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12

Interim Group Report.

January 1 to June 30, 2012.

Life is for sharing.

Selected financial data of the Deutsche Telekom Group.

		Q2 2012 millions of €	Q2 2011[a] millions of €	Change %	H1 2012 millions of €	H1 2011[a] millions of €	Change %	FY 2011 millions of €
Revenue and earnings								
Net revenue		14,379	14,475	(0.7)	28,811	29,072	(0.9)	58,653
Of which: domestic	%				44.2	45.4		44.9
Of which: international	%				55.8	54.6		55.1
Profit from operations (EBIT)		1,609	1,584	1.6	2,827	3,228	(12.4)	5,586
Net profit (loss)		614	348	76.4	852	828	2.9	557
Net profit (loss) (adjusted for special factors)		819	951	(13.9)	1,400	1,652	(15.3)	2,851
EBITDA		4,409	3,807	15.8	8,361	8,105	3.2	20,022
EBITDA (adjusted for special factors)		4,697	4,687	0.2	9,174	9,167	0.1	18,685
EBITDA margin (adjusted for special factors)	%	32.7	32.4		31.8	31.5		31.8
Earnings per share basic/diluted	€	0.14	0.08	75.0	0.20	0.19	5.3	0.13
Statement of financial position								
Total assets		–	–		121,080	123,115	(1.7)	122,542
Shareholders' equity		–	–		37,603	39,280	(4.3)	39,941
Equity ratio	%	–	–		31.1	31.9		32.6
Net debt		–	–		41,030	43,324	(5.3)	40,121
Cash capex		(1,626)	(1,879)	13.5	(3,795)	(3,999)	5.1	(8,406)
Cash flows								
Net cash from operating activities		3,191	3,594	(11.2)	6,164	6,263	(1.6)	16,214
Free cash flow (before dividend payments and spectrum investment)[b]		1,668	1,767	(5.6)	2,790	2,828	(1.3)	6,421
Net cash used in investing activities		(1,091)	(1,627)	32.9	(3,192)	(4,387)	27.2	(9,275)
Net cash used in financing activities		(2,431)	(690)	n.a.	(3,773)	(1,652)	n.a.	(5,958)

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

Number of fixed-network and mobile customers.

	June 30, 2012 millions	Dec. 31, 2011 millions	Change June 30, 2012/ Dec. 31, 2011 %	June 30, 2011 millions	Change June 30, 2012/ June 30, 2011 %
Fixed-network lines	33.2	34.1	(2.6)	35.0	(5.1)
Retail broadband lines	17.1	16.9	1.2	16.7	2.4
Mobile customers	129.9	129.3	0.5	128.0	1.5

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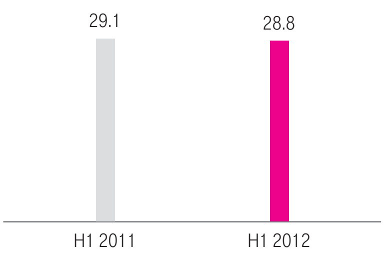
To our shareholders.

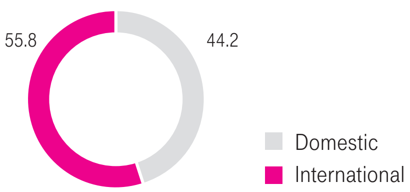
Developments in the Group.

Net revenue. (billions of €)



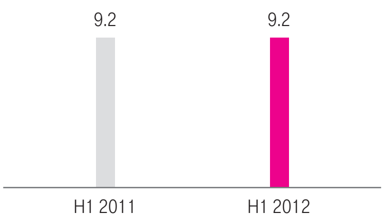
- Net revenue remained virtually stable compared with the first half of 2011. This includes positive net exchange rate effects of around EUR 0.4 billion, primarily from the translation of U.S. dollars into euros.
- Operations were positively impacted by development of television services and mobile data revenues, particularly in connection with the marketing of smartphones.
- Negative impacts on operations included declining revenues from voice telephony, price changes imposed by regulatory authorities and intense competitive pressure.

Proportion of net revenue generated internationally. (%)



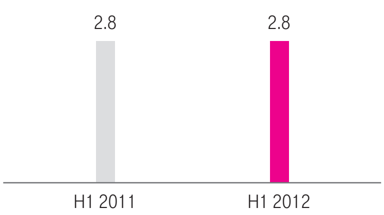
- The proportion of net revenue generated internationally increased to 55.8 percent, compared with 54.6 percent in the first half of 2011.
- Domestic net revenue amounted to EUR 12.7 billion, around EUR 0.4 billion lower than in the first half of 2011. International net revenue increased slightly to EUR 16.1 billion, compared with EUR 15.9 billion in the first half of 2011.

Adjusted EBITDA. (billions of €)



- Adjusted EBITDA remained constant compared with the first half of 2011. This includes positive net exchange rate effects of around EUR 0.1 billion, primarily from the translation of U.S. dollars into euros.
- Positive impact: the focus on high-value revenues (see net revenue).
- Negative effects included fixed-network lines lost to competitors, price changes imposed by regulatory authorities and special taxes on telecommunications services. The negative effects were partially offset by our comprehensive cost management.

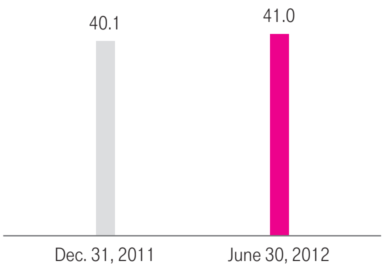
Free cash flow (before dividend payments and spectrum investment).* (billions of €)



- Free cash flow remained stable at EUR 2.8 billion.
- For a more detailed explanation, please refer to page 13 in the section "Development of business in the Group."

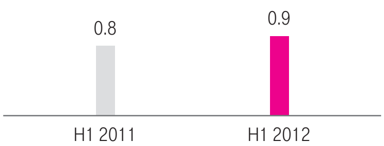
* and before PTC and AT&T transactions.

Net debt. (billions of €)



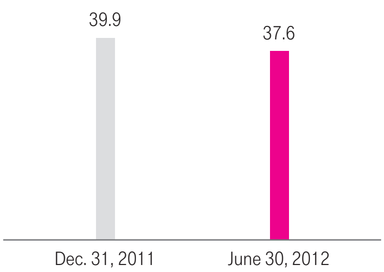
- Net debt increased by 2.3 percent compared with the end of 2011 to EUR 41.0 billion.
- Free cash flow (EUR 2.8 billion) as well as proceeds from the sale of shares in Telekom Srbija (EUR 0.4 billion) in particular had a positive impact.
- Dividend payments including to non-controlling interests (EUR 3.4 billion), and effects in connection with the AT&T transaction (EUR 0.3 billion) had a negative impact, as did exchange rate and other effects (EUR 0.4 billion).
- Net debt decreased by EUR 2.3 billion compared with the first half of the prior year.

Net profit. (billions of €)



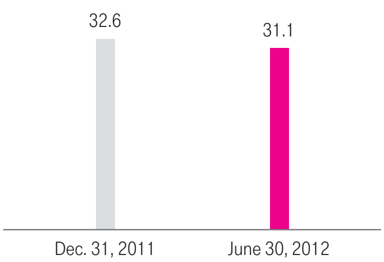
- Net profit increased to EUR 0.9 billion.
- In the first half of 2011, T-Mobile USA had been classified as a discontinued operation. The discontinuation of depreciation and amortization in accordance with IFRS 5 and the recognition of deferred tax liabilities had a positive net effect.
- In the first half of 2012, the loss from financial activities improved, particularly as a result of the sale of shares in Telekom Srbija. Income tax decreased year-on-year, mainly as the classification of T-Mobile USA as a discontinued operation was reversed (in December 2011).

Shareholders' equity. (billions of €)



- Shareholders' equity decreased by EUR 2.3 billion compared with the end of 2011.
- Positive effects from net profit (EUR 0.9 billion) and currency translation (EUR 0.9 billion).
- The recognition of actuarial gains and losses (net total of EUR 0.7 billion) directly in equity, and dividend payments including to non-controlling interests (EUR 3.4 billion) reduced the level of shareholders' equity.

Equity ratio. (%)



- The equity ratio decreased to 31.1 percent.
- As described above, shareholders' equity decreased by 5.9 percent.
- Total assets decreased by 1.2 percent, mainly as a result of dividend payments including to non-controlling interests (EUR 3.4 billion). Exchange rate effects, particularly from the translation of non-current assets (EUR 1.3 billion), had an offsetting, increasing effect.

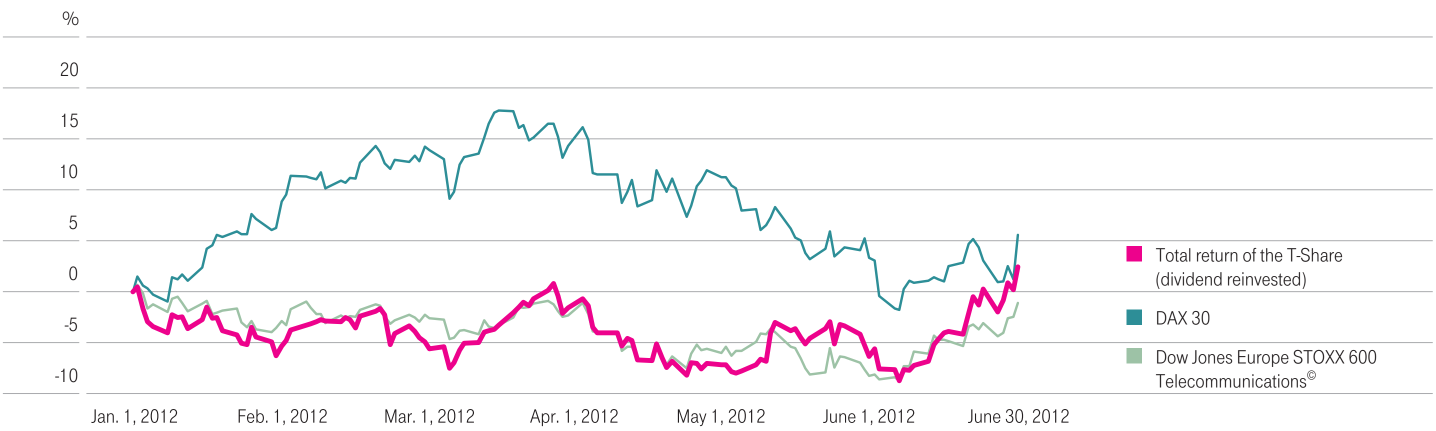
For a more detailed explanation, please refer to the section "Development of business in the Group" (page 10 et seq.).

Deutsche Telekom at a glance.

The positive development of our business results continued in the first half of the year and our forecast for the full year 2012 consequently remains unchanged. Net revenue remained virtually stable despite continued intense competition, regulation-induced revenue losses, and the effects of the financial crisis in many of our European markets. Adjusted EBITDA and free cash flow also remained stable. Net profit increased slightly. While earnings in Europe dipped slightly in the course of the first half-year, the trend continued to improve in the United States on a euro basis. Our strategically significant domestic market in Germany continues to be robust due not least to the sounder economic environment, despite slight decreases in revenue and earnings. At 41.3 percent, the EBITDA margin developed positively in the Germany operating segment.

The T-Share.

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



T-Share performance.

		H1 2012	H1 2011	FY 2011
Xetra closing prices				
Share price on the last trading day	€	8.65	10.82	8.87
Year high	€	9.24	11.32	11.32
Year low	€	7.71	9.55	7.95
Weighting of the T-Share in major stock indexes				
DAX 30	%	4.7	5.0	5.1
Dow Jones Euro STOXX 50©	%	1.9	2.0	2.0
Dow Jones Europe STOXX 600 Telecommunications©	%	10.4	11.1	10.2
Market capitalization	billions of €	37.4	46.8	38.3
Number of shares issued	millions	4,321	4,321	4,321

The first six months of 2012 were again turbulent times for the stock markets. Developments on the equity markets were dominated by the European debt crisis and weaker global economic momentum. The DAX 30 nevertheless closed the first half of the year up 5.6 percent, the period's last trading day in particular ensuring a positive finish. The resolutions to combat the debt crisis taken at the EU summit in Brussels gave a boost to Germany's leading index, which ended the day 4.3 percent higher than the previous day's closing price. Meanwhile, the European telecommunications sector was dragged down by profit warnings and dividend cuts at a number of competitors. The Dow Jones Europe STOXX 600 Telecommunications© ended the first six months of 2012 down 1.1 percent.

In the first half of the year, Deutsche Telekom succeeded in escaping the darkened sentiment in the sector, with the T-Share rising by 2.5 percent on a total return basis (share price performance plus reinvested dividend). The positive sentiment of the T-Share was attributable in particular to sound financial figures in the first quarter. Market participants also rated our confirmed shareholder remuneration policy positively.

In May 2012, a dividend of EUR 0.70 was paid for each share carrying dividend rights in accordance with a resolution by Deutsche Telekom AG's shareholders' meeting. The amount of the dividend corresponded to the shareholder remuneration policy announced in February 2010. In line with this policy, a total of EUR 3.0 billion was paid out to Deutsche Telekom AG's shareholders.

Highlights in the second quarter of 2012.

Developments at senior management level. Effective midnight May 2, 2012, Thomas Sattelberger's appointment as member of the Board of Management responsible for Human Resources and as Labor Director came to an end. Effective May 3, 2012, the Supervisory Board appointed **Prof. Marion Schick** as member of the Board of Management responsible for Human Resources and as Labor Director. Effective midnight May 31, 2012, Dr. Manfred Balz's appointment as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance came to an end. Effective June 1, 2012, the Supervisory Board appointed **Dr. Thomas Kremer** as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance.

Partnerships. Together with the credit card provider **MasterCard**, we are giving a new boost to paying by smartphone. The aim of our strategic partnership is to enable customers to make payments conveniently, easily and securely from wherever they are.

Regulatory decisions. The Federal Network Agency intends to revoke the prohibition on Telekom Deutschland GmbH's **VDSL price model**. In a provisional decision on April 2, 2012, the Federal Network Agency had rejected the model, which had become known as the VDSL contingent model, presented by Telekom Deutschland in ex-post control proceedings. A new **EU roaming regulation** entered into force on July 1, 2012. In contrast to the European Commission's original draft, the final regulation contains tighter provisions, setting lower price caps and expanding the transparency measures to also include roaming outside the European Union. For more details, please refer to "The economic environment" (page 8).

Investments in networks and new spectrum. In **Germany**, we have already met the LTE roll-out obligations in 14 of the 16 federal states. Thus the only gaps in coverage left to close are in Brandenburg and Mecklenburg-Western Pomerania. In **Hungary** we are the first company to provide mobile Internet services based on 4G/LTE mobile communications technology. 4G/LTE services are not only available in the capital city Budapest, but also in the entire Budapest conurbation and some other cities. 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 in the **United States**. The licenses were transferred effective May 4, 2012. The licenses were part of the compensation that AT&T had to provide to Deutsche Telekom following the termination of the agreement for the sale of T-Mobile USA.

New corporate customer agreements. Our corporate customer arm, T-Systems, has signed an agreement with the Swiss industrial group **Georg Fischer** on the provision of global ICT services. For the contractual term of six years and three months, T-Systems will pool Georg Fischer's IT infrastructure and manage it as cloud services. We won the automotive manufacturer **BMW** as a customer for mobile services. The contract will run until the end of 2019 and, in addition to mobile cards for more than 50,000 BMW employees, provides for a direct link between the mobile cards and BMW's business processes. **RWE Deutschland** is relying on the infrastructure and services provided by Deutsche Telekom to communicate with 15,000 digital electricity meters in Mülheim/Ruhr. To this end, we installed the smart meters and the communication boxes necessary for remote reading. The "Mülheim zählt" (Mülheim counts) project is to date the largest smart metering project in Germany. In total over 100,000 devices are to be installed before the end of this year.

Employees. In the negotiations for the **2012 collective bargaining** for Deutsche Telekom AG, Telekom Deutschland GmbH and its service companies, and T-Systems, the parties have reached agreement. As a result of this collective bargaining, the salaries of employees covered by collective agreements will gradually increase by 6.5 percent overall by 2013. The collective agreements run until the end of January and March 2014, respectively. The German Federal Government and the Bundestag, the lower house of the German Parliament, adopted the draft 2012/2013 Federal Civil Servant Remuneration and Pension Adjustment Act (Bundesbesoldungs- und Versorgungsanpassungsgesetz). The bill provides for the collective agreement for the federal public sector to be transferred to civil servants. Pay for **civil servants** at Deutsche Telekom will gradually increase by 5.7 percent overall by August 2013.

Awards. In May 2012, the readers of "connect" magazine voted us the "Mobile communications network operator of the year" in Germany for the thirteenth time in a row. We were also voted the best mobile communications network operator in Austria by the readers of "connect."

Interim Group management report.

The economic environment.

This section provides additional information on and explains recent changes in the economic situation as described in the combined management report for the 2011 financial year, focusing on the global economic development in the first half 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 continued to witness uneven development in the first half of 2012. The economic risks arising from the euro zone sovereign debt crisis and the uncertainty about future fiscal policy in the United States rose again substantially in the second quarter compared with the beginning of the year. Extremely high volatility was observed once more in Greece, marked by two sets of new elections, which by and large is reflected in a further deterioration of the economic situation. The economies of the Netherlands, the Czech Republic, Hungary, and Croatia were recessive in the first half of 2012 even though the expected recession has so far been less severe than during the 2008/2009 crisis. Due to factors such as the outflow of capital from the regions considered to be high risk, the currencies of many emerging markets as well as those of the countries on the periphery of Europe and the euro depreciated in the first six months of 2012, while the U.S. dollar, the yen, and the Swiss franc were exposed to appreciation pressure.

GDP growth rates in our core countries.

	Q2 2012 compared with Q2 2011 %
Germany	0.7
United States	2.2
Greece	(8.4)
Poland	2.9
Hungary	(1.1)
Czech Republic	(1.6)
Croatia	(1.9)
Netherlands	(1.4)
Slovakia	2.1
Austria	0.3
United Kingdom	(0.1)

Source: Oxford Economics, Forecast from July 2012.

Overall economic risk.

The most acute risk still facing the global economy is an escalation of the European sovereign debt crisis. A geopolitical escalation in Iran, accompanied by a potentially unwavering high oil price, would also have a major impact on the global economy.

Outlook.

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

Regulatory influence on Deutsche Telekom's business.

The Federal Network Agency intends to revoke the prohibition of Telekom Deutschland GmbH's VDSL contingent model. In a provisional decision on April 2, 2012, the Federal Network Agency had 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. The ongoing rate regulation proceedings on this matter are now expected to be shelved after Telekom Deutschland made changes to the model. The draft resolution for the revocation of the prohibition decision and the discontinuation of the price regulation proceedings will be communicated by the European Commission and the regulatory authorities of the other EU member states as part of a European consolidation procedure.

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

ULL provisioning and cancellation charges. On June 29, 2012, the Federal Network Agency issued a consultation draft for ULL provisioning and cancellation charges. At the same time, the Agency issued a preliminary rate approval for these rates to be charged by Telekom Deutschland GmbH. This approval is valid from July 1, 2012 until the time the final ruling enters into force. While the provisioning charges were increased by a low single-digit percentage virtually across the board, the cancellation charges were reduced substantially, in some cases by over 40 percent.

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

Group structure, strategy and management.

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

Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (pages 35 and 36).

Group strategy.

Our refined strategy lays the foundation for our future success.

Deutsche Telekom is one of the world's leading providers of telecommunications and information technology. On the one hand, we operate in highly competitive markets in traditional line business, but on the other, there are also growth opportunities in markets for products such as mobile data usage, and cloud and Internet services.

We therefore formulated the strategy Fix – Transform – Innovate in 2010 and since then have implemented it with success: For example, we successfully launched the joint venture Everything Everywhere in the United Kingdom, integrated our fixed-network and mobile activities in several countries and are driving forward the comprehensive network build-out with LTE or fiber optics. We also offer consumers and our business customers more and more innovative services, such as secure TelekomCloud products.

Two years on, this basic orientation remains; Deutsche Telekom's chosen course continues unchanged. However, we have decided to simplify and focus our strategy and center it even more firmly on the customer. This can be seen in our revised strategic guidelines, which express how we want our customers to see us:

Deutsche Telekom – My first choice for connected life and work.
We intend to achieve this by continuing to systematically implement our strategic areas of operation, which we adjusted to focus on core success factors for Deutsche Telekom in our markets:

Seamless connectivity for the Gigabit Society

More innovation by cooperation

Secure cloud solutions

Best-in-class customer experience

- **Seamless connectivity for the Gigabit Society.** With the seamless integration of our high-speed networks, we guarantee the best connectivity for our customers everywhere and at all times.
- **More innovation by cooperation.** We create a basis for sustainable innovation using the efficiency of three tiers: our own developments, partnering and ventures.
- **Secure cloud solutions.** Our many years of experience in the area of cloud solutions make us almost unique in the global market and are the basis for our market success.
- **Best-in-class customer experience.** We want to offer our customers the best everywhere and at all times: from advertising, our shops and products, through to understandable general terms and conditions.

The four areas of operation will be implemented systematically. In the future, we will focus on three principles: Compete, Transform and Innovate. Specifically, this means:

- We **compete** for our customers to maintain or improve our market position.
- We **transform** our processes and systems to remain competitive.
- We **innovate** in all areas of our Company to achieve further growth and drive forward innovation.

Apart from the revised strategic guidelines, the areas of operation and the ways and means with which we implement our strategy, other core elements of the strategy remain unchanged. This includes, for example, our business model, as well as our innovation and growth areas at the ambition level already announced:

Revenue in billions of €	H1 2012	Ambition level for 2015
Mobile Internet	3.1	≈10
Connected home	3.2	≈ 7
Internet services	0.4	2 to 3
T-Systems (external revenue)*	3.2	≈ 8
Intelligent networks (energy, healthcare, connected car)	0.1	≈ 1

* excluding revenue from "intelligent networks."

Deutsche Telekom remains on track. Our strategy defines the framework for the long-term success of Deutsche Telekom.

Development of business in the Group.

Results of operations of the Group.

Net revenue.

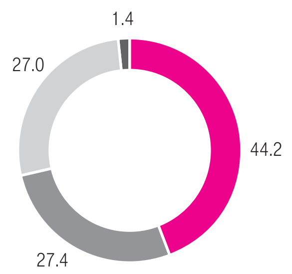
In the first half of the 2012 financial year, we generated net revenue of EUR 28.8 billion, which remained virtually stable compared with the same period in the prior year. Intense competition and price changes imposed by regulatory authorities had a negative effect. Net exchange rate effects of around EUR 0.4 billion on the proportion of net revenue generated internationally, especially from the translation of U.S. dollars into euros, had a positive impact on net revenue.

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

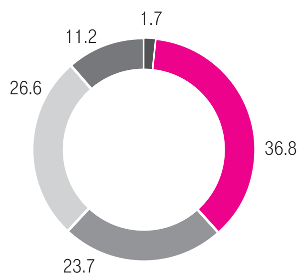
Contribution of the operating segments to net revenue.

	Q1 2012 millions of €	**Q2 2012 millions of €**	Q2 2011 millions of €	Change %	**H1 2012 millions of €**	H1 2011 millions of €	Change %	FY 2011 millions of €
Net revenue	**14,432**	**14,379**	**14,475**	**(0.7)**	**28,811**	**29,072**	**(0.9)**	**58,653**
Germany	5,658	5,610	5,789	(3.1)	11,268	11,583	(2.7)	23,201
Europe	3,575	3,584	3,807	(5.9)	7,159	7,479	(4.3)	15,124
United States	3,847	3,816	3,510	8.7	7,663	7,280	5.3	14,811
Systems Solutions	2,245	2,246	2,276	(1.3)	4,491	4,536	(1.0)	9,249
Group Headquarters & Shared Services	717	732	741	(1.2)	1,449	1,476	(1.8)	2,977
Intersegment revenue	(1,610)	(1,609)	(1,648)	2.4	(3,219)	(3,282)	1.9	(6,709)

Breakdown of revenue by region. (%)



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



At 36.8 percent, just 0.6 percentage points down against the prior-year period, our **Germany** operating segment again provided the largest contribution to the net revenue of the Group. The increase in revenue in the **United States** operating segment in conjunction with the downward or stagnating trend in revenue in the other segments resulted in an increase of 1.6 percentage points in the proportion of net revenue contributed by the United States. This is also reflected in the proportion of net revenue generated internationally, which increased year-on-year from 54.6 percent to 55.8 percent.

EBITDA, adjusted EBITDA.

In spite of the aforementioned decline in revenue, our EBITDA increased by EUR 0.3 billion year-on-year to EUR 8.4 billion. The decrease in other operating expenses, which were down by EUR 0.1 billion, and in special factors, which decreased by EUR 0.2 billion, had a positive effect on the development of EBITDA. Special factors mainly comprised expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses. Income of around EUR 0.1 billion from Kreditanstalt für Wiederaufbau in connection with legal proceedings concluded in the first quarter of 2012 also had a positive impact.

Excluding special factors of EUR 0.8 billion, which had a negative impact, adjusted EBITDA remained stable in the first half of 2012 compared with the same period in the prior year, at EUR 9.2 billion. Net exchange rate effects of EUR 0.1 billion, especially from the translation of U.S. dollars into euros, had a positive effect on the development of adjusted EBITDA. For detailed information on the development of EBITDA/adjusted EBITDA in our segments can be found in the section "Development of business in the operating segments" (page 13 et seq.).

Contribution of the operating segments to adjusted Group EBITDA.

	Q1 2012 millions of €	Q2 2012 millions of €	Q2 2011 millions of €	Change %	H1 2012 millions of €	H1 2011 millions of €	Change %	FY 2011 millions of €
EBITDA (adjusted for special factors) in the Group	**4,477**	**4,697**	**4,687**	**0.2**	**9,174**	**9,167**	**0.1**	**18,685**
Germany	2,302	2,355	2,407	(2.2)	4,657	4,757	(2.1)	9,474
Europe	1,173	1,200	1,316	(8.8)	2,373	2,542	(6.6)	5,241
United States	983	1,058	892	18.6	2,041	1,763	15.8	3,831
Systems Solutions	192	218	197	10.7	410	386	6.2	872
Group Headquarters & Shared Services	(137)	(89)	(108)	17.6	(226)	(237)	4.6	(617)
Reconciliation	(36)	(45)	(17)	n.a.	(81)	(44)	(84.1)	(116)

EBIT.

Group EBIT decreased by EUR 0.4 billion to EUR 2.8 billion compared with the first half of 2011 due to the aforementioned effects on EBITDA but also to the increase in depreciation expense of around EUR 0.7 billion. This is attributable to the classification of our United States operating segment as a discontinued operation in the prior-year period. 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 0.1 billion to EUR 1.7 billion year-on-year in the first quarter of 2012. The decrease of EUR 0.3 billion in the loss from financial activities partly 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.

Net profit increased from EUR 0.8 billion to EUR 0.9 billion, which was, among other factors, due to lower income tax expense. For further information, please refer to the interim consolidated financial statements (page 34).

Profit attributable to non-controlling interests increased, primarily as a result of the sale of shares in Telekom Srbija. The aforementioned effects resulted in a EUR 0.2 billion increase in profit compared with the first six months of 2011.

Average number of employees.

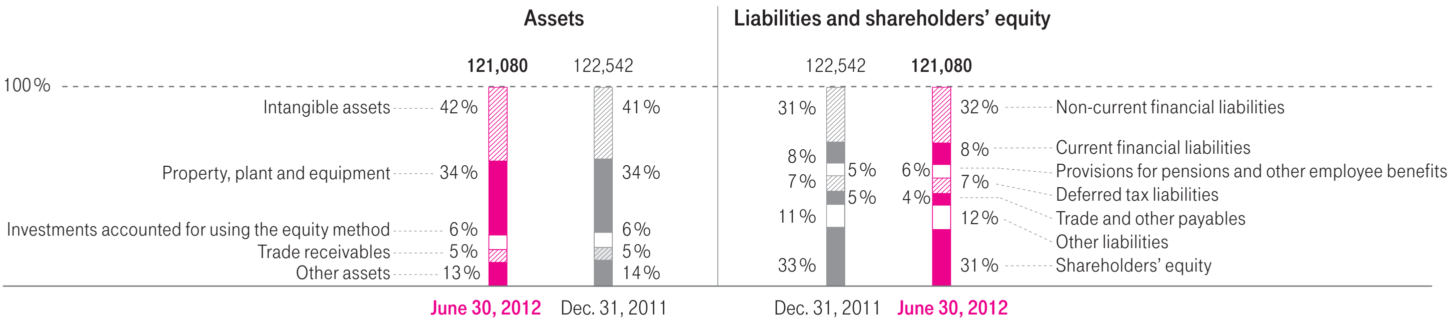
	H1 2012	H1 2011
Germany	72,707	74,022
Europe	57,995	61,438
United States	31,257	35,679
Systems Solutions	48,603	48,222
Group Headquarters & Shared Services	23,478	23,914
Number of employees in the Group	**234,040**	**243,275**
Of which: civil servants (in Germany, with an active service relationship)	23,385	25,370

Average headcount decreased by 3.8 percent compared with the prior-year reporting period. This trend is largely attributable to a lower international headcount, which was down by 6.3 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 1.4 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 1.5 billion compared with December 31, 2011 although the structure did not change significantly.

The increase of EUR 1.2 billion in **intangible assets** to EUR 51.3 billion resulted from additions of EUR 1.7 billion and exchange rate effects of EUR 0.9 billion, mainly from the U.S. dollar. This increase was partially offset by amortization of EUR 1.6 billion.

The decrease of EUR 1.2 billion in **property, plant and equipment** to EUR 40.7 billion is primarily attributable to depreciation of EUR 3.9 billion and disposals of EUR 0.1 billion. Additions of EUR 2.8 billion and exchange rate effects of EUR 0.4 billion, especially from the U.S. dollar and Hungarian forint, had an increasing effect.

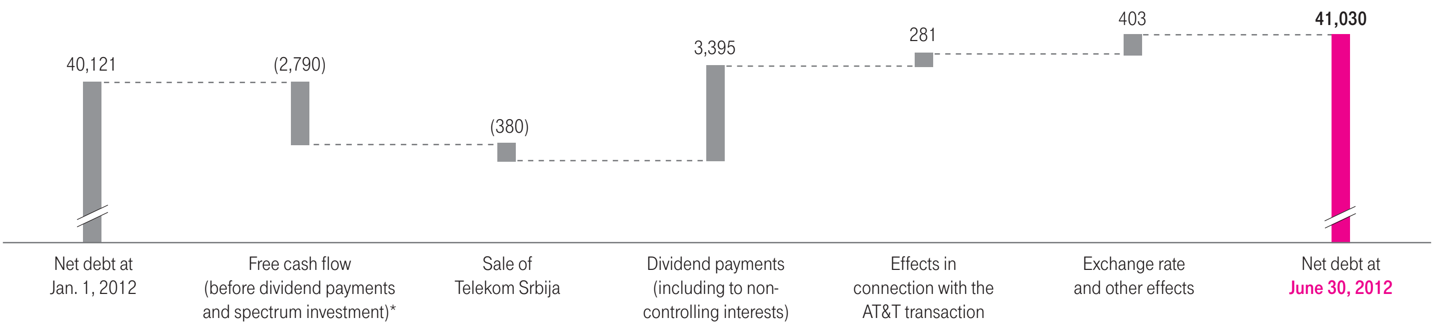
Other assets as of June 30, 2012 included the following significant effects: a decrease of EUR 0.9 billion in **other non-current assets** in connection with the activation of AWS spectrum licenses, which were part of the compensation from AT&T relating to the termination of the agreement to sell T-Mobile USA. A decrease of EUR 0.4 billion in **non-current assets and disposal groups held for sale** to EUR 0.1 billion as of June 30, 2012 is primarily attributable to the sale of the shares in Telekom Srbija on January 25, 2012.

Current and non-current **financial liabilities** decreased by EUR 0.1 billion compared with the end of 2011 to EUR 48.2 billion in total. Net cash used in financing activities on page 35 of the interim consolidated financial statements shows the main effects on financial liabilities. Currency translation effects of EUR 0.4 billion increased financial liabilities.

The increase in **provisions for pensions and other employee benefits** was primarily attributable to actuarial gains and losses of EUR 1.1 billion.

Shareholders' equity decreased by EUR 2.3 billion compared with December 31, 2011, due to dividend payments including to non-controlling interests of EUR 3.4 billion, net actuarial gains and losses of EUR 0.7 billion, and the sale of Telekom Srbija (EUR 0.2 billion). Currency translation effects of EUR 0.9 billion recognized directly in equity – resulting primarily from the translation of U.S. dollars and sterling into euros – and the net profit of EUR 1.2 billion increased shareholders' equity.

Change in net debt. (millions of €)



* and before AT&T transaction.

Net debt increased by EUR 0.9 billion or 2.3 percent compared with the end of 2011. Free cash flow before dividend payments and spectrum investment as well as before the AT&T transaction (EUR 2.8 billion) and the sale of the shares in Telekom Srbija (EUR 0.4 billion) reduced net debt. This decrease was offset by dividend payments (including to non-controlling interests; EUR 3.4 billion) and effects in connection with the AT&T transaction (EUR 0.3 billion) as well as exchange rate and other effects (EUR 0.4 billion). Net debt decreased by EUR 2.3 billion compared with the first half of the prior year.

For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information" (pages 40 and 41).

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

	Q1 2012 millions of €	Q2 2012 millions of €	Q2 2011 millions of €	Change %	H1 2012 millions of €	H1 2011 millions of €	Change %	FY 2011 millions of €
Cash generated from operations*	**3,977**	**3,902**	**4,310**	**(9.5)**	**7,879**	**8,211**	**(4.0)**	**16,863**
Interest received (paid)	(778)	(656)	(716)	8.4	(1,434)	(1,548)	7.4	(2,538)
Net cash from operating activities*	**3,199**	**3,246**	**3,594**	**(9.7)**	**6,445**	**6,663**	**(3.3)**	**14,325**
Cash outflow for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment **(cash capex)**	(2,129)	(1,625)	(1,879)	13.5	(3,754)	(3,999)	6.1	(8,260)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	52	47	52	(9.6)	99	164	(39.6)	356
Free cash flow (before dividend payments and spectrum investment)*	**1,122**	**1,668**	**1,767**	**(5.6)**	**2,790**	**2,828**	**(1.3)**	**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 remained largely stable in the reporting period compared with the prior-year period. Both net cash from operating activities and cash capex decreased slightly year-on-year. The decrease in cash capex relates mainly to the Europe operating segment.

Net cash from operating activities (before PTC and AT&T transactions) in the first half of 2012 decreased by EUR 0.2 million compared with the prior-year period to EUR 6.4 billion. Apart from the fact that cash outflows were recorded at different points in time over the year and that cash discounts were used to a larger extent, this decrease was primarily attributable to the following cash flows: cash outflows of EUR 0.1 billion in connection with investigations by the U.S. authorities into contracts signed by the F.Y.R.O. Macedonia and Montenegro, a reduction of EUR 0.2 billion in income tax paid, a reduction of EUR 0.1 billion in net interest payments and cash inflows of EUR 0.1 billion from the canceling of interest rate swaps. Furthermore, the dividend payments made by the Everything Everywhere joint venture in the first half of 2012 increased by EUR 0.1 billion year-on-year.

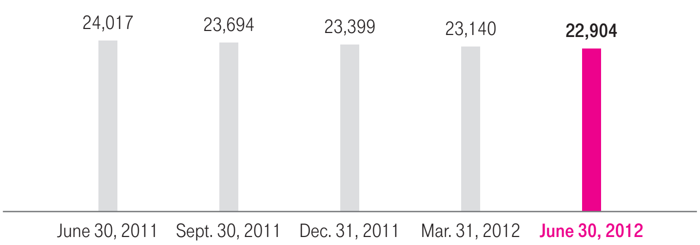
For further information on the statement of cash flows, please refer to the interim consolidated financial statements on page 35.

Development of business in the operating segments.

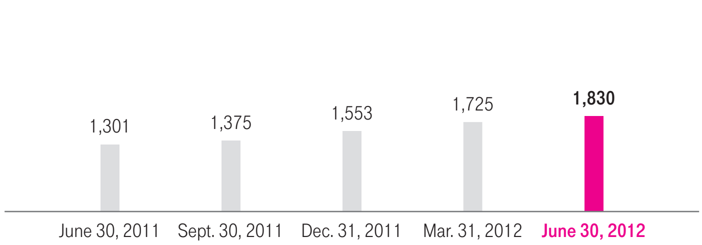
Germany.

Customer development.

Fixed-network lines. ('000)

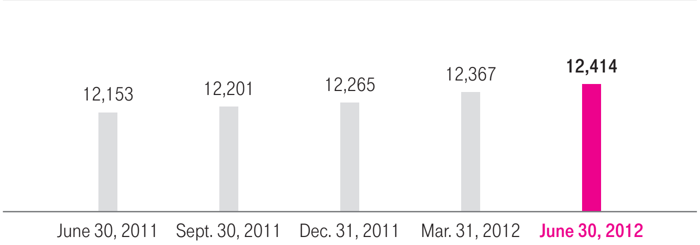


TV customers (including satellite).* ('000)

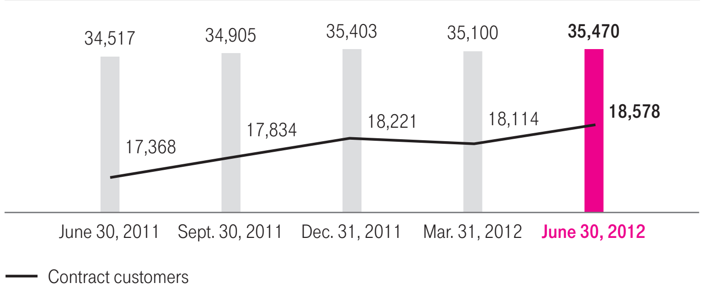


* Customers connected

Retail broadband lines. ('000)



Mobile customers. ('000)



	June 30, 2012 thousands	Mar. 31, 2012 thousands	Change June 30, 2012/ Mar. 31, 2012 %	Dec. 31, 2011 thousands	Change June 30, 2012/ Dec. 31, 2011 %	June 30, 2011 thousands	Change June 30, 2012/ June 30, 2011 %
Total							
Fixed-network lines	22,904	23,140	(1.0)	23,399	(2.1)	24,017	(4.6)
Retail broadband lines[a]	12,414	12,367	0.4	12,265	1.2	12,153	2.1
TV (including satellite)	1,830	1,725	6.1	1,553	17.8	1,301	40.7
Mobile customers	35,470	35,100	1.1	35,403	0.2	34,517	2.8
Contract customers[a]	18,578	18,114	2.6	18,221	2.0	17,368	7.0
Prepay customers	16,893	16,987	(0.6)	17,182	(1.7)	17,149	(1.5)
Unbundled local loop lines (ULLs)	9,582	9,602	(0.2)	9,598	(0.2)	9,562	0.2
Wholesale unbundled lines	1,267	1,253	1.1	1,222	3.7	1,155	9.7
Wholesale bundled lines	617	657	(6.1)	704	(12.4)	820	(24.8)
Of which: consumers							
Fixed-network lines	18,250	18,448	(1.1)	18,763	(2.7)	19,321	(5.5)
Retail broadband lines[a]	10,027	9,983	0.4	9,959	0.7	9,866	1.6
TV (including satellite)	1,678	1,582	6.1	1,434	17.0	1,201	39.7
Mobile customers	29,203	29,008	0.7	29,333	(0.4)	28,788	1.4
Contract customers[a]	13,159	12,799	2.8	12,874	2.2	12,169	8.1
Prepay customers	16,044	16,209	(1.0)	16,459	(2.5)	16,620	(3.5)
Of which: business customers							
Fixed-network lines	3,548	3,566	(0.5)	3,505	1.2	3,569	(0.6)
Retail broadband lines	2,055	2,051	0.2	1,973	4.2	1,956	5.1
TV (including satellite)	151	142	6.3	117	29.1	100	51.0
Mobile customers	6,267	6,092	2.9	6,070	3.2	5,729	9.4
Contract customers[a]	5,419	5,314	2.0	5,347	1.3	5,200	4.2
Prepay customers (M2M)[b]	848	778	9.0	723	17.3	529	60.3

[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 both the mobile and the fixed-network market in the face of regulatory interventions and intense competition by focusing on high-value business and marketing new and innovative products. By the end of the first half of 2012, 82 thousand customers had already used our Call & Surf Comfort via Funk product, which was launched in the second quarter of 2011. This wireless technology enables fast Internet surfing even in areas without DSL coverage.

Fixed network.

Telephony, Internet and TV. Line losses in traditional fixed-network telephony decreased further to 495 thousand in the first half of 2012. This puts them at below the level for the first half of 2011 (H1 2011: 635 thousand). Customers switched in particular to other telecommunications network operators and cable operators, but increasingly also to mobile wholesale products.

Our share of the German broadband market stood at 45 percent in the first six months of the year. The number of broadband lines increased by 149 thousand to 12.4 million in the reporting period compared with December 31, 2011. Of these customers, 722 thousand opted for VDSL lines. As of June 30, 2012, a total of 1.8 million customers were using our television service Entertain. As many as 239 thousand of them were using Entertain via Sat which was launched in September 2011.

Mobile communications.

Mobile telephony and data services. In mobile communications, we stepped up our measures in the first half of 2012 to attract and win back customers, in particular by improving existing rate plans and introducing new ones for both contract and prepay customers.

The number of mobile customers at the end of the first half of 2012 totaled 35.5 million; this corresponds to an increase of 0.2 percent compared with December 31, 2011. The development was positive on the whole thanks to the good performance regarding high-value branded customers, machine-to-machine communication, congstar and Call & Surf Comfort via Funk. Customer migration to another service provider in the first quarter of 2012 was compensated for the most part in the second quarter by the growth in business with resellers serving customer groups who mainly call their home countries.

In the first half of 2012, the number of smartphones sold (mainly Android handsets and iPhones) rose to 1.6 million, accounting for 73 percent of all mobile phones sold in the first half of 2012.

Consumers.

Connected life across all screens. Line losses in traditional fixed-network telephony decreased year-on-year in the first half of 2012. In the intensely contested broadband market, we continued to grow in line with the market.

The number of contract customers in the mobile communications portfolio increased by 2.2 percent in the first six months of 2012. In particular, rate packages with integrated data flat rates for the mobile Internet (Call & Surf Mobil, Complete Mobil, and Mobile Data), especially the promotional rates included, sold well. Through these packages we migrated a large number of customers from pure voice rates to higher-value data rate plans. In the area of text messaging, we were even more successful in marketing our "SMS Flat all net" rate option in the first half of 2012.

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

Business Customers.

Connected work with innovative solutions. The number of fixed-network lines in the Business Customers area as of June 30, 2012 was 1.2 percent higher than at year-end 2011. In Internet usage, customers are increasingly opting for plans with higher bandwidths such as Business Complete.

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

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

Subscriber numbers continued to rise compared with year-end in the area of machine-to-machine mobile communications as well as among contract customers, due not least to the marketing kick-off of new, attractive mobile rate plans for business customers.

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

Wholesale.

In the first half of 2012, the number of unbundled local loop lines (ULLs) remained virtually unchanged from year-end 2011, whereas the number of our bundled wholesale lines declined by 87 thousand. This trend is expected to continue in the next few years, due in particular to the fact that our competitors are switching from bundled to unbundled wholesale products or to their own infrastructure.

Development of operations.

		Q1 2012 millions of €	**Q2 2012 millions of €**	Q2 2011 millions of €	Change %	**H1 2012 millions of €**	H1 2011 millions of €	Change %	FY 2011 millions of €
Total revenue[a]		5,658	5,610	5,789	(3.1)	11,268	11,583	(2.7)	23,201
Consumers		2,997	2,999	3,125	(4.0)	5,996	6,222	(3.6)	12,497
Business Customers		1,418	1,404	1,390	1.0	2,822	2,805	0.6	5,615
Wholesale		1,034	1,005	1,063	(5.5)	2,039	2,130	(4.3)	4,209
Value-Added Services		97	91	102	(10.8)	188	209	(10.0)	421
Other		112	111	109	1.8	223	217	2.8	459
Profit from operations **(EBIT)**		887	1,170	828	41.3	2,057	2,053	0.2	4,359
EBIT margin	%	15.7	20.9	14.3		18.3	17.7		18.8
Depreciation, amortization and impairment losses		(1,119)	(1,124)	(1,091)	(3.0)	(2,243)	(2,147)	(4.5)	(4,408)
EBITDA		2,006	2,294	1,919	19.5	4,300	4,200	2.4	8,767
Special factors affecting EBITDA		(296)	(61)	(488)	87.5	(357)	(557)	35.9	(707)
EBITDA (adjusted for special factors)		2,302	2,355	2,407	(2.2)	4,657	4,757	(2.1)	9,474
EBITDA margin (adjusted for special factors)	%	40.7	42.0	41.6		41.3	41.0		40.8
Cash capex		(823)	(728)	(811)	10.2	(1,551)	(1,631)	4.9	(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.

We took measures to ensure continued value-enhancing growth in our core markets, i.e., the broadband fixed network and mobile communications. Revenue in the first half of 2012 was down 2.7 percent year-on-year, which was mainly attributable to the downward trend in voice telephony, both in mobile and fixed-network business. This trend was partly offset by increasing demand for complete packages comprising mobile data or TV rate plans. As a result, the decrease was smaller than that recorded in the first half of 2011 compared with the first half of 2010.

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

In mobile communications, data revenues increased thanks to smartphone sales and new data rate plans. Revenue from mobile voice telephony decreased as a result of the demand for favorable rate 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 revenue (up 29.6 percent) and revenue from terminal equipment (up 32.2 percent). The growth in mobile data revenues (up 23.1 percent) largely succeeded in compensating for the decline in revenue, in particular in traditional voice telephony.

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

The decline in **Wholesale** revenue – down 4.3 percent to EUR 2.0 billion – was primarily attributable to the following factors: regulatory price cuts for interconnection calls in particular (from July 1, 2011) and the declining use of interconnection as well as a volume- and price-related decrease in revenue due to migration to state-of-the-art infrastructure platforms.

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

EBITDA, adjusted EBITDA.

EBITDA adjusted for special factors decreased by 2.1 percent to EUR 4.7 billion. Since we made higher investments in the market and were unable to reduce our service costs to the same extent as in previous years, our cost savings did not fully compensate for the decline in revenue. At the same time, mobile interconnection costs increased, for instance, by continuously offering more valuable calling plans, e.g., with minute buckets and unlimited text messaging into third-party networks. The slight improvement in our adjusted EBITDA margin (up 0.3 percentage points) is a positive trend which mainly results from our efficient cost management. In both the reporting period and the comparative period, EBITDA was adversely affected in particular by early retirement expenses, which we recognized as a special factor.

EBIT.

Profit from operations (EBIT) for our Germany operating segment remained stable at EUR 2.1 billion. The positive EBITDA trend was offset by higher depreciation, amortization and impairment losses, mainly resulting from the capitalization of the LTE license in the previous year.

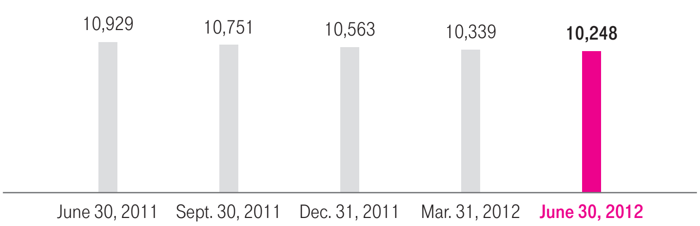
Cash capex.

We have the best mobile network and invest in the networks of the future. Although we reported a year-on-year decrease in cash capex in the first half of 2012 regarding traditional transmission paths (for example as a result of the completed migration to modern infrastructure platforms), we also stepped up investment in our strategic focus areas such as the LTE and fiber optic roll-out as well as in All IP migration. Cash capex was still 4.9 percent lower than in the previous year.

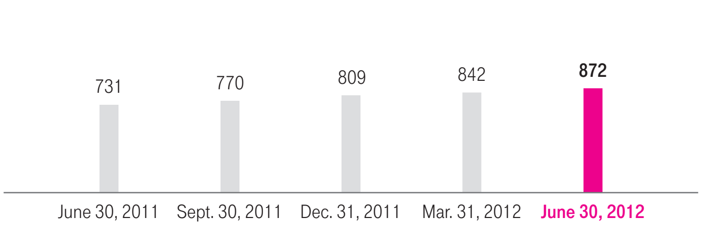
Europe.

Customer development.

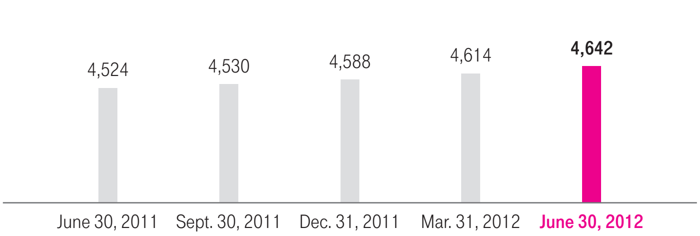
Fixed-network lines. ('000)



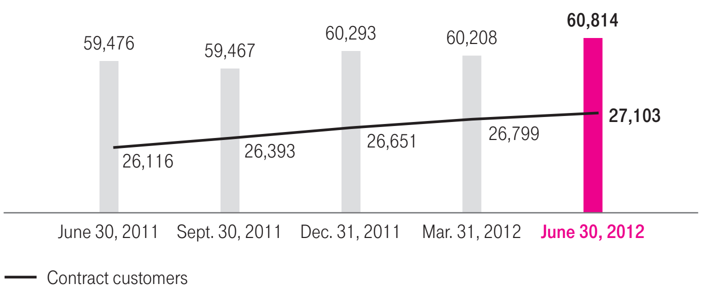
IPTV customers. ('000)



Retail broadband lines. ('000)



Mobile customers. ('000)



		June 30, 2012 thousands	Mar. 31, 2012 thousands	Change June 30, 2012/ Mar. 31, 2012 %	Dec. 31, 2011 thousands	Change June 30, 2012/ Dec. 31, 2011 %	June 30, 2011 thousands	Change June 30, 2012/ June 30, 2011 %
Europe, total	Fixed-network lines	10,248	10,339	(0.9)	10,563	(3.0)	10,929	(6.2)
	Retail broadband lines	4,642	4,614	0.6	4,588	1.2	4,524	2.6
	Wholesale bundled lines	154	153	0.7	153	0.7	161	(4.3)
	Unbundled local loop lines (ULLs)	1,915	1,870	2.4	1,844	3.9	1,664	15.1
	Mobile customers	60,814	60,208	1.0	60,293	0.9	59,476	2.2
Greece	Fixed-network lines	3,137	3,219	(2.5)	3,317	(5.4)	3,536	(11.3)
	Broadband lines	1,136	1,120	1.4	1,126	0.9	1,145	(0.8)
	Mobile customers	7,856	7,862	(0.1)	7,885	(0.4)	7,733	1.6
Romania	Fixed-network lines	2,485	2,428	2.3	2,487	(0.1)	2,554	(2.7)
	Broadband lines	1,104	1,100	0.4	1,078	2.4	1,063	3.9
	Mobile customers	6,510	6,407	1.6	6,499	0.2	6,595	(1.3)
Hungary	Fixed-network lines	1,439	1,462	(1.6)	1,486	(3.2)	1,523	(5.5)
	Broadband lines	864	855	1.1	848	1.9	818	5.6
	Mobile customers	4,821	4,815	0.1	4,817	0.1	4,773	1.0
Poland	Mobile customers	15,048	14,512	3.7	14,161	6.3	13,203	14.0
Czech Republic	Fixed-network lines	105	103	1.9	100	5.0	89	18.0
	Broadband lines	105	103	1.9	100	5.0	89	18.0
	Mobile customers	5,377	5,354	0.4	5,381	(0.1)	5,425	(0.9)
Croatia	Fixed-network lines	1,342	1,367	(1.8)	1,387	(3.2)	1,407	(4.6)
	Broadband lines	652	654	(0.3)	651	0.2	647	0.8
	Mobile customers	2,378	2,350	1.2	2,418	(1.7)	2,988	(20.4)
Netherlands	Fixed-network lines	290	291	(0.3)	294	(1.4)	299	(3.0)
	Broadband lines	281	282	(0.4)	284	(1.1)	289	(2.8)
	Mobile customers	4,744	4,856	(2.3)	4,909	(3.4)	4,829	(1.8)
Slovakia	Fixed-network lines	993	1,009	(1.6)	1,021	(2.7)	1,039	(4.4)
	Broadband lines	470	468	0.4	464	1.3	453	3.8
	Mobile customers	2,325	2,312	0.6	2,326	0.0	2,349	(1.0)
Austria	Mobile customers	4,069	4,069	0.0	4,060	0.2	3,878	4.9
Other[a]	Fixed-network lines	457	461	(0.9)	471	(3.0)	482	(5.2)
	Broadband lines	243	239	1.7	239	1.7	226	7.5
	Mobile customers	7,686	7,670	0.2	7,838	(1.9)	7,702	(0.2)

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

Total.

In the first half of 2012, we maintained our customer base in the Europe operating segment despite the still strained economic situation and intense competition.

In the fixed network, we increased the number of broadband lines compared with the end of 2011 thanks to the focus on rolling out broadband technology, and thus partially offset the line loses in traditional fixed-network business. Compared with the prior quarter, we even substantially reduced losses in fixed-network lines to a level that is now below 1 percent.

In mobile communications, we recorded a slight increase of around 1 percent in the total customer base compared with the end of the prior year, mainly driven by contract net additions. In the prepay segment, the number of customers only grew markedly in Poland due to a change in the deregistration procedure in response to a general change in deregistration policies across the industry in the previous year.

Fixed network.

Telephony, Internet and TV. The IPTV business again proved itself as a consistent growth driver; compared with the end of 2011, the number of IPTV customers increased by around 8 percent. Due to innovative rate plans, for example TV together with Internet access, we further expanded our customer base in most countries of our operating segment with fixed-network operations. Compared with December 31, 2011, the number of retail broadband lines marketed increased by around 1.2 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 was mainly attributable to DSL business. In Hungary, growth was primarily driven by an increase in the number of broadband cable connections. In the Czech Republic, the number of DSL lines grew by as much as 5 percent compared with the year-end.

As of June 30, 2012, some 10.2 million customers in our Europe operating segment used a fixed-network line. This is a reduction of 3.0 percent compared with the end of 2011, which is largely attributable to line losses in traditional telephony in Croatia, Greece, Romania and Hungary. In Greece and Romania in particular, the economic situation and the resulting intense competitive pressure caused a decline in the number of customers.

Mobile communications.

Mobile telephony and data services. We increased our total mobile customer base slightly by around 1 percent to 60.8 million thanks to substantial net contract additions. As of the end of the first half of the year, our contract customer base totaled around 27.1 million, an increase of almost 2 percent compared with the end of the prior year. This is mainly attributable to the encouraging trend among business customers, who accounted for some 60 percent of net additions. Their numbers increased in particular in Romania, the Czech Republic, Bulgaria and Poland.

The share of contract customers as a proportion of the total customer base in our Europe operating segment leveled off at around 45 percent, a slight increase compared with the year-end. We achieved this high level by focusing on winning and retaining high-value customers as part of our strategy of connected life and work. For instance, we offered attractive rate plans and innovative data and content services for the mobile Internet. As a result of the roll-out of mobile broadband technologies in most countries of our operating segment, the use of smartphones becomes increasingly attractive. These phones remained in high demand in the second quarter of 2012, in particular in Austria and the Netherlands. In the countries of our operating segment that are driven by mobile communications, which are not yet as developed in terms of mobile Internet, we saw especially high demand for smartphones. At segment level, we thus recorded a further increase in smartphones as a proportion of all terminal devices marketed.

As of June 30, 2012, the total number of prepay customers was on a par with the level at the end of the prior year. The number of prepay customers declined in almost all countries of our operating segment due to our strategy to focus on high-value contract customers. The number of prepay customers only grew appreciably in Poland by around 0.8 million, mainly due to a change in the deregistration procedure in September 2011.

Development of operations.

		Q1 2012 millions of €	Q2 2012 millions of €	Q2 2011 millions of €	Change %	H1 2012 millions of €	H1 2011 millions of €	Change %	FY 2011 millions of €
Total revenue		3,575	3,584	3,807	(5.9)	7,159	7,479	(4.3)	15,124
Greece		819	828	886	(6.5)	1,647	1,749	(5.8)	3,546
Romania		264	260	269	(3.3)	524	531	(1.3)	1,072
Hungary		335	333	370	(10.0)	668	722	(7.5)	1,438
Poland		413	418	453	(7.7)	831	893	(6.9)	1,740
Czech Republic		255	259	282	(8.2)	514	550	(6.5)	1,092
Croatia		239	245	269	(8.9)	484	525	(7.8)	1,084
Netherlands		421	419	436	(3.9)	840	854	(1.6)	1,747
Slovakia		206	202	230	(12.2)	408	432	(5.6)	886
Austria		227	217	227	(4.4)	444	456	(2.6)	924
Other[a]		448	456	447	2.0	904	882	2.5	1,827
Profit from operations **(EBIT)**		450	462	465	(0.6)	912	830	9.9	780
EBIT margin	%	12.6	12.9	12.2		12.7	11.1		5.2
Depreciation, amortization and impairment losses		(717)	(706)	(780)	9.5	(1,423)	(1,581)	10.0	(4,215)
EBITDA		1,167	1,168	1,245	(6.2)	2,335	2,411	(3.2)	4,995
Special factors affecting EBITDA		(6)	(32)	(71)	54.9	(38)	(131)	71.0	(246)
EBITDA (adjusted for special factors)		1,173	1,200	1,316	(8.8)	2,373	2,542	(6.6)	5,241
Greece		309	301	303	(0.7)	610	630	(3.2)	1,300
Romania		69	69	68	1.5	138	129	7.0	274
Hungary		122	115	144	(20.1)	237	289	(18.0)	542
Poland		127	139	176	(21.0)	266	320	(16.9)	629
Czech Republic		123	116	139	(16.5)	239	275	(13.1)	509
Croatia		101	113	122	(7.4)	214	226	(5.3)	508
Netherlands		115	133	128	3.9	248	210	18.1	505
Slovakia		86	84	100	(16.0)	170	195	(12.8)	388
Austria		60	53	68	(22.1)	113	128	(11.7)	253
Other[a]		63	79	71	11.3	142	140	1.4	339
EBITDA margin (adjusted for special factors)	%	32.8	33.5	34.5		33.1	33.9		34.6
Cash capex		(505)	(287)	(356)	19.4	(792)	(868)	8.8	(1,870)

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

[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 half of 2012, our Europe operating segment generated total revenue of EUR 7.2 billion, down 4.3 percent compared with the prior-year level. The development of exchange rates against the euro – mainly driven by the Hungarian forint and the Polish zloty – had a significantly negative impact on our revenue: Almost half of the revenue decline was due to exchange rate effects. Adjusted for this effect, segment revenue decreased by just 2.3 percent compared with the level in the prior-year period.

The first half of the year was characterized by further price reductions 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. For example, around 60 percent of the decrease in revenue from operations was attributable to our Greek subsidiaries. In Croatia and Slovakia, fixed-network and mobile business was also impacted by declines in revenue. Adjusted for exchange rate effects, Hungary recorded an increase in revenue and partially offset revenue losses at segment level.

Growth in (fixed-network and mobile) broadband, television, ICT and energy had a positive impact overall on the revenue trend at segment level. These growth areas partially compensated for the negative revenue effects from voice telephony. This shows the success of our strategy to drive forward the roll-out of broadband technologies in both fixed-network and mobile operations in combination with attractive rate plans. In mobile communications, we recorded substantial further growth in data revenue, with an increase of around 17 percent to EUR 0.6 billion; adjusted for exchange rate effects, data revenue even increased by approximately 20 percent. While Greece generated mobile data revenue just under the prior-year level, adjusted for exchange rate effects, all other countries of our Europe operating segment, but in particular the Netherlands, Austria, Poland and the Czech Republic, contributed to the strong growth.

EBITDA, adjusted EBITDA.

Our Europe operating segment generated adjusted EBITDA of EUR 2.4 billion in the first half of 2012, a year-on-year decrease of 6.6 percent. Without the strong negative exchange rate effects, especially from the translation of the Hungarian forint and the Polish zloty, adjusted EBITDA decreased by just 4.5 percent. This operational decline at segment level resulted from lower adjusted EBITDA compared with the prior-year period, especially in Poland, Hungary, the Czech Republic and Slovakia. These decreases were partially offset by higher EBITDA contributions in the Netherlands and in the Romanian and Greek mobile operations.

Overall, the decrease in revenue year-on-year had a negative impact on the development of EBITDA. In addition, changes in legislation (for example, as part of national austerity programs) adversely affected our EBITDA. In Greece, for instance, our earnings in the first half of 2012 were impacted by the real estate tax introduced in September last year. We also expect our results to be negatively impacted by exceptional government measures in the near future. In Hungary, the development of EBITDA will be affected by the special levy introduced as of July 1, 2012 on top of the existing special tax. The same applies for the mobile communications tax reintroduced in Croatia as of January 26, 2012 which, however, was abolished again as of July 9, 2012.

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

Development of operations in selected countries.

Greece. Revenue in Greece totaled EUR 1.6 billion in the first half of 2012, a year-on-year decrease of 5.8 percent, which was mainly attributable to fixed-network business and here primarily to line losses of some 11 percent in traditional telephony. Since regulation of fixed-network business in Greece continues to be very strict, we were not yet able to proceed with broadband customer acquisitions as planned and thus to generate the associated revenue in full. The difficult economic situation and strong competition also had an impact on mobile business compared with the first half of the prior year, which is clearly reflected in the decline in service revenues and lower terminal equipment sales.

Adjusted EBITDA decreased to EUR 610 million in Greece during the reporting period, a year-on-year decline of 3.2 percent. On the one hand, this was due to lower revenue and to decisions by public authorities on the other. In September 2011, the Greek government introduced a real estate tax, which accounted for around a third of the year-on-year decline in EBITDA in Greece in the first half of 2012. We largely offset the revenue losses through targeted measures for customer acquisition and retention in mobile business and through our programs to increase efficiency in mobile and fixed-network business. The success of the efficiency enhancement programs is primarily reflected by lower personnel costs due in part to a reduced headcount and in part to the agreements with the trade unions concluded in the previous year.

Hungary. In Hungary, we generated revenue of EUR 668 million in the first half of 2012, a year-on-year decrease of 7.5 percent. Adjusted for the negative exchange rate performance of the Hungarian forint against the euro, revenue from operations increased by 1.5 percent. This year-on-year increase is attributable to growth in fixed-network business which again is attributable to the energy resale business. But thanks to increased revenue from broadband, television and ICT as well as from terminal equipment sales, we also offset losses from traditional telephony. In mobile communications, service revenues declined compared with the prior-year period, mainly as a result of price cuts due to competition as well as a reduction in termination rates imposed by the regulatory authorities. These effects were partially offset within service revenues due to higher data revenue. There was also a positive contribution to revenue from the growth in terminal equipment revenue as a result of the substantial increase in smartphones as a proportion of all terminal devices sold.

Adjusted EBITDA amounted to EUR 237 million in the first half of 2012, representing a year-on-year decrease of 18.0 percent. As with revenue, this decrease was due to the unfavorable exchange rate performance (around 44 percent) of the Hungarian forint against the euro. Adjusted for this factor, EBITDA decreased by 10.1 percent. This was due on the one hand to a positive one-time effect in the first quarter of 2011, which was not repeated to the same extent in the current six-month period. On the other hand, increased customer acquisition and retention costs as well as costs from the low-margin energy resale business counteracted the positive revenue effects. Savings in overheads only partially offset increases in direct costs.

Poland. Revenue in Poland totaled around EUR 831 million in the first half of this year, down by 6.9 percent year-on-year. Adjusted for the significantly negative exchange rate performance of the Polish zloty against the euro, revenue remained at around the prior-year level. Declining revenue from voice telephony due to intense competition and the reduction in mobile termination rates impacted negatively on service revenues especially in the consumers segment. This was partially offset by encouraging growth in data business. In addition, increased terminal equipment sales made a positive contribution to revenue, mainly due to the successful marketing of smartphones.

Adjusted EBITDA amounted to EUR 266 million in the first half of the year, down 16.9 percent year-on-year. Adjusted for negative exchange rate effects, the decrease was 10.7 percent. The decline was attributable to increased customer acquisition costs as a result of marketing higher-value terminal equipment and a higher proportion of contract customers in the business with new customers. Furthermore, the first half of the prior year was positively impacted by the reversal of a provision. Due to improved measures to target our high-value contract customers, savings were achieved in customer retention costs, which made a positive contribution to EBITDA.

Netherlands. In the first half of 2012, revenue decreased slightly by 1.6 percent year-on-year to EUR 840 million. Regulation-induced decreases in revenue from voice telephony and decreases in text message revenue were almost offset by the highly successful data business as well as by new rate plans, which had a positive impact on voice telephony revenue. Fixed-network business declined slightly due to a small decrease in broadband lines compared with the prior-year period.

Adjusted EBITDA increased by 18.1 percent year-on-year to EUR 248 million. This positive result was achieved despite the negative effect on EBITDA resulting from regulation. Aside from the regulatory effects, interconnection costs with third-party networks also declined due to decreased volumes. Reduced costs especially in relation to customer retention, contributed to the improvement in EBITDA. Lower overheads, including personnel costs and cost of materials, also made a positive contribution to EBITDA.

EBIT.

EBIT in our Europe operating segment totaled EUR 912 million as of the end of the first half of 2012, a year-on-year increase of 9.9 percent. Against the background of restraint in investment in the prior year, total depreciation and amortization decreased at segment level, in particular in Poland and Greece, resulting in higher EBIT which offset the negative effects from the decline in EBITDA.

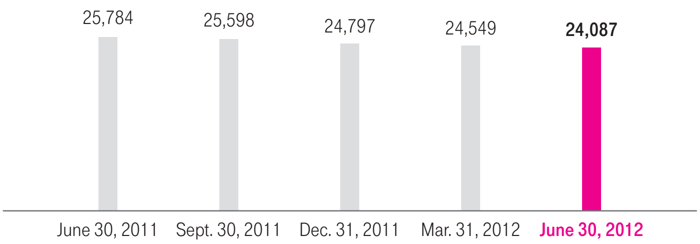
Cash capex.

In the first half of 2012, our Europe operating segment reported cash capex of EUR 792 million, a year-on-year decline of 8.8 percent. A difficult market situation, decisions by regulatory authorities, and additional financial burdens, such as the special tax in Hungary or the real estate tax in Greece, have caused most countries in our operating segment to exercise restraint in their cash capex. However, cash capex increased for extending existing and/or obtaining new mobile communications licenses, mainly in Hungary.

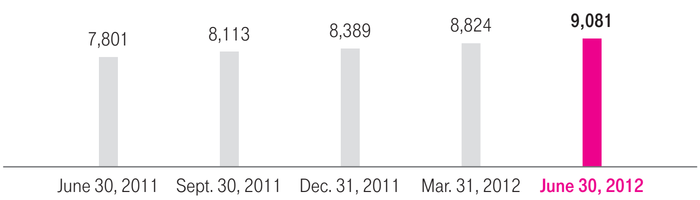
United States.

Customer development.

Contract customers.* ('000)



Prepay customers.* ('000)



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

	June 30, 2012 thousands	Mar. 31, 2012 thousands	Change June 30, 2012/ Mar. 31, 2012 %	Dec. 31, 2011 thousands	Change June 30, 2012/ Dec. 31, 2011 %	June 30, 2011 thousands	Change June 30, 2012/ June 30, 2011 %
United States							
Mobile customers	33,168	33,373	(0.6)	33,186	(0.1)	33,585	(1.2)
Contract customers	24,087	24,549	(1.9)	24,797	(2.9)	25,784	(6.6)
Branded	21,300	21,857	(2.5)	22,367	(4.8)	23,463	(9.2)
Machine-to-machine (M2M)	2,787	2,692	3.5	2,430	14.7	2,321	20.1
Prepay customers	9,081	8,824	2.9	8,389	8.2	7,801	16.4
Branded	5,295	5,068	4.5	4,819	9.9	4,345	21.9
MVNOs	3,786	3,756	0.8	3,570	6.1	3,456	9.5

At June 30, 2012, the United States operating segment (T-Mobile USA) had 33.2 million customers, a net decrease in customers of 18,000 compared to 33.2 million customers at December 31, 2011. This decrease in net customers in the first half of 2012 was an improvement compared to a net decrease of 150,000 for the first half of 2011. In the first half of 2012, contract customer losses were substantially offset by prepay customer growth. In the first half of 2012, T-Mobile USA lost 710,000 contract customers compared to 663,000 contract customers lost in the first half of 2011. In the first half of 2012, losses in branded contract customers declined as they were impacted by lower branded contract customer churn, which continues to be a key strategic focus for 2012. Additionally, total machine-to-machine customers continued to grow in the first half of 2012, although at a slower rate than the first half of 2011, to a total of 2.8 million customers at June 30, 2012. In the first half of 2012, T-Mobile USA had 692,000 net prepay customer additions compared to 513,000 net prepay customer additions in the first half of 2011. The significant improvement in net branded prepay customer additions in the first half of 2012 was due to the success of unlimited Monthly 4G prepay plans and the discontinuation of the company's FlexPay product that historically had higher churn. Additionally, MVNO customers continued to grow in the first half of 2012, and totaled 3.8 million at June 30, 2012.

T-Mobile USA's blended churn decreased to an average of 3.3 percent per month in the first half of 2012, compared to an average of 3.4 percent per month in the first half of 2011. The year-on-year decrease in blended churn was due primarily to lower branded contract churn from a change in the mix of T-Mobile USA's contract product portfolio. Branded contract churn decreased by 0.3 percentage points to 2.3 percent compared with the prior-year period. The contract product portfolio was adjusted through the discontinuation of certain products that had higher churn, such as FlexPay Contract. The continued strategic focus on churn reduction, including credit optimization initiatives, contributed to the decrease.

Development of operations.

		Q1 2012 millions of €	Q2 2012 millions of €	Q2 2011 millions of €	Change %	H1 2012 millions of €	H1 2011 millions of €	Change %	FY 2011 millions of €
Total revenue		3,847	3,816	3,510	8.7	7,663	7,280	5.3	14,811
Profit (loss) from operations **(EBIT)**		344	396	868	(54.4)	740	1,269	(41.7)	(710)
EBIT margin	%	8.9	10.4	24.7		9.7	17.4		(4.8)
Depreciation, amortization and impairment losses		(561)	(640)	–	n.a.	(1,201)	(463)	n.a.	(4,407)
EBITDA		905	1,036	868	19.4	1,941	1,732	12.1	3,697
Special factors affecting EBITDA		(78)	(22)	(24)	8.3	(100)	(31)	n.a.	(134)
EBITDA (adjusted for special factors)		983	1,058	892	18.6	2,041	1,763	15.8	3,831
EBITDA margin (adjusted for special factors)	%	25.6	27.7	25.4		26.6	24.2		25.9
Cash capex		(571)	(425)	(477)	10.9	(996)	(1,023)	2.6	(1,963)

Total revenue.

Total revenue for the United States operating segment (T-Mobile USA) was EUR 7.7 billion in the first half of 2012, an increase of 5.3 percent compared to EUR 7.3 billion in the first half of 2011 due to exchange rate effects. In U.S. dollars, total revenue declined by 2.7 percent year-on-year due primarily to a decrease in service revenues partially offset by an increase in equipment revenues associated with T-Mobile USA's Value plans and other fee revenues. Service revenues declined due to a decrease in branded contract customers (contract customers excluding machine-to-machine) and changes in the customer mix towards lower priced Value rate plans. This was partially offset by prepay service revenue growth associated with the continued success of unlimited Monthly 4G prepay plans introduced in the second quarter of 2011. Data service revenues increased by 8.7 percent in the first half of 2012 driven by increased smartphone plan adoption which helped offset voice revenue declines. Equipment sales increased, despite lower volumes, by 14.4 percent due to handset program pricing changes in connection with T-Mobile USA's Value plans, which were launched in the third quarter of 2011.

EBITDA, adjusted EBITDA.
Adjusted EBITDA increased in the first half of 2012 by 15.8 percent to EUR 2.0 billion compared to EUR 1.8 billion in the first half of 2011. Adjusted EBITDA for the first half of 2012 excludes EUR 0.1 billion 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 6.8 percent primarily due to lower equipment subsidies in connection with handset program pricing changes from T-Mobile USA's Value plans and lower equipment unit sales volumes. Additionally, the effects of ongoing cost management programs contributed to a decline in expenses in the first half of 2012. This combined reduction in costs was offset in part due to higher bad debt expense related to certain customer groups. Adjusted EBITDA margin in the first half of 2012 increased year-on-year primarily due to the reduction in operating expenses described above.

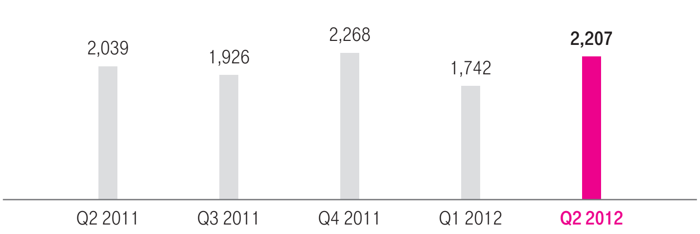
EBIT.
EBIT declined by 41.7 percent to EUR 0.7 billion in the first half of 2012 from EUR 1.3 billion in the first half of 2011 due to the discontinuation of depreciation and amortization (EUR 0.6 billion, IFRS 5) in connection with the held-for-sale classification of T-Mobile USA's non-current assets in relation to the terminated sale to AT&T. In March 2011, T-Mobile USA discontinued depreciation of these assets for accounting purposes as of the announcement of the proposed transaction. Additionally, in the first half of 2012, T-Mobile USA recorded EUR 0.1 billion in accelerated depreciation related to network modernization initiatives.

Cash capex.
Cash capex of EUR 1.0 billion for both the first half of 2012 and the first half of 2011 decreased marginally by 2.6 percent year-on-year. In U.S. dollars, cash capex decreased 9.8 percent year-on-year due to payment timing partially offset by higher incurred capex in 2012 related to the network modernization transformation. In the first half of 2012, T-Mobile USA announced that it will invest USD 4 billion in total to strengthen its 4G network, including refarming of 1,900 MHz spectrum previously used for GSM for HSPA+ beginning in 2012 and the planned launch of LTE technology in 2013.

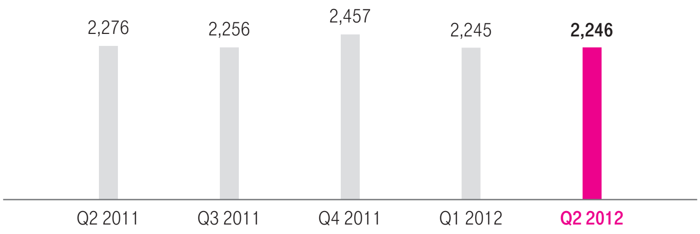
Systems Solutions.

Selected KPIs.

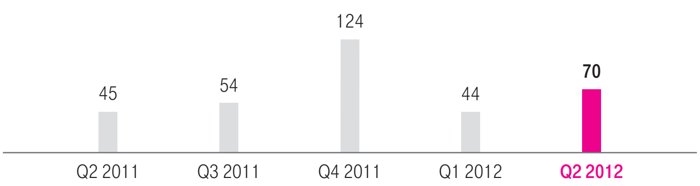
Order entry. (millions of €)



Revenue. (millions of €)



Adjusted EBIT. (millions of €)



		June 30, 2012	Mar. 31, 2012	Change June 30, 2012/ Mar. 31, 2012 %	Dec. 31, 2011	Change June 30, 2012/ Dec. 31, 2011 %	June 30, 2011	Change June 30, 2012/ June 30, 2011 %
Order entry	millions of €	3,949	1,742	n.a.	8,826	n.a.	4,632	(14.7)
Computing & Desktop Services								
Number of servers managed and serviced	units	56,404	58,302	(3.3)	58,053	(2.8)	58,111	(2.9)
Number of workstations managed and serviced	millions	1.95	1.99	(2.0)	2.00	(2.5)	1.99	(2.0)
Systems Integration								
Hours billed	millions	5.1	2.7	n.a.	9.7	n.a.	4.9	4.1
Utilization rate	%	84.8	83.1	1.7p	84.1	0.7p	84.2	0.6p

Development of business.

Revenue generated by our Systems Solutions operating segment in the first half of 2012 was slightly lower than in the prior-year period, largely due to the continuing price pressure. Nevertheless, significant new deals were concluded, such as those with Daimler, British American Tobacco (BAT) and the Swiss industrial group Georg Fischer. Our standard solutions from our growth area of cloud computing won out over strong competition, winning us the contracts with these three corporate customers. T-Systems expanded its dynamic resources accordingly in the first half of 2012 (please also refer to the 2011 Annual Report, page 105 et seq.). In another pleasing development, utilities company RWE Deutschland has selected Deutsche Telekom as its partner for the largest smart metering project to date in Germany.

Order entry decreased by 14.7 percent compared with the first half of the prior year. The figures in the first quarter of 2011 included the comprehensive outsourcing agreement with Everything Everywhere totaling approximately EUR 500 million. The growth in order entry in the second quarter of 2012 was unable to compensate for this effect.

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

Development of operations.

		Q1 2012 millions of €	Q2 2012 millions of €	Q2 2011 millions of €	Change %	H1 2012 millions of €	H1 2011 millions of €	Change %	FY 2011 millions of €
Total revenue		2,245	2,246	2,276	(1.3)	4,491	4,536	(1.0)	9,249
Profit (loss) from operations **(EBIT)**		(35)	(38)	22	n.a.	(73)	11	n.a.	(43)
Special factors affecting EBIT		(79)	(108)	(23)	n.a.	(187)	(63)	n.a.	(295)
EBIT (adjusted for special factors)		44	70	45	55.6	114	74	54.1	252
EBIT margin (adjusted for special factors)	%	2.0	3.1	2.0		2.5	1.6		2.7
Depreciation, amortization and impairment losses		(148)	(148)	(152)	2.6	(296)	(312)	5.1	(640)
EBITDA		113	110	174	(36.8)	223	323	(31.0)	597
Special factors affecting EBITDA		(79)	(108)	(23)	n.a.	(187)	(63)	n.a.	(275)
EBITDA (adjusted for special factors)		192	218	197	10.7	410	386	6.2	872
EBITDA margin (adjusted for special factors)	%	8.6	9.7	8.7		9.1	8.5		9.4
Cash capex		(131)	(112)	(128)	12.5	(243)	(251)	3.2	(553)

Total revenue.

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 4.5 billion, a slight year-on-year decrease of 1.0 percent. This decline is primarily attributable to a decrease of 2.3 percent in internal revenue from Deutsche Telekom entities following IT cost saving initiatives taken at Group level. External revenue decreased only slightly by 0.5 percent, mainly due to revenue generated in Germany. International revenue, by contrast, increased.

EBITDA, adjusted EBITDA.

Adjusted EBITDA in our Systems Solutions operating segment increased by 6.2 percent in the reporting period as a result of the restructuring and efficiency enhancement program launched. The adjusted EBITDA margin improved from 8.5 to 9.1 percent. EBITDA decreased by 31.0 percent due to provisions recognized in the first half of 2012 for the planned early retirement arrangements for civil servants and other restructuring measures.

EBIT, adjusted EBIT.

Adjusted EBIT for the first half of 2012 was EUR 40 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. The adjusted EBIT margin increased from 1.6 percent to 2.5 percent in the reporting period.

Cash capex.

At EUR 0.2 billion, cash capex in the reporting period decreased slightly year-on-year. This decrease is attributable to reduced cash capex due to enhanced efficiencies, for example through further standardization of ICT platforms. Cash outflows include payments for the expansion of the dynamic computing platform and for technical upgrades in connection with new deals.

Group Headquarters & Shared Services.

Group Headquarters & Shared Services performs strategic and cross-segment management functions for the Deutsche Telekom Group and is responsible for operating activities that are not directly related to the core business of the operating segments. Since January 1, 2012, Deutsche Telekom has pooled the tasks and functions of the Digital Services growth business as well as the Internet service provider STRATO, which as of December 31, 2011 were still largely part of the Germany operating segment, as the Digital Business Unit (DBU) under Group Headquarters & Shared Services. The prior-year figures have been adjusted for better comparability. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements (pages 35 and 36).

As of June 30, 2012, Vivento, our personnel service provider, had a workforce of about 8,500 employees (June 30, 2011: around 9,000), of which around 3,600 were deployed externally, mainly in the public sector, for example at the Federal Employment Agency. Another 3,000 or so employees were employed within the Group, especially in service centers. About 1,900 employees were placed in Vivento's operational and strategic units or continued to be managed by Vivento. While Vivento took on a total of around 600 new employees in the reporting period, a similar number of employees left the personnel service provider to pursue new opportunities.

Development of operations.

	Q1 2012 millions of €	**Q2 2012 millions of €**	Q2 2011 millions of €	Change %	**H1 2012 millions of €**	H1 2011 millions of €	Change %	FY 2011 millions of €
Total revenue	717	732	741	(1.2)	1,449	1,476	(1.8)	2,977
Of which: Digital Business Unit	194	204	203	0.5	398	403	(1.2)	843
Profit (loss) from operations **(EBIT)**	(414)	(361)	(597)	39.5	(775)	(921)	15.9	1,242
Depreciation, amortization and impairment losses	(211)	(206)	(215)	4.2	(417)	(404)	(3.2)	(839)
EBITDA	(203)	(155)	(382)	59.4	(358)	(517)	30.8	2,081
Special factors affecting EBITDA	(66)	(66)	(274)	75.9	(132)	(280)	52.9	2,698
EBITDA (adjusted for special factors)	(137)	(89)	(108)	17.6	(226)	(237)	4.6	(617)
Of which: Digital Business Unit	56	44	50	(12.0)	100	97	3.1	168
Cash capex	(155)	(137)	(105)	(30.5)	(292)	(216)	(35.2)	(488)

Total revenue.

Total revenue at Group Headquarters & Shared Services in the reporting period decreased slightly by 1.8 percent year-on-year, primarily due to measures to make the use of floor space more efficient in the operating segments, lower demand for call center services within the Group 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 improved slightly year-on-year in the first half of the 2012 financial year, mainly as a result of increased income from trademark licenses and a slight improvement in earnings at Digital Business Unit. By contrast, the decline in revenue and lower earnings from real estate sales had a negative impact on earnings.

Overall, EBITDA was negatively impacted by special factors of EUR 132 million in the reporting period, primarily due to expenses in connection with planned and announced staff-related measures, mainly for early retirement. The refund received from Kreditanstalt für Wiederaufbau in connection with a settlement reached in the United States in 2005 was a positive special factor. In the same period of 2011, EBITDA was negatively impacted by special factors of EUR 280 million – mainly due to expenses in connection with staff-related measures and expenses in connection with the plan to sell T-Mobile USA.

EBIT.

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

Risks and opportunities.

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

Litigation.

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

Eutelsat arbitration proceedings. Eutelsat S.A. is seeking revocation by French courts of the ruling of the court of arbitration which refused to include Media Broadcast GmbH in the arbitration proceedings due to lack of jurisdiction. As part of the arbitration proceedings, Eutelsat S.A. submitted its statement of claim on February 29, 2012, to which Deutsche Telekom responded on May 9, 2012. 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. The rulings of the Cologne Administrative Court are final and legally binding. Accordingly, the Federal Network Agency must 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.

Reduced pay tables. In a ruling on December 15, 2009, the Stuttgart Administrative Court decided in two court proceedings to present the question of whether § 78 of the Federal Civil Service Remuneration Act is constitutional to the Federal Constitutional Court for decision. Referring to the decision to abolish the year-end bonus, the Federal Constitutional Court has since suggested to the Stuttgart Administrative Court that the question submitted be withdrawn. The Administrative Court has since withdrawn the question submitted to the Federal Constitutional Court and dismissed the actions in all cases in which the plaintiffs had not withdrawn them. We consider it unlikely that recourse will be taken to the courts in the cases still pending.

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

Mobile communications patent litigation. On April 24, 2012, the Düsseldorf Regional Court ruled in favor of the claim by IPCom 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 have appealed against the ruling of the Düsseldorf Regional Court and currently expect that it will not be enforced. IPCom has filed an appeal against the decision of the European Patent Office. Agreement was reached with IPCom on July 18, 2012 in the proceedings relating to the IPCom patent concerning a process for voice coding. IPCom waived all claims against the Deutsche Telekom Group arising from this patent and undertook to withdraw its patent infringement suit. In return, Deutsche Telekom has withdrawn its rescission suit against the patent. Further legal disputes with IPCom are still pending; it is currently not possible to estimate with sufficient certainty what financial impact these proceedings, including those regarding the alleged infringement of an IPCom patent as a result of the sale of UMTS-enabled HTC and Nokia devices, might have.

Claims for damages due to price squeeze. In April 2012, two further competitors asserted their claims in court: QSC is seeking damages of EUR 7 million, DOKOM of EUR 4.5 million, plus interest in each case.

Anti-trust proceedings.

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

We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The 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.

Proceedings initiated by the Croatian competition authority against Hrvatski Telekom. In the proceedings initiated by the Croatian competition authority AZTN against Hrvatski Telekom (HT) and other mobile communications providers concerning alleged collusion in violation of anti-trust law relating to the introduction of a state levy on mobile communications, hearings in May 2012 marked the provisional end of the collection of evidence by the AZTN. HT continues to believe these allegations are unfounded. The financial impact of the proceedings cannot be estimated with sufficient certainty at this point in time.

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

Actions concluded in the first half 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.

Regulation.

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

Assignment of frequencies. In mobile communications, 2012 and 2013 will see the extension of expiring licenses and the assignment of new frequencies in Germany as well as in a number of other European countries. This will give rise to general risks from the uncertainty with regard to the scope and availability of future spectrum as well as in terms of the costs of acquiring frequency spectrum and the market entry of new providers. In Hungary, spectrum was awarded to a new state-owned mobile communications company in the spring of 2012. The conditions of the licenses stipulate that market launch must come before the end of 2012. Established network operators are obligated to offer upstream services to this potential new market player. Magyar Telekom (Hungary) 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 rate regulation.

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 (June 30, 2012).

For further details relating to the announced **refocusing of fixed-network regulation** by the European Commission, please refer to "Events after the reporting period" in the consolidated financial statements of this Interim Group Report.

For further information on the proceedings

- **"Mobile communications patent litigation"** concerning the IPCom patent on voice coding, and
- **"Reduced pay tables,"**

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

Changes from the 2011 Annual Report.

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

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

Interim consolidated financial statements.

Consolidated statement of financial position.

	June 30, 2012 millions of €	Dec. 31, 2011 millions of €	Change millions of €	Change %	June 30, 2011 millions of €
Assets					
Current assets	**15,183**	**15,865**	**(682)**	**(4.3)**	**47,629**
Cash and cash equivalents	2,950	3,749	(799)	(21.3)	2,744
Trade and other receivables	6,608	6,557	51	0.8	4,643
Current recoverable income taxes	69	129	(60)	(46.5)	102
Other financial assets	2,516	2,373	143	6.0	2,023
Inventories	1,124	1,084	40	3.7	823
Non-current assets and disposal groups held for sale	135	436	(301)	(69.0)	35,780
Other assets	1,781	1,537	244	15.9	1,514
Non-current assets	**105,897**	**106,677**	**(780)**	**(0.7)**	**75,486**
Intangible assets	51,284	50,097	1,187	2.4	29,024
Property, plant and equipment	40,686	41,927	(1,241)	(3.0)	34,431
Investments accounted for using the equity method	6,766	6,873	(107)	(1.6)	6,634
Other financial assets	2,099	2,096	3	0.1	1,938
Deferred tax assets	4,745	4,449	296	6.7	3,154
Other assets	317	1,235	(918)	(74.3)	305
Total assets	**121,080**	**122,542**	**(1,462)**	**(1.2)**	**123,115**
Liabilities and shareholders' equity					
Current liabilities	**22,902**	**24,338**	**(1,436)**	**(5.9)**	**34,842**
Financial liabilities	9,784	10,219	(435)	(4.3)	12,920
Trade and other payables	5,356	6,436	(1,080)	(16.8)	4,581
Income tax liabilities	608	577	31	5.4	306
Other provisions	2,705	3,217	(512)	(15.9)	2,486
Liabilities directly associated with non-current assets and disposal groups held for sale	–	–	–	–	10,587
Other liabilities	4,449	3,889	560	14.4	3,962
Non-current liabilities	**60,575**	**58,263**	**2,312**	**4.0**	**48,993**
Financial liabilities	38,414	38,099	315	0.8	37,609
Provisions for pensions and other employee benefits	7,262	6,095	1,167	19.1	6,102
Other provisions	2,057	1,689	368	21.8	1,815
Deferred tax liabilities	8,759	8,492	267	3.1	873
Other liabilities	4,083	3,888	195	5.0	2,594
Liabilities	**83,477**	**82,601**	**876**	**1.1**	**83,835**
Shareholders' equity	**37,603**	**39,941**	**(2,338)**	**(5.9)**	**39,280**
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	51,504
Retained earnings including carryforwards	(28,689)	(25,498)	(3,191)	(12.5)	(25,409)
Total other comprehensive income	(1,598)	(2,326)	728	31.3	392
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	–	–	–	–	(3,815)
Net profit (loss)	852	557	295	53.0	828
Issued capital and reserves attributable to owners of the parent	**33,127**	**35,294**	**(2,167)**	**(6.1)**	**34,558**
Non-controlling interests	4,476	4,647	(171)	(3.7)	4,722
Total liabilities and shareholders' equity	**121,080**	**122,542**	**(1,462)**	**(1.2)**	**123,115**

Consolidated income statement.

	Q2 2012 millions of €	Q2 2011[a] millions of €	Change %	H1 2012 millions of €	H1 2011[a] millions of €	Change %	FY 2011 millions of €
Net revenue	**14,379**	**14,475**	**(0.7)**	**28,811**	**29,072**	**(0.9)**	**58,653**
Cost of sales	(8,178)	(8,093)	(1.1)	(16,633)	(16,440)	(1.2)	(33,885)
Gross profit (loss)	**6,201**	**6,382**	**(2.8)**	**12,178**	**12,632**	**(3.6)**	**24,768**
Selling expenses	(3,428)	(3,430)	0.1	(6,936)	(6,920)	(0.2)	(14,060)
General and administrative expenses	(1,223)	(1,345)	9.1	(2,678)	(2,614)	(2.4)	(5,284)
Other operating income	265	283	(6.4)	599	592	1.2	4,362
Other operating expenses	(206)	(306)	32.7	(336)	(462)	27.3	(4,200)
Profit from operations	**1,609**	**1,584**	**1.6**	**2,827**	**3,228**	**(12.4)**	**5,586**
Finance costs	(512)	(586)	12.6	(1,047)	(1,172)	10.7	(2,325)
Interest income	80	68	17.6	163	136	19.9	268
Interest expense	(592)	(654)	9.5	(1,210)	(1,308)	7.5	(2,593)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(32)	9	n.a.	(84)	(21)	n.a.	(73)
Other financial income (expense)	(52)	(172)	69.8	(11)	(214)	94.9	(169)
Profit (loss) from financial activities	**(596)**	**(749)**	**20.4**	**(1,142)**	**(1,407)**	**18.8**	**(2,567)**
Profit before income taxes	**1,013**	**835**	**21.3**	**1,685**	**1,821**	**(7.5)**	**3,019**
Income taxes	(284)	(401)	29.2	(483)	(807)	40.1	(2,349)
Profit (loss)	**729**	**434**	**68.0**	**1,202**	**1,014**	**18.5**	**670**
Profit (loss) attributable to							
Owners of the parent (net profit (loss))	614	348	76.4	852	828	2.9	557
Non-controlling interests	115	86	33.7	350	186	88.2	113
Included in consolidated income statement							
Personnel costs	(3,591)	(4,101)	12.4	(7,602)	(7,709)	1.4	(14,743)
Depreciation, amortization and impairment losses	(2,800)	(2,223)	(26.0)	(5,534)	(4,877)	(13.5)	(14,436)
Of which: amortization and impairment of intangible assets	(812)	(711)	(14.2)	(1,611)	(1,515)	(6.3)	(6,445)
Of which: depreciation and impairment of property, plant and equipment	(1,988)	(1,512)	(31.5)	(3,923)	(3,362)	(16.7)	(7,991)

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

Earnings per share.

		Q2 2012	Q2 2011	Change %	H1 2012	H1 2011	Change %	FY 2011
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	614	348	76.4	852	828	2.9	557
Weighted average number of ordinary shares (undiluted/diluted)	millions	4,300	4,300	0.0	4,300	4,300	0.0	4,300
Earnings per share basic/diluted	**€**	**0.14**	**0.08**	**75.0**	**0.20**	**0.19**	**5.3**	**0.13**

Consolidated statement of comprehensive income.

	Q2 2012 millions of €	Q2 2011 millions of €	Change millions of €	H1 2012 millions of €	H1 2011 millions of €	Change millions of €	FY 2011 millions of €
Profit (loss)	**729**	**434**	**295**	**1,202**	**1,014**	**188**	**670**
Actuarial gains and losses on defined benefit pension plans	(802)	(3)	(799)	(1,084)	327	(1,411)	177
Revaluation due to business combinations	0	0	0	0	0	0	0
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	974	(407)	1,381	869	(1,410)	2,279	10
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	(2)	0	(2)	(227)	0	(227)	0
Change in other comprehensive income (not recognized in income statement)	1	6	(5)	14	10	4	242
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	(49)	80	(129)	(44)	100	(144)	200
Change in other comprehensive income (not recognized in income statement)	16	(81)	97	(45)	(28)	(17)	(765)
Share of profit (loss) of investments accounted for using the equity method	0	3	(3)	0	23	(23)	0
Other income and expense recognized directly in equity	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	249	(7)	256	367	(130)	497	102
Other comprehensive income	**387**	**(409)**	**796**	**(150)**	**(1,108)**	**958**	**(34)**
Total comprehensive income	**1,116**	**25**	**1,091**	**1,052**	**(94)**	**1,146**	**636**
Total comprehensive income attributable to							
Owners of the parent	1,028	(35)	1,063	842	(313)	1,155	425
Non-controlling interests	88	60	28	210	219	(9)	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				(3,011)	
Proceeds from the exercise of stock options			1		
Share buy-back				(1)	
Profit (loss)					828
Other comprehensive income				220	
Transfer to retained earnings				43	
Balance at June 30, 2011	**11,063**	**(5)**	**51,504**	**(25,409)**	**828**
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				(3,010)	
Proceeds from the exercise of stock options			1		
Profit (loss)					852
Other comprehensive income				(738)	
Transfer to retained earnings					
Balance at June 30, 2012	**11,063**	**(6)**	**51,505**	**(28,689)**	**852**

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 millions of €	Revaluation surplus millions of €	Available-for-sale financial assets millions of €	Hedging instruments millions of €	Other comprehensive income millions of €	Taxes millions of €	millions of €	millions of €	millions of €
(2,843)	**37**	**(4)**	**1,122**	**0**	**(329)**	**38,016**	**5,012**	**43,028**
(1)	(1)					(134)	(77)	(211)
						0		0
						(3,011)	(433)	(3,444)
						1	1	2
						(1)		(1)
						828	186	1,014
(1,436)		10	95		(30)	(1,141)	33	(1,108)
	(43)					0		0
(4,280)	**(7)**	**6**	**1,217**	**0**	**(359)**	**34,558**	**4,722**	**39,280**
(2,778)	**(33)**	**102**	**557**	**0**	**(174)**	**35,294**	**4,647**	**39,941**
						0		0
						0		0
						(3,010)	(382)	(3,392)
						1	1	2
						852	350	1,202
862		(78)	(89)		33	(10)	(140)	(150)
						0		0
(1,916)	**(33)**	**24**	**468**	**0**	**(141)**	**33,127**	**4,476**	**37,603**

Consolidated statement of cash flows.

	Q2 2012 millions of €	Q2 2011 millions of €	H1 2012 millions of €	H1 2011 millions of €	FY 2011 millions of €
Profit (loss)	**729**	**434**	**1,202**	**1,014**	**670**
Depreciation, amortization and impairment losses	2,800	2,223	5,534	4,877	14,436
Income tax expense (benefit)	284	401	483	807	2,349
Interest income and interest expense	512	586	1,047	1,172	2,325
Other financial (income) expense	52	172	11	214	169
Share of (profit) loss of associates and joint ventures accounted for using the equity method	32	(9)	84	21	73
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	0	0	(4)
Non-cash transactions in connection with the compensation from AT&T	–	–	–	–	(705)
Other non-cash transactions	15	23	13	48	27
(Gain) loss from the disposal of intangible assets and property, plant and equipment	25	32	52	18	28
Change in assets carried as working capital	237	503	(306)	259	690
Change in provisions	(522)	148	2	141	535
Change in other liabilities carried as working capital	(376)	(62)	(753)	(644)	(1,578)
Income taxes received (paid)	(106)	(143)	(213)	(389)	(778)
Dividends received	165	2	359	273	515
Net payments from entering into or canceling interest rate swaps	0	0	83	0	0
Cash generated from operations	**3,847**	**4,310**	**7,598**	**7,811**	**18,752**
Interest paid	(973)	(910)	(1,858)	(1,900)	(3,397)
Interest received	317	194	424	352	859
Net cash from operating activities	**3,191**	**3,594**	**6,164**	**6,263**	**16,214**
Cash outflows for investments in					
Intangible assets	(337)	(326)	(780)	(724)	(1,837)
Property, plant and equipment	(1,289)	(1,553)	(3,015)	(3,275)	(6,569)
Non-current financial assets	(66)	(36)	(105)	(90)	(430)
Investments in fully consolidated subsidiaries and business units	(17)	(8)	(17)	(839)	(1,239)
Proceeds from disposal of					
Intangible assets	0	3	0	8	20
Property, plant and equipment	47	49	99	156	336
Non-current financial assets	22	7	411	46	61
Investments in fully consolidated subsidiaries and business units	0	0	0	0	5
Net change in short-term investments and marketable securities and receivables	549	200	207	294	339
Other	0	37	8	37	39
Net cash used in investing activities	**(1,091)**	**(1,627)**	**(3,192)**	**(4,387)**	**(9,275)**
Proceeds from issue of current financial liabilities	5,742	14,164	13,193	30,824	66,349
Repayment of current financial liabilities	(4,921)	(13,461)	(15,261)	(31,728)	(71,685)
Proceeds from issue of non-current financial liabilities	162	2,021	1,854	2,981	3,303
Repayment of non-current financial liabilities	(37)	(2)	(81)	(46)	(51)
Dividends	(3,336)	(3,373)	(3,395)	(3,417)	(3,521)
Proceeds from the exercise of stock options	0	0	0	0	0
Share buy-back	0	(1)	0	(1)	(3)
Repayment of lease liabilities	(41)	(38)	(83)	(78)	(163)
Other	0	0	0	(187)	(187)
Net cash used in financing activities	**(2,431)**	**(690)**	**(3,773)**	**(1,652)**	**(5,958)**
Effect of exchange rate changes on cash and cash equivalents	(13)	(39)	2	(50)	(40)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	(170)	–	(238)	–
Net increase (decrease) in cash and cash equivalents	**(344)**	**1,068**	**(799)**	**(64)**	**941**
Cash and cash equivalents, at the beginning of the period	**3,294**	**1,676**	**3,749**	**2,808**	**2,808**
Cash and cash equivalents, at the end of the period	**2,950**	**2,744**	**2,950**	**2,744**	**3,749**

Significant events and transactions.

Accounting policies.

In accordance with § 37y of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in conjunction with § 37w (2) WpHG, Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the applicable provisions of the WpHG.

Statement of compliance.

The interim consolidated financial statements for the period ended June 30, 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 half-year financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations, financial position and cash flows of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2011 for the accounting policies applied for the Group's financial reporting (2011 Annual Report, page 165 et seq.).

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

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

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

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

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

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

Changes in the composition of the Group.

No major changes in the composition of the Deutsche Telekom Group occurred as of June 30, 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 0.3 billion against December 31, 2011. This was primarily due to the sale of the shares in Telekom Srbija totaling EUR 0.4 billion on January 25, 2012. Following the sale, the amount of EUR 0.2 billion disclosed as total other comprehensive income as of December 31, 2011 due to the increase of carrying amounts to fair value was reclassified to other financial income/expense. Of this figure, EUR 0.1 billion was attributable to non-controlling interests.

Intangible assets and property, plant and equipment.

Intangible assets increased in the first half of the year from EUR 50.1 billion to EUR 51.3 billion on account of additions of EUR 1.7 billion and exchange rate effects of EUR 0.9 billion, mainly from the U.S. dollar. This increase was partially offset by amortization of EUR 1.6 billion.

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

Property, plant and equipment decreased in the first half of the year by EUR 1.2 billion, from EUR 41.9 billion to EUR 40.7 billion. Additions of EUR 2.8 billion and exchange rate effects of EUR 0.4 billion, especially from the U.S. dollar and Hungarian forint, had an increasing effect, which was offset by depreciation of EUR 3.9 billion and disposals of EUR 0.1 billion.

On June 30, 2012, Deutsche Telekom **changed its estimates** of the useful lives of property, plant and equipment in the United States operating segment. The useful lives of legacy mobile assets that have not yet been fully depreciated have been reduced in connection with the roll-out of high-bit-rate mobile technology. This increased depreciation by EUR 0.1 billion in the first half of 2012.

Financial liabilities.

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

	June 30, 2011 millions of €	Due ≤ 1 year millions of €	Due > 1 ≤ 5 years millions of €	Due > 5 years millions of €
Bonds and other securitized liabilities	36,769	4,938	18,878	12,953
Liabilities to banks	4,437	1,221	3,086	130
Lease liabilities	1,821	654	452	715
Liabilities to non-banks from promissory notes	1,188	10	587	591
Other interest-bearing liabilities	1,269	1,017	158	94
Other non-interest-bearing liabilities	1,253	1,205	46	2
Derivative financial liabilities	1,461	739	655	67
Financial liabilities	**48,198**	**9,784**	**23,862**	**14,552**

Provisions for pensions and other employee benefits.

Against the backdrop of a decline in interest rates in the second quarter of 2012, we recorded actuarial gains and losses of EUR 1.1 billion as provisions for pensions and other employee benefits in the first half of 2012. A net amount of EUR 0.7 billion was recognized directly in equity as other comprehensive income.

Selected notes to the consolidated income statement.

Other operating income.

	H1 2012 millions of €	H1 2011 millions of €
Income from reimbursements	197	198
Income from the reversal of impairment losses on non-current financial assets in accordance with IFRS 5	3	1
Income from disposal of non-current assets	20	60
Income from insurance compensation	23	19
Miscellaneous other operating income	356	314
	599	**592**

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

Other operating expenses.

	H1 2012 millions of €	H1 2011 millions of €
Losses on disposal of non-current assets	(74)	(66)
Miscellaneous other operating expenses	(262)	(396)
	(336)	**(462)**

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

Profit/loss from financial activities.

The year-on-year improvement in the loss from financial activities by EUR 0.3 billion in the first half of 2012 related in part to the sale of shares in Telekom Srbija effective January 25, 2012. The conclusion of the transaction and the subsequently necessary reclassification of the amounts recognized directly in equity in total other comprehensive income as of December 31, 2011 resulted in income of EUR 0.2 billion, which was recognized under other financial income/expense. Of this figure, EUR 0.1 billion was attributable to non-controlling interests.

Income taxes.

Income tax expense decreased from EUR 0.8 billion in the first six months of 2011 to EUR 0.5 billion as a result of the lower profit before income taxes, among other factors. The main reason for the lower income tax expense was that the share of profit before income taxes attributable to T-Mobile USA was considerably lower in the reporting period due to the fact that T-Mobile USA had been classified as a discontinued operation for part of the first half of 2011 and that for this reason its earnings were not reduced by depreciation and amortization subsequent to that classification. In addition, deferred tax liabilities of EUR 0.1 billion were recognized on temporary differences at that time in connection with the planned sale of T-Mobile USA.

Other disclosures.

Depreciation, amortization and impairment losses.

Depreciation, amortization and impairment losses increased by EUR 0.7 billion year-on-year to EUR 5.5 billion. EUR 0.6 billion of this figure was attributable to the classification of the United States operating segment as a discontinued operation in the prior year. As a result, no depreciation, amortization or impairment losses were recorded for this segment subsequent to its classification as a discontinued operation. Cost of sales accounted for EUR 0.5 billion, while general and administrative expenses accounted for EUR 0.1 billion of this effect.

For more information on the effects of the reduction of the useful lives of property, plant and equipment in the United States operating segment, please refer to the section "Intangible assets and property, plant and equipment" (page 33).

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 half of 2012 decreased by EUR 0.1 billion compared with the prior-year period to EUR 6.2 billion. Apart from the fact that the cash outflows were recorded at different points in time over the year and that cash discounts were used to larger extent, this decrease was attributable, among other factors, to the following cash flows: cash outflows of EUR 0.3 billion in connection with the AT&T transaction relating to the termination of the agreement for the sale of T-Mobile USA and of EUR 0.1 billion in connection with investigations by the U.S. authorities into contracts signed by the F.Y.R.O. Macedonia and Montenegro. In the prior-year period, by contrast, cash outflows of EUR 0.4 billion were recorded for the PTC transaction. In addition, net cash from operating activities was impacted by lower income tax paid (EUR 0.2 billion), lower net interest payments (EUR 0.1 billion) and cash inflows from the canceling of interest rate swaps (EUR 0.1 billion) in the first half of 2012. Furthermore, the dividend payments made by the Everything Everywhere joint venture in the first half of 2012 increased by EUR 0.1 billion year-on-year.

Net cash used in investing activities.

	H1 2012 millions of €	H1 2011 millions of €
Cash capex		
Germany operating segment	(1,551)	(1,631)
Europe operating segment	(792)	(868)
United States operating segment	(996)	(1,023)
Systems Solutions operating segment	(243)	(251)
Group Headquarters & Shared Services	(292)	(216)
Reconciliation	79	(10)
Net cash flows for collateral deposited for hedging transactions	(50)	117
PTC transaction	–	(820)
Sale of Telekom Srbija	380	–
Repayment of a bond issued by the Everything Everywhere joint venture	218	–
Proceeds from the disposal of property, plant and equipment	99	156
Other	(44)	159
	(3,192)	**(4,387)**

Net cash used in financing activities.

	H1 2012 millions of €	H1 2011 millions of €
Dividends (including to non-controlling interests)	(3,395)	(3,417)
Repayment of eurobond	(1,978)	–
Repayment of a medium-term note (current)	(999)	(1,094)
Repayment of EIB loans	(532)	(35)
Repayment of lease liabilities	(83)	(78)
Net repayment of cash deposits from the Everything Everywhere joint venture	(33)	(91)
Repayment of eurobond issued by OTE	–	(1,429)
Repayment of U.S. dollar bonds	–	(351)
PTC transaction	–	(187)
Issuances of U.S. dollar bonds	1,502	862
Commercial paper (net)	1,260	2,316
Issuance of a medium-term note (non-current)	342	–
Net cash flows for collateral deposited for hedging transactions	143	(76)
Net liabilities to banks	37	(200)
Utilization of the credit line by OTE	–	912
Loans taken out with the EIB	–	701
Issuance of eurobond by OTE	–	497
Other	(37)	18
	(3,773)	**(1,652)**

Segment reporting.

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

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

For the prior-year period, the change in disclosure resulted in the transfer of net revenue of EUR 0.4 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" (page 13 et seq.) in the interim Group management report.

Half-year segment information.

H1 2012 H1 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[a] millions of €	Investments accounted for using the equity method[a] millions of €
Germany	**10,604**	**664**	**11,268**	**2,057**	**(2,243)**	**–**	**32,882**	**18**
	10,886	697	11,583	2,053	(2,145)	(2)	32,560	17
Europe	**6,816**	**343**	**7,159**	**912**	**(1,418)**	**(5)**	**37,430**	**6,624**
	7,141	338	7,479	830	(1,577)	(4)	37,815	6,781
United States	**7,660**	**3**	**7,663**	**740**	**(1,190)**	**(11)**	**38,723**	**33**
	7,274	6	7,280	1,269	(463)	–	38,075	27
Systems Solutions	**3,238**	**1,253**	**4,491**	**(73)**	**(295)**	**(1)**	**8,577**	**27**
	3,254	1,282	4,536	11	(312)	–	8,751	38
Group Headquarters & Shared Services	**493**	**956**	**1,449**	**(775)**	**(370)**	**(47)**	**100,032**	**64**
	517	959	1,476	(921)	(369)	(35)	100,714	10
Total	**28,811**	**3,219**	**32,030**	**2,861**	**(5,516)**	**(64)**	**217,644**	**6,766**
	29,072	3,282	32,354	3,242	(4,866)	(41)	217,915	6,873
Reconciliation	**–**	**(3,219)**	**(3,219)**	**(34)**	**45**	**1**	**(96,564)**	**–**
	–	(3,282)	(3,282)	(14)	31	(1)	(95,373)	–
Group	**28,811**	**–**	**28,811**	**2,827**	**(5,471)**	**(63)**	**121,080**	**6,766**
	29,072	–	29,072	3,228	(4,835)	(42)	122,542	6,873

[a] Figures relate to the reporting dates of June 30, 2012 and December 31, 2011, respectively.

Contingent liabilities.

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

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

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

Reduced pay tables. In a ruling on December 15, 2009, the Stuttgart Administrative Court decided in two court proceedings to present the question of whether § 78 of the Federal Civil Service Remuneration Act is constitutional to the Federal Constitutional Court for decision. Referring to the decision to abolish the year-end bonus, the Federal Constitutional Court has since suggested to the Stuttgart Administrative Court that the question submitted be withdrawn. The Administrative Court has since withdrawn the question submitted to the Federal Constitutional Court and dismissed the actions in all cases in which the plaintiffs had not withdrawn them. We consider it unlikely that recourse will be taken to the courts in the cases still pending. As a result, Deutsche Telekom will no longer disclose the contingent liabilities reported in the 2011 Annual Report of around EUR 0.1 billion.

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

Mobile communications patent litigation. On April 24, 2012, the Düsseldorf Regional Court ruled in favor of the claim by 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 have appealed against the ruling of the Düsseldorf Regional Court and currently expect that it will not be enforced. IPCom has filed an appeal against the decision of the European Patent Office. Agreement was reached with IPCom on July 18, 2012 in the proceedings relating to the IPCom patent concerning a process for voice coding. IPCom waived all claims against the Deutsche Telekom Group arising from this patent and undertook to withdraw its patent infringement suit. In return, Deutsche Telekom has withdrawn its rescission suit against the patent. Further legal disputes with IPCom are still pending; it is currently not possible to estimate with sufficient certainty which financial impact these proceedings, including those regarding the alleged infringement of an IPCom patent as a result of the sale of UMTS-enabled HTC and Nokia devices might have.

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

We continue to see no basis for holding Deutsche Telekom liable for the alleged breach of anti-trust law by Slovak Telekom. Furthermore, we are convinced that Slovak Telekom complies with applicable law. Intense competition and the ongoing price erosion on the Slovak broadband market argue against any obstruction of competitors by Slovak Telekom. The 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.

Proceedings initiated by the Croatian competition authority against Hrvatski Telekom. In the proceedings initiated by the Croatian competition authority AZTN against Hrvatski Telekom (HT) and other mobile communications providers concerning alleged collusion in violation of anti-trust law relating to the introduction of a state levy on mobile communications, hearings in May 2012 marked the provisional end of the collection of evidence by the AZTN. HT continues to believe these allegations are unfounded. 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 June 30, 2012 to the related party disclosures reported in the consolidated financial statements as of December 31, 2011, with the exception of the matters described below.

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

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

Executive bodies.

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

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

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

Events after the reporting period (June 30, 2012).

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

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

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

For further information on the proceedings

- **"Mobile communications patent litigation"** concerning the IPCom patent on voice coding, and
- **"Reduced pay tables,"**

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, August 9, 2012

Deutsche Telekom AG
Board of Management

René Obermann

Reinhard Clemens

Niek Jan van Damme

Timotheus Höttges

Dr. Thomas Kremer

Claudia Nemat

Prof. Marion Schick

Review report.

To Deutsche Telekom AG, Bonn.

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

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

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

Frankfurt/Main, August 9, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer

Thomas Tandetzki
Wirtschaftsprüfer

Additional information.

Reconciliation of pro forma figures.

Special factors.

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

	EBITDA H1 2012 millions of €	EBIT/ Net profit H1 2012 millions of €	EBITDA H1 2011 millions of €	EBIT/ Net profit H1 2011 millions of €	EBITDA FY 2011 millions of €	EBIT/ Net profit FY 2011 millions of €
EBITDA/EBIT	**8,361**	**2,827**	**8,105**	**3,228**	**20,022**	**5,586**
Germany	**(357)**	**(357)**	**(557)**	**(557)**	**(707)**	**(707)**
Staff-related measures	(351)	(351)	(500)	(500)	(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	(6)	(6)	(57)	(57)	(99)	(99)
Europe	**(38)**	**(41)**	**(131)**	**(131)**	**(246)**	**(1,286)**
Staff-related measures	(5)	(5)	(67)	(67)	(132)	(132)
Non-staff-related restructuring	(30)	(30)	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	–	(3)	–	0	–	(1,040)
Other	(3)	(3)	(64)	(64)	(114)	(114)
United States	**(100)**	**(100)**	**(31)**	**(31)**	**(134)**	**(2,431)**
Staff-related measures	(72)	(72)	(30)	(30)	(116)	(116)
Non-staff-related restructuring	(26)	(26)	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	–	0	–	0	–	(2,297)
Other	(2)	(2)	(1)	(1)	(18)	(18)
Systems Solutions	**(187)**	**(187)**	**(63)**	**(63)**	**(275)**	**(295)**
Staff-related measures	(124)	(124)	5	5	(81)	(81)
Non-staff-related restructuring	(48)	(48)	(69)	(69)	(163)	(175)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(15)	(15)	1	1	(31)	(39)
Group Headquarters & Shared Services	**(132)**	**(132)**	**(280)**	**(280)**	**2,698**	**2,698**
Staff-related measures	(201)	(201)	(190)	(190)	(224)	(224)
Non-staff-related restructuring	(7)	(7)	(9)	(9)	(22)	(22)
Effects of deconsolidations, disposals and acquisitions	9	9	(81)	(81)	(56)	(56)
Compensation from AT&T	0	0	0	0	3,000	3,000
Other	67	67	0	0	0	0
Group reconciliation	**1**	**1**	**0**	**0**	**1**	**1**
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	1	1	0	0	1	1
Total special factors	**(813)**	**(816)**	**(1,062)**	**(1,062)**	**1,337**	**(2,020)**
EBITDA/EBIT (adjusted for special factors)	**9,174**	**3,643**	**9,167**	**4,290**	**18,685**	**7,606**
Profit (loss) from financial activities (adjusted for special factors)		(1,319)		(1,389)		(2,613)
Profit before income taxes (adjusted for special factors)		**2,324**		**2,901**		**4,993**
Income taxes (adjusted for special factors)		(701)		(993)		(1,708)
Profit (loss) (adjusted for special factors)		**1,623**		**1,908**		**3,285**
Profit (loss) (adjusted for special factors) attributable to						
Owners of the parent (net profit/loss) (adjusted for special factors)		1,400		1,652		2,851
Non-controlling interests (adjusted for special factors)		223		256		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.

	June 30, 2012 millions of €	Dec. 31, 2011 millions of €	Change millions of €	Change %	June 30, 2011 millions of €
Financial liabilities (current)	9,784	10,219	(435)	(4.3)	12,920
Financial liabilities (non-current)	38,414	38,099	315	0.8	37,609
Financial liabilities	**48,198**	**48,318**	**(120)**	**(0.2)**	**50,529**
Accrued interest	(736)	(966)	230	23.8	(932)
Liabilities from corporate transactions	–	–	–	–	(392)
Other	(592)	(615)	23	3.7	(547)
Gross debt	**46,870**	**46,737**	**133**	**0.3**	**48,658**
Cash and cash equivalents	2,950	3,749	(799)	(21.3)	2,744
Available-for-sale/held-for-trading financial assets	426	402	24	6.0	84
Derivative financial assets	1,696	1,533	163	10.6	1,190
Other financial assets	768	932	(164)	(17.6)	1,316
Net debt	**41,030**	**40,121**	**909**	**2.3**	**43,324**

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.

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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 EBIT margin, 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.*

August 9, 2012	November 8, 2012	February 28, 2013	May 8, 2013	May 16, 2013
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	Publication of the interim report as of March 31, 2013	2013 Shareholders' meeting

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

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