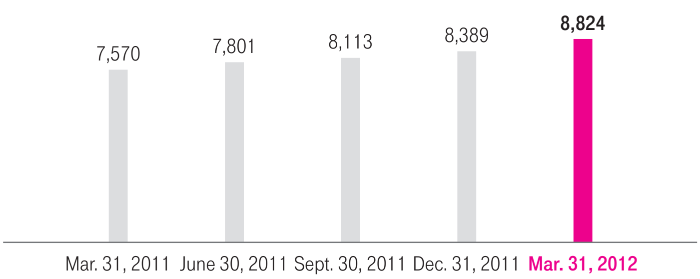
In the first quarter of 2012, our Europe operating segment reported cash capex of EUR 505 million, a slight decline year-on-year of 1.4 percent. A difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as the special tax in Hungary or the real estate tax in Greece, have caused most countries in our operating segment to exercise restraint in their cash capex. At the same time, cash capex increased, for example, for extending existing and/or obtaining new mobile communications licenses, e.g., in Hungary and Slovakia.

United States.

Customer development.

Contract customers.* ('000)

Prepay customers.* ('000)



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

	Mar. 31, 2012 thousands	Dec. 31, 2011 thousands	Change Mar. 31, 2012/ Dec. 31, 2011 %	Mar. 31, 2011 thousands	Change Mar. 31, 2012/ Mar. 31, 2011 %
United States					
Mobile customers	33,373	33,186	0.6	33,635	(0.8)
Contract customers	24,549	24,797	(1.0)	26,065	(5.8)
Branded	21,857	22,367	(2.3)	23,999	(8.9)
Machine-to-machine (M2M).	2,692	2,430	10.8	2,066	30.3
Prepay customers	8,824	8,389	5.2	7,570	16.6
Branded	5,068	4,819	5.2	4,416	14.8
MVNO	3,756	3,570	5.2	3,154	19.1

At March 31, 2012, the United States operating segment (T-Mobile USA) had 33.4 million customers, a net increase in customers of 187,000 for the first quarter of 2012 compared to 33.2 million customers at December 31, 2011. This increase in net customers in the first quarter of 2012 was an improvement compared to a net decrease of 99,000 for the first quarter of 2011. In the first quarter of 2012, prepay customer growth was partially offset by contract customer losses. Compared to first quarter of 2011, both contract and prepay customer net additions improved.

In the first quarter of 2012, T-Mobile USA lost 248,000 contract customers compared to 382,000 contract customers lost in the first quarter of 2011. In the first quarter of 2012, the improvement in branded contract customer losses was impacted by lower branded contract customer churn, which continues to be a key strategic focus for 2012. Additionally, growth in the machine-to-machine business improved in the first quarter of 2012, now totalling 2.7 million customers at March 31, 2012. In the first quarter of 2012, T-Mobile USA had 435,000 net prepay customer additions compared to

283,000 net prepay customer additions in the first quarter of 2011. The significant improvement in net branded prepay customer additions in the first quarter of 2012 was due primarily to the success of unlimited Monthly 4G prepay plans. Additionally, MVNO customer growth continued to be strong, as total MVNO customers increased to 3.8 million at March 31, 2012.

T-Mobile USA's blended churn decreased to an average of 3.3 percent per month in the first quarter of 2012, compared to an average of 3.4 percent per month in the first quarter of 2011. The year-on-year decrease in blended churn was due primarily to lower branded churn from a change in the mix of T-Mobile USA's product portfolio and the continued strategic focus on churn reduction.

Development of operations.

		Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Total revenue		3,847	3,770	77	2.0	14,811
Profit (loss) from operations **(EBIT)**		344	401	(57)	(14.2)	(710)
EBIT margin	%	8.9	10.6			(4.8)
Depreciation, amortization and impairment losses		(561)	(463)	(98)	(21.2)	(4,407)
EBITDA		905	864	41	4.7	3,697
Special factors affecting EBITDA		(78)	(7)	(71)	n.a.	(134)
EBITDA (adjusted for special factors)		983	871	112	12.9	3,831
EBITDA margin (adjusted for special factors)	%	25.6	23.1			25.9
Cash capex		(571)	(546)	(25)	(4.6)	(1,963)

Total revenue.
Total revenue at the United States operating segment (T-Mobile USA) in the first quarter of 2012 increased by 2.0 percent compared to the first quarter of 2011, due to fluctuations in the currency exchange rate. In U.S. dollars, revenues of T-Mobile USA declined by 2.3 percent year-on-year primarily due to the decrease in T-Mobile USA branded customers (total customers excluding MVNO and machine-to-machine) resulting in service revenue declines. Service revenues declined due to lower subscription revenues, but were partially offset by strong growth in data revenues from customers using smartphones with mobile broadband data plans. In U.S. dollars, data revenues increased by 10.0 percent in the first quarter of 2012 compared to the first quarter of 2011 due to increased smartphone data plan adoption. Additionally, equipment sales increased 11.8 percent due to handset program changes in connection with T-Mobile USA's unlimited Value plans, which were launched in the third quarter of 2011. Due to the increase in equipment sales, total revenues in U.S. dollars declined less than service revenues.

EBITDA, adjusted EBITDA.
Adjusted EBITDA increased in the first quarter of 2012 by 12.9 percent to EUR 983 million compared to EUR 871 million in the first quarter of 2011. Adjusted EBITDA for the first quarter of 2012 excludes EUR 78 million in expenses associated with organizational restructuring initiatives and the terminated AT&T acquisition of T-Mobile USA. In U.S. dollars, adjusted EBITDA increased by 8.0 percent primarily due to lower equipment subsidies in connection with handset program changes from T-Mobile USA's unlimited Value plans and lower equipment unit sales volumes. Additionally, the effects of ongoing cost management programs in the first quarter of 2012 helped control expense growth. This decline in costs was offset in part due to higher bad debt expense related to certain customer groups. Adjusted EBITDA margin increased year-on-year due to proportionally higher increases in adjusted EBITDA than in revenues.

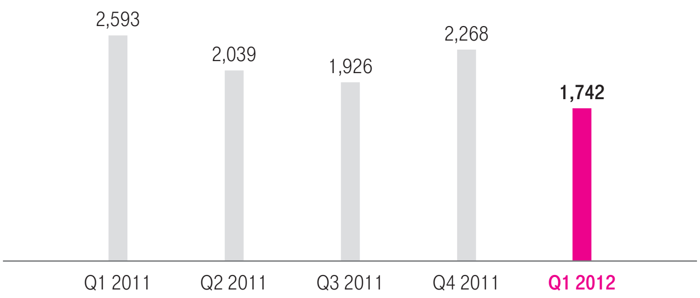
EBIT.
Despite the factors described above, EBIT declined by 14.2 percent to EUR 344 million in the first quarter of 2012 from EUR 401 million in the first quarter of 2011, in particular due to higher network depreciation in connection with the build-out of the network. Additionally, depreciation expense was lower in the first quarter of 2011 due to the discontinuation of depreciation and amortization (EUR 0.1 billion, IFRS 5) in connection with the held-for-sale classification of T-Mobile USA's non-current assets in relation to the terminated sale to AT&T.

Cash capex.
Cash capex increased 4,6 percent year-on-year to EUR 571 million in the first quarter of 2012 compared to EUR 546 million in the first quarter of 2011. In U.S. dollars, cash capex remained consistent year-on-year with higher incurred capex related to the anticipated network modernization partially offset by payment timing differences. In the first quarter of 2012, T-Mobile USA announced that it will invest USD 4 billion in total to strengthen its 4G network, including the planned launch of LTE technology in 2013. Expenditures in the first quarter of 2012 were due in part to these network modernization efforts. As of the end of the first quarter of 2012, more than 220 million Americans now have access to T-Mobile USA's 4G mobile broadband network, offering increased network capacity and reliability.

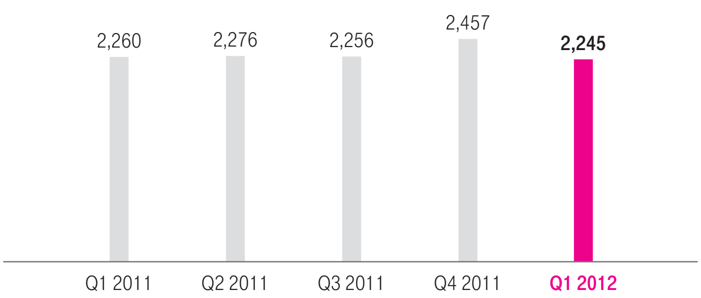
Systems Solutions.

Selected KPIs.

Order entry. (millions of €)



Revenue. (millions of €)



Adjusted EBIT. (millions of €)

		Mar. 31, 2012	Dec. 31, 2011	Change Mar. 31, 2012/ Dec. 31, 2011 %	Mar. 31, 2011	Change Mar. 31, 2012/ Mar. 31, 2011 %
Order entry	millions of €	1,742	8,826	n.a.	2,593	(32.8)
Computing & Desktop Services						
Number of servers managed and serviced	units	58,302	58,053	0.4	57,936	0.6
Number of workstations managed and serviced	millions	1.99	2.00	(0.5)	1.99	–
Systems Integration						
Hours billed	millions	2.7	9.7	n.a.	2.5	8.0
Utilization rate	%	83.1	84.1	(1.0)p	83.5	(0.4)p

Development of business.

The slight increase in external revenue in our Systems Solutions operating segment did not offset the decline in revenue generated internally with Deutsche Telekom entities. External revenue increased due to a number of major deals brokered in 2011, including with Daimler, as well as several smaller contracts in the growth area of cloud computing.

In the first quarter of 2012, T-Systems again signed a number of new, strategically significant agreements in the ICT corporate customer market. They include, for example, the largest cloud deal to date, which was concluded with the British American Tobacco (BAT) group, and the outsourcing agreement with the insurance group Old Mutual.

T-Systems also expanded its dynamic resources in the first quarter of 2012 (please also refer to the 2011 Annual Report, page 105 et seq.). The fact that order entry nevertheless declined by 32.8 percent year-on-year was in part due to strong competition in the ICT market. In addition, the figures in the first quarter of 2011 included the comprehensive outsourcing agreement with Everything Everywhere totaling approximately EUR 500 million.

The number of servers managed in the reporting period increased against the prior-year period. Demand increased in the wake of the new deals signed in 2011, however this was partially offset by improved capacity utilization of high-performance servers. The consolidation of data centers was also continued. The number of workstations managed stood at the same level as in the first quarter of 2011.

Development of operations.

		Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Total revenue		2,245	2,260	(15)	(0.7)	9,249
Loss from operations **(EBIT)**		(35)	(11)	(24)	n.a.	(43)
Special factors affecting EBIT		(79)	(40)	(39)	(97.5)	(295)
EBIT (adjusted for special factors)		44	29	15	51.7	252
EBIT margin (adjusted for special factors)	%	2.0	1.3			2.7
Depreciation, amortization and impairment losses		(148)	(160)	12	7.5	(640)
EBITDA		113	149	(36)	(24.2)	597
Special factors affecting EBITDA		(79)	(40)	(39)	(97.5)	(275)
EBITDA (adjusted for special factors)		192	189	3	1.6	872
EBITDA margin (adjusted for special factors)	%	8.6	8.4			9.4
Cash capex		(131)	(123)	(8)	(6.5)	(553)

Total revenue.

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 2.2 billion, a year-on-year decrease of 0.7 percent. This decrease is solely attributable to a decrease of 3.7 percent in internal revenue from Deutsche Telekom entities following IT cost saving initiatives taken at Group level. External revenue increased by 0.6 percent.

Net revenue.

The operating segment generated net revenue of EUR 1.6 billion, 0.6 percent more than in the prior year. This is mainly attributable to the growing Computing Services business, which benefited in particular from the development in cloud computing.

EBITDA, adjusted EBITDA.

Adjusted EBITDA in our Systems Solutions operating segment increased by 1.6 percent in the reporting period as a result of the restructuring and efficiency enhancement program launched. The adjusted EBITDA margin improved from 8.4 to 8.6 percent.

EBITDA decreased by 24.2 percent due to provisions recognized in the first quarter of 2012 for the planned early retirement arrangements for civil servants.

EBIT, adjusted EBIT.

Adjusted EBIT for the first quarter of 2012 was EUR 15 million higher than in the prior-year period. Among other factors, this increase is attributable to lower depreciation and amortization year-on-year in view of reduced investments in the prior year. The adjusted EBIT margin increased from 1.3 percent to 2.0 percent in the reporting period.

Cash capex.

At EUR 0.1 billion, cash capex in the reporting period increased slightly year-on-year. The increase is primarily due to higher capex in connection with deals signed. This effect was partially offset by the build-out of the dynamic computing platform. Systematic measures to increase efficiency (such as the increasing standardization of the ICT platforms) also reduced capital expenditure.

Group Headquarters & Shared Services.

Group Headquarters & Shared Services performs strategic and cross-divisional management functions for the Deutsche Telekom Group and is responsible for operating activities that are not directly related to the core business of the operating segments. Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services. The prior-year figures have been adjusted for better comparability. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (page 35).

As of March 31, 2012, Vivento, our personnel service provider, had a workforce of about 8,600 employees (March 31, 2011: around 9,000), of which around 3,500 were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,100 or so employees were employed within the Group, especially in service centers. About 2,000 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. While Vivento took on a total of around 300 new employees in the reporting period, around 200 employees left the personnel service provider to pursue new opportunities.

Development of operations.

	Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	Change %	FY 2011 millions of €
Total revenue	717	735	(18)	(2.4)	2,977
Of which: Digital Business Unit	194	200	(6)	(3.0)	843
Loss from operations **(EBIT)**	(414)	(324)	(90)	(27.8)	1,242
Depreciation, amortization and impairment losses	(211)	(189)	(22)	(11.6)	(839)
EBITDA	(203)	(135)	(68)	(50.4)	2,081
Special factors affecting EBITDA	(66)	(6)	(60)	n.a.	2,698
EBITDA (adjusted for special factors)	(137)	(129)	(8)	(6.2)	(617)
Of which: Digital Business Unit	56	47	9	19.1	168
Cash capex	(155)	(111)	(44)	(39.6)	(488)

Total revenue.

Total revenue at Group Headquarters & Shared Services in the reporting period decreased slightly by 2.4 percent year-on-year, primarily due to measures to make the use of floor-space more efficient in the operating segments and the reduction in T-Online shop business. The latter was achieved by focusing on profitable growth in our Digital Business Unit growth area.

EBITDA, adjusted EBITDA.

Adjusted EBITDA at Group Headquarters & Shared Services decreased slightly year-on-year in the first quarter of the 2012 financial year. This decrease is due to non-recurring positive effects recorded in the first quarter of 2011. However, lower expenses for the cost allocation of IT services and a slight improvement in earnings at the Digital Business Unit had a positive effect in the first three months of 2012.

Overall, EBITDA was negatively impacted by special factors of EUR 66 million in the reporting period, primarily due to expenses in connection with staff-related measures, mainly for early retirement. The refund received from Kreditanstalt für Wiederaufbau in connection with a settlement reached with the United States in 2005 was a positive special factor. In the same period of 2011, EBITDA was negatively impacted by special factors of EUR 6 million – mainly due to expenses in connection with staff-related measures.

EBIT.

Loss from operations (EBIT) increased by EUR 0.1 billion year on year – primarily as a result of the aforementioned special factors.

Risks and opportunities.

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2011 financial year (2011 Annual Report, page 131 et seq.). Readers are also referred to the Disclaimer at the end of this report.

Litigation.

Prospectus liability proceedings. In the model proceedings ("Musterverfahren"), the responsible senate of the Frankfurt Higher Regional Court postponed the date of the announcement from April 25, 2012 to May 16, 2012.

Eutelsat arbitration proceedings. Eutelsat S.A. is seeking revocation by French courts of the ruling of the court of arbitration which refused to include Media Broadcast GmbH in the arbitration proceedings due to lack of jurisdiction. As part of the arbitration proceedings, Eutelsat S.A. submitted its statement of claim on February 29, 2012. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

Shareholder litigation. In its ruling of January 6, 2012, the Cologne Regional Court dismissed in its first instance the nullity and rescission suit filed by a shareholder against resolutions adopted by the Deutsche Telekom shareholders' meeting in 2011 approving the actions of the members of the Board of Management and Supervisory Board, and seeking the nullity of the annual financial statements for the 2010 financial year. The shareholder has appealed the decision.

Litigation concerning decisions by the Federal Network Agency. In March 2012, the Cologne Administrative Court largely revoked the approval of the one-time charges for the leasing of unbundled local loop lines from 2004. This decision is not yet final and legally binding. Should the judgment become final and binding, the Federal Network Agency will have to set the rates again.

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

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

Mobile communications patent litigation. On April 24, 2012, the Düsseldorf Regional Court ruled in favor of the claim by IPCom against Telekom Deutschland GmbH concerning a breach of an IPCom patent in connection with the sale of UMTS-enabled devices manufactured by HTC and Nokia. On April 25, 2012, the European Patent Office in Munich ruled that the disputed patent is not legally valid. Both decisions are not yet final and legally binding/valid. We will appeal against the ruling of the Düsseldorf Regional Court and currently expect that it will not be enforced.

Claims for damages due to price squeeze. In April, two further competitors asserted their claims in court: QSC is seeking damages of EUR 7 million, DOKOM of EUR 4.5 million, plus interest in each case.

Anti-trust proceedings.

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

We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The statements of objections are not yet the final decision. Should the Commission uphold its allegations in the course of the proceedings, it may impose a fine on Slovak Telekom and Deutsche Telekom.

Action concluded in the first quarter of 2012.

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

Furthermore, Deutsche Telekom intends to defend itself and/or pursue its claims resolutely in each of these court, conciliatory, and arbitration proceedings.

Regulation.

Regulation of fixed-network and mobile termination charges in Germany. On April 18, 2012, the Federal Network Agency's draft regulatory orders for fixed-network termination (IC) and mobile termination (MTR) were published. Although the Federal Network Agency does not plan to further tighten regulation through a "pure LRIC" approach for the regulation of charges, there is still a risk that charges will be cut further. In addition, the scope of regulation was also extended to fixed-network termination in next-generation networks.

EU Roaming Regulation from July 2012. The EU Commission's draft of a new Roaming Regulation dated July 6, 2011 is to be adopted in June following a compromise concluded between the European Parliament and the European Council on March 27, 2012 and is to enter into force on July 1, 2012. The conditions were tightened compared with the draft from July 6, 2011, in that the price caps are to be even lower than previously planned. The comprehensive wholesale access obligation – for MVNOs and others – remains unaffected, as is the unbundling of roaming and national services planned from July 2014.

Assignment of frequencies. In mobile communications, 2012 and 2013 will see the extension of expiring licenses and the assignment of new frequencies in Germany as well as at foreign subsidiaries. This will give rise to general risks from the uncertainty with regard to the scope and availability of future spectrum as well as in terms of the costs of acquiring frequency spectrum. In Hungary, a new state-owned mobile communications company will enter the market in 2012 following the awarding of frequency. Incumbent network operators are obligated to offer upstream services to this company. Magyar Telekom has appealed against the frequency award.

Intensified regulation for international subsidiaries. Regulation is also on the increase internationally. In the fixed network, Magyar Telekom (Hungary) was obligated to provide access to all elements of the access network and to give the market at least six months' notice of the build-out of the fixed network. In Croatia, in a decision by the regulatory authority on March 21, 2012, the regulation of Hrvatski Telekom and Iskon Internet was extended to include the retail market for broadband Internet access and the broadcast of television programs, with ex-ante price regulation. In mobile communications, the regulatory authorities in Greece, the Czech Republic, Slovakia and Bulgaria proposed in some cases substantial reductions in mobile termination rates.

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

Events after the reporting period (March 31, 2012).

For further details on the **transfer of AWS spectrum licenses in the United States** and the **conclusion of the 2012 collective bargaining negotiations** for Deutsche Telekom AG and for Telekom Deutschland GmbH, please refer to "Events after the reporting period" in the section "Significant events and transactions" in the consolidated financial statements in this Interim Group Report (page 36).

For further explanations on the proceedings relating to **"Claim for damages by Kabel Deutschland GmbH," "Mobile communications patent litigation," "Claims for damages due to price squeeze,"** and **"European Commission proceedings against Slovak Telekom and Deutsche Telekom,"** please refer to the section "Risks and opportunities" in this Interim Group Report (pages 25 and 26).

Development of revenue and profits.

The statements in this section reflect the current views of our management. To date, there is no evidence that the development of revenue and profit as published in the 2011 combined management report have significantly changed (2011 Annual Report, page 149 et seq.). Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

Interim consolidated financial statements.

Consolidated statement of financial position.

	Mar. 31, 2012 millions of €	Dec. 31, 2011 millions of €	Change millions of €	Change %	Mar. 31, 2011 millions of €
Assets					
Current assets	**15,761**	**15,865**	**(104)**	**(0.7)**	**46,976**
Cash and cash equivalents	3,294	3,749	(455)	(12.1)	1,676
Trade and other receivables	6,504	6,557	(53)	(0.8)	4,658
Current recoverable income taxes	86	129	(43)	(33.3)	125
Other financial assets	2,789	2,373	416	17.5	2,201
Inventories	1,087	1,084	3	0.3	899
Non-current assets and disposal groups held for sale	60	436	(376)	(86.2)	35,665
Other assets	1,941	1,537	404	26.3	1,752
Non-current assets	**104,723**	**106,677**	**(1,954)**	**(1.8)**	**76,220**
Intangible assets	49,451	50,097	(646)	(1.3)	29,432
Property, plant and equipment	40,864	41,927	(1,063)	(2.5)	34,923
Investments accounted for using the equity method	6,687	6,873	(186)	(2.7)	6,770
Other financial assets	1,930	2,096	(166)	(7.9)	1,680
Deferred tax assets	4,579	4,449	130	2.9	3,109
Other assets	1,212	1,235	(23)	(1.9)	306
Total assets	**120,484**	**122,542**	**(2,058)**	**(1.7)**	**123,196**
Liabilities and shareholders' equity					
Current liabilities	**21,617**	**24,338**	**(2,721)**	**(11.2)**	**31,586**
Financial liabilities	7,959	10,219	(2,260)	(22.1)	9,766
Trade and other payables	5,288	6,436	(1,148)	(17.8)	4,307
Income tax liabilities	614	577	37	6.4	331
Other provisions	3,398	3,217	181	5.6	3,022
Liabilities directly associated with non-current assets and disposal groups held for sale	–	–	–	–	10,253
Other liabilities	4,358	3,889	469	12.1	3,907
Non-current liabilities	**59,049**	**58,263**	**786**	**1.3**	**48,954**
Financial liabilities	38,340	38,099	241	0.6	38,040
Provisions for pensions and other employee benefits	6,401	6,095	306	5.0	6,038
Other provisions	2,081	1,689	392	23.2	1,474
Deferred tax liabilities	8,354	8,492	(138)	(1.6)	885
Other liabilities	3,873	3,888	(15)	(0.4)	2,517
Liabilities	**80,666**	**82,601**	**(1,935)**	**(2.3)**	**80,540**
Shareholders' equity	**39,818**	**39,941**	**(123)**	**(0.3)**	**42,656**
Issued capital	11,063	11,063	0	0.0	11,063
Treasury shares	(6)	(6)	0	0.0	(5)
	11,057	**11,057**	**0**	**0.0**	**11,058**
Capital reserves	51,505	51,504	1	0.0	51,503
Retained earnings including carryforwards	(25,131)	(25,498)	367	1.4	(22,417)
Total other comprehensive income	(2,560)	(2,326)	(234)	(10.1)	525
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	–	–	–	–	(3,546)
Net profit (loss)	238	557	(319)	(57.3)	480
Issued capital and reserves attributable to owners of the parent	**35,109**	**35,294**	**(185)**	**(0.5)**	**37,603**
Non-controlling interests	4,709	4,647	62	1.3	5,053
Total liabilities and shareholders' equity	**120,484**	**122,542**	**(2,058)**	**(1.7)**	**123,196**

Consolidated income statement.

	Q1 2012 millions of €	Q1 2011[a] millions of €	Change millions of €	Change %	FY 2011 millions of €
Net revenue	**14,432**	**14,597**	**(165)**	**(1.1)**	**58,653**
Cost of sales	(8,455)	(8,347)	(108)	(1.3)	(33,885)
Gross profit	**5,977**	**6,250**	**(273)**	**(4.4)**	**24,768**
Selling expenses	(3,508)	(3,490)	(18)	(0.5)	(14,060)
General and administrative expenses	(1,455)	(1,269)	(186)	(14.7)	(5,284)
Other operating income	334	309	25	8.1	4,362
Other operating expenses	(130)	(156)	26	16.7	(4,200)
Profit from operations	**1,218**	**1,644**	**(426)**	**(25.9)**	**5,586**
Finance costs	(535)	(586)	51	8.7	(2,325)
Interest income	83	68	15	22.1	268
Interest expense	(618)	(654)	36	5.5	(2,593)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(52)	(30)	(22)	(73.3)	(73)
Other financial income (expense)	41	(42)	83	n.a.	(169)
Profit (loss) from financial activities	**(546)**	**(658)**	**112**	**17.0**	**(2,567)**
Profit before income taxes	**672**	**986**	**(314)**	**(31.8)**	**3,019**
Income taxes	(199)	(406)	207	51.0	(2,349)
Profit (loss)	**473**	**580**	**(107)**	**(18.4)**	**670**
Profit (loss) attributable to:	473	580	(107)	(18.4)	670
Owners of the parent (net profit (loss))	238	480	(242)	(50.4)	557
Non-controlling interests	235	100	135	n.a.	113
Included in consolidated income statement					
Personnel costs	(4,011)	(3,608)	(403)	(11.2)	(14,743)
Depreciation, amortization and impairment losses	(2,734)	(2,654)	(80)	(3.0)	(14,436)
Of which: amortization and impairment of intangible assets	(799)	(804)	5	0.6	(6,445)
Of which: depreciation and impairment of property, plant and equipment	(1,935)	(1,850)	(85)	(4.6)	(7,991)

[a] Figures for the prior-year period adjusted, as T-Mobile USA is no longer reported as a discontinued operation.

Earnings per share.

		Q1 2012	Q1 2011	Change	Change %	FY 2011
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	238	480	(242)	(50.4)	557
Weighted average number of ordinary shares (undiluted/diluted)	millions	4,300	4,300	0	0.0	4,300
Earnings per share basic/diluted	**€**	**0.06**	**0.11**	**(0.05)**	**(45.5)**	**0.13**

Consolidated statement of comprehensive income.

	Q1 2012 millions of €	Q1 2011 millions of €	Change millions of €	FY 2011 millions of €
Profit (loss)	**473**	**580**	**(107)**	**670**
Actuarial gains and losses on defined benefit pension plans	(282)	330	(612)	177
Revaluation due to business combinations	0	0	0	0
Exchange differences on translating foreign operations				
Recognition of other comprehensive income in income statement	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	(105)	(1,003)	898	10
Available-for-sale financial assets				
Recognition of other comprehensive income in income statement	(225)	0	(225)	0
Change in other comprehensive income (not recognized in income statement)	13	4	9	242
Gains (losses) from hedging instruments				
Recognition of other comprehensive income in income statement	5	20	(15)	200
Change in other comprehensive income (not recognized in income statement)	(61)	53	(114)	(765)
Share of profit (loss) of investments accounted for using the equity method	0	20	(20)	0
Other income and expense recognized directly in equity	0	0	0	0
Income taxes relating to components of other comprehensive income	118	(123)	241	102
Other comprehensive income	**(537)**	**(699)**	**162**	**(34)**
Total comprehensive income	**(64)**	**(119)**	**55**	**636**
Total comprehensive income attributable to:	(64)	(119)	55	636
Owners of the parent	(186)	(278)	92	425
Non-controlling interests	122	159	(37)	211

Consolidated statement of changes in equity.

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued	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, 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**
Balance at January 1, 2012	**11,063**	**(6)**	**51,504**	**(25,498)**	**557**
Changes in the composition of the Group					
Unappropriated profit (loss) carried forward				557	(557)
Dividends					
Proceeds from the exercise of stock options			1		
Profit (loss)					238
Other comprehensive income				(190)	
Transfer to retained earnings					
Balance at March 31, 2012	**11,063**	**(6)**	**51,505**	**(25,131)**	**238**

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Other comprehensive income	Taxes			
millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
(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**
(2,778)	**(33)**	**102**	**557**	**0**	**(174)**	**35,294**	**4,647**	**39,941**
						0		0
						0		0
						0	(60)	(60)
						1		1
						238	235	473
(127)		(77)	(56)		26	(424)	(113)	(537)
						0		0
(2,905)	**(33)**	**25**	**501**	**0**	**(148)**	**35,109**	**4,709**	**39,818**

Consolidated statement of cash flows.

	Q1 2012 millions of €	Q1 2011 millions of €	FY 2011 millions of €
Profit (loss)	**473**	**580**	**670**
Depreciation, amortization and impairment losses	2,734	2,654	14,436
Income tax expense (benefit)	199	406	2,349
Interest income and interest expense	535	586	2,325
Other financial (income) expense	(41)	42	169
Share of (profit) loss of associates and joint ventures accounted for using the equity method	52	30	73
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	(4)
Non-cash transactions in connection with the compensation from AT&T	–	–	(705)
Other non-cash transactions	(2)	25	27
(Gain) loss from the disposal of intangible assets and property, plant and equipment	27	(14)	28
Change in assets carried as working capital	(543)	(244)	690
Change in provisions	524	(7)	535
Change in other liabilities carried as working capital	(377)	(582)	(1,578)
Income taxes received (paid)	(107)	(246)	(778)
Dividends received	194	271	515
Net payments from entering into or canceling interest rate swaps	83	0	0
Cash generated from operations	**3,751**	**3,501**	**18,752**
Interest paid	(885)	(990)	(3,397)
Interest received	107	158	859
Net cash from operating activities	**2,973**	**2,669**	**16,214**
Cash outflows for investments in			
Intangible assets	(443)	(398)	(1,837)
Property, plant and equipment	(1,726)	(1,722)	(6,569)
Non-current financial assets	(39)	(54)	(430)
Investments in fully consolidated subsidiaries and business units	0	(831)	(1,239)
Proceeds from disposal of			
Intangible assets	0	5	20
Property, plant and equipment	52	107	336
Non-current financial assets	389	39	61
Investments in fully consolidated subsidiaries and business units	0	0	5
Net change in short-term investments and marketable securities and receivables	(342)	94	339
Other	8	0	39
Net cash used in investing activities	**(2,101)**	**(2,760)**	**(9,275)**
Proceeds from issue of current financial liabilities	7,451	16,660	66,349
Repayment of current financial liabilities	(10,340)	(18,267)	(71,685)
Proceeds from issue of non-current financial liabilities	1,692	960	3,303
Repayment of non-current financial liabilities	(44)	(44)	(51)
Dividends	(59)	(44)	(3,521)
Proceeds from the exercise of stock options	0	0	0
Share buy-back	0	0	(3)
Repayment of lease liabilities	(42)	(40)	(163)
Other	0	(187)	(187)
Net cash used in financing activities	**(1,342)**	**(962)**	**(5,958)**
Effect of exchange rate changes on cash and cash equivalents	15	(11)	(40)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	(68)	–
Net increase (decrease) in cash and cash equivalents	**(455)**	**(1,132)**	**941**
Cash and cash equivalents, at the beginning of the period	**3,749**	**2,808**	**2,808**
Cash and cash equivalents, at the end of the period	**3,294**	**1,676**	**3,749**

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, 2012 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2011. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

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

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

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

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

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

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

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

Changes in the composition of the Group.

No major changes in the composition of the Deutsche Telekom occurred as of March 31, 2012.

Selected notes to the consolidated statement of financial position.

Non-current assets and disposal groups held for sale.

Non-current assets and disposal groups held for sale decreased by EUR 0.4 billion against December 31, 2011 due to the sale of the shares in Telekom Srbija on January 25, 2012. Following the sale, the amount of EUR 0.2 billion disclosed as total other comprehensive income as of December 31, 2011 due to the increase of carrying amounts to fair value was reclassified to other financial income/expense.

Financial liabilities.

The table below shows the composition and maturity structure of financial liabilities as of March 31, 2012.

	Mar. 31, 2011 millions of €	Due ≤ 1 year millions of €	Due > 1 ≤ 5 years millions of €	Due > 5 years millions of €
Bonds and other securitized liabilities	35,421	3,564	19,258	12,599
Liabilities to banks	4,425	1,202	3,094	129
Lease liabilities	1,850	660	453	737
Liabilities to non-banks from promissory notes	1,152	10	577	565
Other interest-bearing liabilities	897	651	151	95
Other non-interest-bearing liabilities	1,402	1,359	40	3
Derivative financial liabilities	1,152	513	548	91
Financial liabilities	**46,299**	**7,959**	**24,121**	**14,219**

Selected notes to the consolidated income statement.

Other operating income.

	Q1 2012 millions of €	Q1 2011 millions of €
Income from reimbursements	105	90
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	3	–
Income from disposal of non-current assets	14	50
Income from insurance compensation	11	8
Miscellaneous other operating income	201	161
	334	**309**

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

Other operating expenses.

	Q1 2012 millions of €	Q1 2011 millions of €
Losses on disposal of non-current assets	(42)	(23)
Miscellaneous other operating expenses	(88)	(133)
	(130)	**(156)**

Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

Profit/loss from financial activities.

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

Income taxes.

Income tax expense decreased by EUR 0.4 billion year-on-year to EUR 0.2 billion, mainly as a result of the lower profit before income taxes. Furthermore, in the prior-year period, T-Mobile USA was classified as a discontinued operation. This resulted in the recognition of deferred tax liabilities of EUR 0.1 billion on temporary differences in connection with the carrying amount of the investment.

Other disclosures.

Employees.

Personnel costs increased by EUR 0.4 billion to EUR 4.0 billion compared with the prior-year period. This was primarily due to an increase in expenses of EUR 0.5 billion for civil servant early retirement arrangements as well as other staff-related measures in Germany and abroad.

Notes to the consolidated statement of cash flows.

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

Net cash from operating activities. Net cash from operating activities in the first quarter of 2012 increased by EUR 0.3 billion compared with the prior-year period to EUR 3.0 billion. This was mainly attributable to the following cash flows: lower income tax paid (EUR 0.1 billion), lower net interest payments (EUR 0.1 billion) and cash inflows from the canceling of interest rate swaps (EUR 0.1 billion). Whereas in the first quarter of 2011 cash outflows of EUR 0.4 billion were recorded for the PTC transaction, the first quarter of 2012 saw cash outflows of EUR 0.2 billion in connection with the AT&T transaction relating to the termination of the agreement for the sale of T-Mobile USA as well as EUR 0.1 billion in connection with investigations by the U.S. authorities into contracts signed in the F.Y.R.O. Macedonia and Montenegro. In addition, cash outflows for voluntary redundancy and severance payments, and compensation payments decreased year-on-year in the first quarter of 2012. This effect was partially offset by EUR 0.1 billion lower dividend payments from the Everything Everywhere joint venture in the first quarter of 2012.

Net cash used in investing activities.

	Q1 2012 millions of €	Q1 2011 millions of €
Cash capex		
Germany operating segment	(823)	(820)
Europe operating segment	(505)	(512)
United States operating segment	(571)	(546)
Systems Solutions operating segment	(131)	(123)
Group Headquarters & Shared Services	(155)	(111)
Reconciliation	16	(8)
Acquisition of government bonds	(420)	–
Net cash flows for collateral deposited for hedging transactions	(215)	89
PTC transaction	–	(820)
Sale of Telekom Srbija	380	–
Repayment of a bond issued by the Everything Everywhere joint venture	218	–
Other	105	91
	(2,101)	**(2,760)**

Net cash used in financing activities.

	Q1 2012 millions of €	Q1 2011 millions of €
Commercial paper (net)	(1,656)	464
Repayment of EIB loans	(532)	(35)
Repayment of a medium-term note (current)	(499)	(53)
Net repayment of cash deposits from the Everything Everywhere joint venture	(139)	(276)
Net cash flows for collateral deposited for hedging transactions	(117)	(83)
Liabilities to banks	(23)	144
Repayment of eurobond issued by OTE	–	(1,429)
Repayment of U.S. dollar bonds	–	(353)
PTC transaction	–	(187)
Issuances of U.S. dollar bonds	1,502	–
Issuance of a medium-term note (non-current)	177	–
Utilization of the credit line by OTE	–	902
Loans taken out with the EIB	–	51
Other	(55)	(107)
	(1,342)	**(962)**

Segment reporting.

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

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

For the first quarter of 2011, the change in disclosure resulted in the transfer of net revenue of EUR 0.2 billion from the Germany operating segment to Group Headquarters & Shared Services.

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.

Segment information in the quarters.

Q1 2012 Q1 2011	Net revenue millions of €	Inter-segment revenue millions of €	Total revenue millions of €	Profit (loss) from operations (EBIT) millions of €	Depreciation and amortization millions of €	Impairment losses millions of €	Segment assets millions of €	Investments accounted for using the equity method millions of €
Germany	**5,320**	**338**	**5,658**	**887**	**(1,119)**	**–**	**32,714**	**17**
	5,454	340	5,794	1,225	(1,056)	–	33,606	17
Europe	**3,400**	**175**	**3,575**	**450**	**(717)**	**–**	**37,930**	**6,587**
	3,504	168	3,672	365	(799)	(2)	42,109	6,697
United States	**3,845**	**2**	**3,847**	**344**	**(561)**	**–**	**36,511**	**25**
	3,767	3	3,770	401	(463)	–	35,974	25
Systems Solutions	**1,625**	**620**	**2,245**	**(35)**	**(148)**	**–**	**8,685**	**33**
	1,616	644	2,260	(11)	(160)	–	8,898	47
Group Headquarters & Shared Services	**242**	**475**	**717**	**(414)**	**(187)**	**(24)**	**100,088**	**25**
	256	479	735	(324)	(184)	(5)	100,652	10
Total	**14,432**	**1,610**	**16,042**	**1,232**	**(2,732)**	**(24)**	**215,928**	**6,687**
	14,597	1,634	16,231	1,656	(2,662)	(7)	221,239	6,796
Reconciliation	**–**	**(1,610)**	**(1,610)**	**(14)**	**22**	**–**	**(95,444)**	**–**
	–	(1,634)	(1,634)	(12)	16	(1)	(98,043)	(26)
Group	**14,432**	**–**	**14,432**	**1,218**	**(2,710)**	**(24)**	**120,484**	**6,687**
	14,597	–	14,597	1,644	(2,646)	(8)	123,196	6,770

Contingent liabilities.

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

Eutelsat arbitration proceedings. Eutelsat S.A. is seeking revocation by French courts of the ruling of the court of arbitration which refused to include Media Broadcast GmbH in the arbitration proceedings due to lack of jurisdiction. As part of the arbitration proceedings, Eutelsat S.A. submitted its statement of claim on February 29, 2012. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

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

Mobile communications patent litigation. On April 24, 2012, the Düsseldorf Regional Court ruled in favor of the claim by IPCom against Telekom Deutschland GmbH concerning a breach of an IPCom patent in connection with the sale of UMTS-enabled devices manufactured by HTC and Nokia. On April 25, 2012, the European Patent Office in Munich ruled that the disputed patent is not legally valid. Both decisions are not yet final and legally binding/valid. We will appeal against the ruling of the Düsseldorf Regional Court and currently expect that it will not be enforced.

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

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

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

Contingent assets.

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

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

Related party disclosures.

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

The bond issued by the Everything Everywhere joint venture with a nominal amount of GBP 187 million as of December 31, 2011 was repaid to Deutsche Telekom in the first quarter of 2012.

Executive bodies.

Changes in the composition of the Board of Management. On July 4, 2011, the Supervisory Board appointed Prof. Marion Schick as successor to Thomas Sattelberger as the Board member responsible for Human Resources and Labor Director with effect from May 3, 2012.

Furthermore, on February 22, 2012, the Supervisory Board of Deutsche Telekom appointed Dr. Thomas Kremer as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance. He will succeed Dr. Manfred Balz effective June 1, 2012.

Events after the reporting period (March 31, 2012).

Transfer of AWS spectrum licenses in the United States. In April, the U.S. regulatory authority for the telecommunications market, the Federal Communications Commission (FCC), announced its approval of the transfer of Advanced Wireless Service spectrum licenses. The licenses were transferred effective May 4, 2012. The licenses were part of the compensation that AT&T had to pay to Deutsche Telekom following the termination of the agreement for the sale of T-Mobile USA. Deutsche Telekom recognized the right to the transfer of the licenses as of December 31, 2011 under other assets. Following their transfer, the licenses will be recognized under intangible assets.

Agreement reached in 2012 collective bargaining. The contracting parties reached an agreement in the 2012 collective bargaining negotiations for employees of Deutsche Telekom AG and Telekom Deutschland GmbH on April 28, 2012 and May 7, 2012 respectively. One outcome of collective bargaining is that the salaries of employee covered by collective agreements will increase by 2.3 percent effective May 1, 2012, with no pay rise in the three previous months. In two further steps, the salaries will increase by an additional 2.1 percent respectively. The collective agreements each have a term of 24 months.

For further explanations on the proceedings relating to **"Claim for damages by Kabel Deutschland GmbH," "Mobile communications patent litigation," "Claims for damages due to price squeeze"** and **"European Commission proceedings against Slovak Telekom and Deutsche Telekom,"** please refer to the section "Risks and opportunities" in this Interim Group Report (pages 25 and 26).

Responsibility statement.

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

Bonn, May 10, 2012

Deutsche Telekom AG
Board of Management

René Obermann

Dr. Manfred Balz

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Claudia Nemat

Prof. Marion Schick

Review report.

To Deutsche Telekom AG, Bonn.

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to March 31, 2012, which are part of the quarterly financial report pursuant to § 37x (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, May 10, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

Additional information.

Reconciliation of pro forma figures.

Special factors.

The following table presents a reconciliation of EBITDA, EBIT and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2011 financial year.

	EBITDA Q1 2012 millions of €	EBIT/ Net profit Q1 2012 millions of €	EBITDA Q1 2011 millions of €	EBIT/ Net profit Q1 2011 millions of €	EBITDA FY 2011 millions of €	EBIT/ Net profit FY 2011 millions of €
EBITDA/EBIT	**3,952**	**1,218**	**4,298**	**1,644**	**20,022**	**5,586**
Germany	**(296)**	**(296)**	**(69)**	**(69)**	**(707)**	**(707)**
Staff-related measures	(301)	(301)	(15)	(15)	(604)	(604)
Non-staff-related restructuring	0	0	0	0	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	5	5	(54)	(54)	(99)	(99)
Europe	**(6)**	**(6)**	**(60)**	**(61)**	**(246)**	**(1,286)**
Staff-related measures	(1)	(1)	(45)	(45)	(132)	(132)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	–	0	–	0	–	(1,040)
Other	(5)	(5)	(15)	(16)	(114)	(114)
United States	**(78)**	**(78)**	**(7)**	**(7)**	**(134)**	**(2,431)**
Staff-related measures	(41)	(41)	(7)	(7)	(116)	(116)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	–	0	–	0	–	(2,297)
Other	(37)	(37)	0	0	(18)	(18)
Systems Solutions	**(79)**	**(79)**	**(40)**	**(40)**	**(275)**	**(295)**
Staff-related measures	(54)	(54)	(12)	(12)	(81)	(81)
Non-staff-related restructuring	(24)	(24)	(28)	(28)	(163)	(175)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(1)	(1)	0	0	(31)	(39)
Group Headquarters & Shared Services	**(66)**	**(66)**	**(6)**	**(6)**	**2,698**	**2,698**
Staff-related measures	(136)	(136)	(2)	(2)	(224)	(224)
Non-staff-related restructuring	0	0	(4)	(4)	(22)	(22)
Effects of deconsolidations, disposals and acquisitions	3	3	0	0	(56)	(56)
Compensation from AT&T	0	0	0	0	3,000	3,000
Other	67	67	0	0	0	0
Group reconciliation	**0**	**0**	**0**	**0**	**1**	**1**
Total special factors	**(525)**	**(525)**	**(182)**	**(183)**	**1,337**	**(2,020)**
EBITDA/EBIT (adjusted for special factors)	**4,477**	**1,743**	**4,480**	**1,827**	**18,685**	**7,606**
Profit (loss) from financial activities (adjusted for special factors)		(772)		(653)		(2,613)
Profit before income taxes (adjusted for special factors)		**971**		**1,174**		**4,993**
Income taxes (adjusted for special factors)		(282)		(342)		(1,708)
Profit (loss) (adjusted for special factors)		**689**		**832**		**3,285**
Profit (loss) (adjusted for special factors) attributable to:		689		832		3,285
Owners of the parent (net profit/loss) (adjusted for special factors)		581		701		2,851
Non-controlling interests (adjusted for special factors)		108		131		434

Gross and net debt of the Group.

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

	Mar. 31, 2012 millions of €	Dec. 31, 2011 millions of €	Change millions of €	Change %	Mar. 31, 2011 millions of €
Financial liabilities (current)	7,959	10,219	(2,260)	(22.1)	9,766
Financial liabilities (non-current)	38,340	38,099	241	0.6	38,040
Financial liabilities	**46,299**	**48,318**	**(2,019)**	**(4.2)**	**47,806**
Accrued interest	(913)	(966)	53	5.5	(1,034)
Liabilities from corporate transactions	–	–	–	–	(444)
Other	(536)	(615)	79	12.8	(486)
Gross debt	**44,850**	**46,737**	**(1,887)**	**(4.0)**	**45,842**
Cash and cash equivalents	3,294	3,749	(455)	(12.1)	1,676
Available-for-sale/held-for-trading financial assets	765	402	363	90.3	84
Derivative financial assets	1,246	1,533	(287)	(18.7)	921
Other financial assets	918	932	(14)	(1.5)	1,361
Net debt	**38,627**	**40,121**	**(1,494)**	**(3.7)**	**41,800**

Glossary.

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

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

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

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

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

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

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

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

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

SIM card – Subscriber Identification Module card. Chip card that is inserted into a cell phone to identify it in the mobile network. Deutsche Telekom counts its customers by the number of SIM cards activated and not churned. Customer totals include the SIM cards with which machines can communicate automatically with one another (M2M cards). The churn rate is determined and reported based on the local markets of the respective countries.

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

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

Disclaimer.

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

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.

Financial calendar.*

May 10, 2012	May 24, 2012	August 9, 2012	November 8, 2012	February 28, 2013
Publication of the interim report as of March 31, 2012	2012 Shareholders' meeting	Publication of the interim report as of June 30, 2012	Publication of the interim report as of September 30, 2012	Publication of the 2012 Annual Report

* For more dates, an updated schedule, and information on webcasts please go to www. telekom.com.

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