DEUTSCHE TELEKOM AG
Form 6-K
August 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2006

Commission file number 001-14540

Deutsche Telekom AG

(Translation of Registrant s Name into English)

Friedrich-Ebert-Allee 140,
53113 Bonn,
Germany
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x **Form 40-F** o

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o **No** x

This Report on Form 6-K is incorporated by reference into the registration statement on Form F-3, File No. 333-118932, and the registration statement on Form S-8, File No. 333-106591, and into each respective prospectus that forms a part of those registration statements.

Defined Terms and Contact Information

The term Report refers to this Report on Form 6-K for the six-month period ended June 30, 2006. Deutsche Telekom AG is a stock corporation organized under the laws of the Federal Republic of Germany. As used in this Report, unless the context otherwise requires, the term Deutsche Telekom refers to Deutsche Telekom AG and the terms we, us, our, Group and the Company refer to Deutsche Telekom and, as applicable Deutsche Telekom and its direct and indirect subsidiaries as a group. Our registered office is at Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, telephone number +49-228-181-0. Our agent for service of process in the United States is Deutsche Telekom, Inc., 600 Lexington Avenue, New York, N.Y. 10022.

Forward-Looking Statements

This Report contains forward-looking statements that reflect the current views of our management with respect to future events. Forward-looking statements generally are identified by the words expects, anticipates, believes, intends, estimates, aims, plans, will, continue, seeks and similar expressions. Forward-looking statements are based on current plans, estimates and projections, and therefore you should not place too much reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events, although we intend to continue to meet our ongoing disclosure obligations under the U.S. securities laws (such as our obligations to file annual reports on Form 20-F and periodic and other reports on Form 6-K) and under other applicable laws. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among other factors: the development of demand for our fixed and mobile telecommunications services, particularly for new, higher value service offerings; competitive forces, including pricing pressures, technological changes and alternative routing developments; regulatory actions and the outcome of disputes in which the company is involved or may become involved; the pace and cost of the rollout of new services, such as UMTS, which may be affected by the ability of suppliers to deliver equipment and other circumstances beyond our control; public concerns over health risks putatively associated with wireless frequency transmissions; risks associated with integrating our acquisitions; the development of asset values in Germany and elsewhere, the progress of our debt reduction and liquidity improvement initiatives; the development of our cost control and efficiency enhancement initiatives, including in the areas of procurement optimization, personnel reductions and our Excellence program; risks and uncertainties relating to benefits anticipated from our international expansion, particularly in the United States; the progress of our domestic and international investments, joint ventures and alliances; our ability to gain or retain market share in the face of competition; our ability to secure and retain the licenses needed to offer services; the effects of price reduction measures and our customer acquisition and retention initiatives; the availability, term and deployment of capital, particularly in view of our debt refinancing needs, actions of the rating agencies and the impact of regulatory and competitive developments on our capital outlays; the progress of our workforce adjustment initiative described in this Report and changes in currency exchange rates and interest rates. Additionally, we periodically assess our goodwill for indications of impairment by monitoring, among other things, changes in competitive conditions, expectations of growth in the industry, and changes in market and other factors, any of which could result in a risk of impairment charges. If these or other risks and uncertainties (including those described in Forward-Looking Statements, Item 3. Key Information Risk Factors and elsewhere in our most recent Annual Report on Form 20-F for the year ended December 31, 2005 filed with the U.S. Securities and Exchange Commission) materialize, or if the assumptions underlying any of these statements prove incorrect, our actual results may be materially different from those expressed or implied by such statements.

World Wide Web addresses contained in this Report are for explanatory purposes only and they (and the content contained therein) do not form a part of, and are not incorporated by reference into, this Report.

Exchange Rates

Unless otherwise indicated, all amounts in this Report have been expressed in euros.

As used in this document, euro, EUR or means the single unified currency that was introduced in the Federal Republic of Germany (the Federal Republic) and ten other participating Member States of the European Union on January 1, 1999. U.S. dollar, USD or $ means the lawful currency of the United States. As used in this document, the term noon buying rate refers to the rate of exchange for euros, expressed in U.S. dollars per euro, in the City of New York for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes, as required by Section 522 of the U.S. Tariff Act of 1930, as amended. Unless otherwise stated, conversions of euros into U.S. dollars have been made at the rate of EUR 1.00 to USD 1.2779, which was the noon buying rate on June 30, 2006.

Amounts appearing in this Report that have been translated into euros from other currencies were translated in accordance with the principles described in the notes to the unaudited condensed consolidated financial statements contained in this Report.

International Financial Reporting Standards

You should read the following discussion, which has been prepared on the basis of IFRS, in conjunction with the annual consolidated financial statements, including the notes to those financial statements, contained in our Annual Report on Form 20-F filed with the Securities and Exchange Commission. However, those financial statements have been prepared in accordance with the requirements of IFRS, which differ in certain significant respects from U.S. generally accepted accounting principles (U.S. GAAP). For a discussion of the principal differences between IFRS and U.S. GAAP as they relate to us, see Reconciling Differences between IFRS and U.S. GAAP and notes 48 and 49 to the consolidated financial statements contained in our Annual Report on Form 20-F and the Reconciliation of IFRS to U.S. GAAP in the financial statements contained in this Report.

Deutsche Telekom at a glance

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the year ended December 31, 2005
	(millions of , except where indicated)						
Net revenue	15,130	14,743	2.6	29,972	29,031	3.2	59,604
Domestic	8,139	8,517	(4.4)	16,347	17,028	(4.0)	34,183
International	6,991	6,226	12.3	13,625	12,003	13.5	25,421
Profit from operations	2,085	2,572	(18.9)	4,403	4,859	(9.4)	7,622
Loss from financial activities	(772)	(452)	(70.8)	(1,340)	(1,167)	(14.8)	(1,410)
Profit before income taxes	1,313	2,120	(38.1)	3,063	3,692	(17.0)	6,212
Depreciation, amortization and impairment losses	(2,664)	(2,610)	(2.1)	(5,234)	(5,144)	(1.7)	(12,497)
of property, plant and equipment	(2,034)	(1,986)	(2.4)	(3,987)	(3,907)	(2.0)	(8,070)
of intangible assets	(630)	(624)	(1.0)	(1,247)	(1,237)	(0.8)	(4,427)
Net profit	1,005	1,169	(14.0)	2,084	2,153	(3.2)	5,584
Earnings per share/ADS[a] basic and diluted ( )	0.23	0.28	(17.9)	0.49	0.51	(3.9)	1.31
Net cash from operating activities	2,892	3,639	(20.5)	5,688	5,815	(2.2)	14,998

Number of employees at balance sheet date

	As of June 30, 2006	As of March 31, 2006	Change June 30, 2006/ March 31, 2006 %	As of December 31, 2005	Change June 30, 2006/ December 31, 2005 %	As of June 30, 2005	Change June 30, 2006/ June 30, 2005 %
Deutsche Telekom Group	249,991	248,982	0.4	243,695	2.6	244,277	2.3
Non-civil servants	207,073	204,818	1.1	197,741	4.7	197,644	4.8
Civil servants	42,918	44,164	(2.8)	45,954	(6.6)	46,633	(8.0)

Number of fixed-network and mobile customers at balance sheet date

Telephone lines[b] (millions)	53.2	53.9	(1.3)	54.8	(2.9)	56.1	(5.2)
Broadband lines[c] (millions)	10.0	9.4	6.4	8.6	16.3	7.1	40.8
Mobile customers[d] (millions)	90.2	88.7	1.7	87.6	3.0	81.8	10.3

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a One ADS (American Depositary Share) corresponds in economic terms to one ordinary share of Deutsche Telekom AG.

b Telephone lines of the Group (including ISDN channels), including for internal use.

c Broadband lines in operation, including Germany, Eastern and Western Europe.

d Number of customers of the fully consolidated mobile communications companies of the Mobile Communications strategic business area. For an explanation of the change in the method for counting mobile customers as of 2006, please refer to page 18 of this Report.

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EXCELLENCE PROGRAM

The ten strategic measures of the Excellence Program promote the operational realization of our strategic goals and brings together the Group s main focal areas for the future: We aim to shape the information and communications sector as Europe s largest full-service telecommunications company and the leading service provider in the industry.

Strategic measures of the strategic business areas

The focus in the Mobile Communications strategic business area is on value-oriented customer and revenue growth as well as on increasing customer satisfaction. The goal is to further increase value for money and perception of quality with segment-specific offers and improved calling plan structures. The successful Relax calling plans have been expanded to include the Relax XL option with a much broader range of services for an attractive package price. A variety of minute buckets and the T-Mobile@home rate option allow customers to keep an eye on their mobile telephony costs. T-Mobile is one of the leading providers of mobile Internet with web n walk and a broadened range of enabled handsets. Mobile broadband is now also a reality with the launch of HSDPA (High Speed Downlink Packet Access) and speeds of up to 1.8 Mbit/s.

The Broadband/Fixed Network strategic business area is focusing on defending its core business by stabilizing and in–creasing the market share for call minutes and defending market shares for lines, on tapping new business areas, and on growth in the broadband area. The Conquer the home initiative is centered on the further development of the broadband growth market. The foundation for offering bundled products was laid by the merger with T-Online, which was completed in June 2006. The Broadband/Fixed Network strategic business area will launch its first triple-play services, and other innovative services such as high-definition television (HDTV) on the market in the second half of 2006. The games of the first and second Bundesliga soccer divisions will be available on the Internet via our new high-speed network.

The market environment in the Business Customers strategic business area is dominated by an increasing, customer-driven convergence of telecommunications and IT services. The strategic measures are therefore aimed not only at strengthening the core telecommunications business, but also at the growth segment of information technology. The focus in the core telecommunications business is on the aggressive defense of market shares among small, medium-sized and large enterprises, the rapid roll-out of IP services and on streamlining the product portfolio and consolidating platforms. In the European IT market, the business area is generating long-term growth by offering standardized IT services and solutions for small and medium-sized enterprises and by expanding its IT outsourcing business among new and existing key accounts. The acquisition of the IT service provider gedas considerably strengthened Business Customers market position in the automotive segment, taking it an important step further in the expansion of its global footprint.

Group-wide strategic measures

We offer consumers and business customers communications and broadband services for the home and on the move, all from a single source. The potential of this market position is safeguarded by Group-wide strategic measures. We realize new revenue potential, for example, with new convergent products such as T-One. The customer uses a single handset for fixed-network communication when at home and mobile communication when on the move. Internet telephony is also possible using T-One at any of the over 7,500 HotSpots operated by T-Com and T-Mobile in Germany.

The sustained increase in customer satisfaction and improved use of cross-selling potential are goals of the recently launched Group-wide customer relationship management system. In addition, integrated customer management is intended to increase sales efficiency and improve sales channels. As in 2005, the top executives of the Group are this year again spending several days in direct dialog with customers.

On the cost side, efforts to improve the IT systems and the network infrastructure are being pushed ahead. The conversion to IP-based next generation networks will lead to a considerable efficiency boost in the next few years. In addition, the focus is on lowering real estate-related costs and the personnel cost ratio. Implementation of staff restructuring began on schedule. Group Headquarters underwent initial streamlining in order to improve central functions.

MERGER OF T-ONLINE INTO DEUTSCHE TELEKOM

The merger of T-Online International AG into Deutsche Telekom AG, which had been approved in 2005, initially could not become effective due to lawsuits filed by some T-Online shareholders. However, with a final and conclusive ruling of the Federal Court of Justice (*Bundesgerichtshof*), made public on June 1, 2006, the so-called release proceedings initiated by T-Online International AG were successfully completed, meaning that the merger could be entered into the commercial register on June 6, 2006 and thereupon became effective.

With the entry of the merger in the relevant commercial register, the T-Online shareholders became new Deutsche Telekom AG shareholders. After the merger became effective, shares in T-Online International AG ceased to be listed. For processing reasons, the technical exchange of shares in the former T-Online International AG for shares in Deutsche Telekom AG at the ratio of 25 T-Online International AG shares to 13 Deutsche Telekom AG shares as agreed in the merger agreement was completed in mid-July 2006.

The merger has brought the Broadband/Fixed Network strategic business area, which consists of T-Com and T-Online, closer to achieving an improved structure. After the entry in the commercial register a process was launched to shape future cooperation and to allow the Company to act in the market with the combined strengths of the units. The customer will receive fully integrated products and services from a single source, and will be presented with structures that are simple and transparent.

A new, simplified integrated product portfolio will be launched in the fall. This means flat rates for lines, including telephony, surfing and television services. IT systems and business processes are also being harmonized and restructured. Customer service units are working closely together so that customers are served in the best way possible in all respects, regardless of whether they go to a T-Punkt store or call one of the hotlines. The intention is to make the customer perceive the Broadband/Fixed Network strategic business area as a single provider with a simple and transparent product portfolio as soon as possible.

The successful T-Online brand will continue to be used as an independent product brand for all IP-based services of Deutsche Telekom in the mass market. All brands of T-Online will continue to exist as part of the trademark structure of the Broadband/Fixed Network strategic business area.

After the merger became effective on June 6, 2006, Broadband/Fixed Network will no longer report on T-Online as a separate unit within Broadband/Fixed Network. For reporting purposes, Broadband/Fixed Network is broken down into its domestic and international segments. The Scout24 group is reported in the domestic segment since its parent company has its registered office in Germany.

HIGHLIGHTS

Group

FIFA World Cup 2006TM

As a partner of FIFA and the national organization committee for the 2006 World Cup, we were responsible for three quarters of all IT and telecommunications services for the 2006 World Cup. Each of the twelve World Cup stadiums was networked and had its own individually designed technical solution. The focus was on TV broad–cast, multimedia equipment, traffic management, security radio, and infrastructure management, all of which were installed jointly by T-Systems, T-Com, and T-Mobile. Media & Broadcast the media unit of the Business Customers area processed video and audio signals from the stadiums at the international broadcasting center in Munich-Riem. For the first time ever, all World Cup games were broadcast in HDTV quality. These images were supplied to almost all of the large public viewing screens. In addition, a high-speed network linked all stadiums and locations, ensuring smooth communication right up to the final thanks to mobile communication standards such as GPRS and UMTS, Internet telephony, and wireless local networks. Moreover, T-Systems installed traffic management and control systems as well as electronic access systems at a number of World Cup locations. Additional mobile communication base stations were installed and existing locations were upgraded to ensure optimum mobile communication services. To provide sufficient capacity for data transmission via UMTS and HSDPA, a second frequency was activated, doubling capacity in some areas. In addition, the mobile TV service went live on May 16, 2006 with the T-Mobile FIFA World Cup 2006TM Highlights channel.

Workforce restructuring at Deutsche Telekom AG includes civil servants

On May 31, 2006, the German Federal Cabinet adopted the Draft Second Bill to Amend the Act for the Improvement of the Staff Structure at the Residual Special Asset of the Federal Railways and the Successor Companies of the Former Deutsche Bundespost and introduced it into the legislative process. Among other aims, the draft legislation is intended to help correct the negative consequences of a structural feature of the successor companies to Deutsche Bundespost. These companies employ a high proportion of civil servants in Western Germany, while staff covered by collective agreements make up the majority of the workforce in Eastern Germany. Once the law comes into force expected in the fourth quarter of 2006 it will give us an opportunity to ensure the socially responsible inclusion of civil servants employed at Deutsche Telekom in the workforce restructuring process. The law will not affect the federal budget. The draft stipulates that civil servants of all service grades aged 55 and over who are working in areas where there is a surplus of staff, and for whom employment in another area is not possible or would be unreasonable under civil service law, may take early retirement. There can be no assurance that the draft legislation will be adopted as proposed.

Collective agreement for Deutsche Telekom AG

Due to the distinct difference in negotiating positions, Deutsche Telekom as employer instituted a prescribed conciliation procedure in the 2006 collective bargaining round for Deutsche Telekom AG. In the collective bargaining negotiations, the conciliation committee headed by former Federal Minister Dr. Heiner Geißler issued a recommen–dation that was approved by both the ver.di services union and our Board of Management in early June 2006. For employees covered by collective agreements, the agreement provides for a one-time payment of EUR 350, no pay increases until October 2006, and a 3-percent increase in pay-scale salaries starting November 2006. The collective wage agreement will run for 16 months until July 31, 2007. The conciliation procedure resulted in separate arrangements for civil servants, including a one-time payment of up to EUR 735 depending on the respective salary grade. To improve productivity and thus enhance competitiveness, paid breaks for staff using workstation monitors were reduced and the paid recuperation times were abolished in some areas. This cushioned the cost of the pay increase. The additional capacity generated by these measures will then be used to reduce outsourcing to third parties in the areas of services and installation going forward.

Successful medium-term note issuances of EUR 1.75 billion

We took advantage of the market environment in the second quarter of 2006 to launch a series of securities with low risk premiums above the respective mid-swap rate. In addition to the EUR 750 million

securities aimed at retail investors, medium-term notes totaling EUR 1.0 billion were issued.

Mandatory Convertible bond

The convertible bond issued in February 2003 for EUR 2.3 billion was converted to 162,987,722 Deutsche Telekom shares on June 1, 2006.

Mobile Communications

Acquisition of tele.ring approved

At the end of April 2006, the Austrian mobile communications subsidiary T-Mobile Austria acquired its Austrian competitor tele.ring following approval of the purchase by the Competition Directorate-General of the European Commission and the Austrian telecommunications authority. The purchase price WAS approximately EUR 1.3 billion. Following the takeover, T-Mobile Austria now has approximately 3.1 million customers and thus a market share of 37 percent.

T-Mobile announces substantial price reductions for international roaming rates

T-Mobile had already cut roaming prices for its customers several times in the past and announced on June 1, 2006 its greatest ever reduction in wholesale prices for roaming services. It agreed with a number of European network operators to reduce the maximum charge to 45 cents/minute starting in October 2006, and to 36 cents/minute starting in October 2007. This represents roughly half the current average wholesale prices. The network operators have pledged to pass the resulting cost advantages on to the customer quickly and to the greatest extent possible.

T-Mobile USA s strategy confirmed in customer service and satisfaction

T-Mobile USA s market position in terms of customer service and satisfaction has been confirmed by more awards. For example, T-Mobile USA tied for first place in the recent J.D. Power and Associates Wireless Customer Care Performance Study. In addition, T-Mobile USA was rated first among the large U.S. mobile telecommunication operators in the VocaLabs customer satisfaction study of the quality of its customer service for the first time.

PTC

On June 6, 2006, a court of arbitration in Vienna issued a final partial judgment stating that the exercise by T-Mobile Deutschland of a call option on Elektrim S.A. s share of approximately 48 percent in PTC on February 15, 2005 was effective, i.e., a purchase agreement between T-Mobile Deutschland and Elektrim on the acquisition of these shares had been constituted. The arbitration court shall issue a further partial judgment concerning the final purchase price. We do not yet control PTC.

Broadband/Fixed Network

Discontinuation of DSL resale procedure and prohibition of DSL NetRental

On June 6, 2006 the Federal Network Agency discontinued the ex-post rates regulation procedure for DSL resale. The reason for this is the retroactive increase in the resale discount for alternative providers from 11.5 to 20 percent that took effect as of June 1, 2006. In addition, the Federal Cartel Office launched an investigation of the DSL NetRental product on March 20, 2006, followed by the Federal Network Agency on March 22, 2006. In a ruling dated May 22, 2006, the Federal Network Agency established that the rates for the DSL NetRental product represented market abuse and did not satisfy the requirements of the German Telecommunications Act (*Telekommunikationsgesetz - TKG*), and that they were therefore invalid. DSL resale terms have therefore been applied since May 22, 2006. The terms and conditions for DSL NetRental billing were applied for the period January 1, 2006 to May 21, 2006.

Launch of T-DSL 16000

T-Com launched the new high-speed T-DSL 16000 line in mid-May 2006, and the higher bandwidths are now laying the foundation for data-intensive applications. T-Com is thus fulfilling customers demands for greater bandwidth. The new service offers maximum speeds of up to 16 Mbit/s downstream and 1,024 kbit/s upstream.

Reduction in interconnection charges

On April 13, 2006, the Federal Network Agency set the new interconnection charges for the German telecommunications market, lowering the previously approved charges by 10 percent on average. The new charges are valid from June 1, 2006 to November 30, 2008.

Business Customers

T-Systems and ZDF sign agreement on digital terrestrial television

ZDF, a German public service television channel, will rely on T-Systems experience and technology to broadcast its digital programs for terrestrial reception. T-Systems and ZDF signed a long-term agreement in early May 2006. Media & Broadcast, the media unit of the Business Customers area, will broadcast ZDF s DVB-T programs as network operator from a total of 135 locations. Since the launch of DVB-T in 2003, approximately 50 million television viewers have enjoyed the added value that DVB-T offers, such as greater program variety, significantly improved picture and sound quality, as well as additional programming information. More than 90 percent of the population will be able to receive DVB-T by the end of 2008.

Telecommunications market

Since the German telecommunications sector was fully deregulated at the beginning of 1998, we have had to cope with increasingly intense competition. The battle for customers initially focused predominantly on fixed-network voice telephony call minutes, but now also encompasses access charges and fixed-mobile substitution. The main force driving this development is the intensification of competition from attractive package offers from local network operators.

The strong price pressure in the telecommunications sector is reflected in the figures published by the Federal Statistical Office for the overall telecommunications services price index (fixed network, mobile communications, and Internet). From the perspective of private households, consumer prices for telecommunications services were on average 3.3 percent lower in the second quarter of 2006 than in the prior-year period, and prices for mobile telephony services in particular were 12.5 percent lower year-on-year. Consumer prices for Internet use also declined by an average of 5.9 percent year-on-year.

Telecommunications Regulations

Telecommunications Act

The German Federal Cabinet adopted a draft amendment to the Telecommunications Act on May 17, 2006. The amend–ment relates primarily to the exemption, for a limited time only, of new markets from market regulation, and to a range of provisions that extend consumer protection. The question of whether, and if so to what extent, this meets our call for the high-speed fiber optic network to be exempted from regulation cannot yet be conclusively assessed on the basis of the existing draft legislation. The provisions referring to consumer protection indicate that, in addition to the fixed network, mobile communications will be subject to a higher level of consumer protection regulation going forward. Depending on how this amendment is ultimately structured, it could entail considerable investment and revenue risks for the industry as a whole in Germany. We do not expect the amendment to the Telecommunications Act to come into force before early 2007.

Directives and recommendations

The fundamental principles of the sector-specific regulation of the European telecommunications markets are set out in EU directives and other communications issued by the European Commission. The directives and recommendations adopted in 2002 are currently being reviewed (2006 Review). At the end of June 2006, the

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European Commission published a communiqué on intended changes to the relevant directives and the draft of a new recommendation on the telecom−munications submarkets to be regulated (Markets Recommendation).

The European Commission s communiqué concerning the 2006 Review shows that it is no longer pursuing its original goal of reducing sector-specific regulation and a transition to general competition law, but instead is now aiming to strengthen regulation, while at the same time substantially expanding the European Commission s powers. The latter intention is likely to meet with resistance from both national governments and regulators. The first draft of the revised directives is expected for the end of 2006, and transposition into national law is unlikely before 2008/2009.

Although the draft Markets Recommendation provides for a reduction in the number of regulated markets in particular end-customer markets it only effectively excludes those markets that are already largely unregulated in many countries. However, the European Commission is proposing to extend regulation to additional wholesale markets for mobile commu−nications. The Markets Recommendation will probably come into force at the end of 2006, and will then be implement−ed by the individual Member States.

Business developments in the Group

Net revenue

Our net revenue for the first six months of 2006 was approximately EUR 30 billion. We thus continued our positive revenue development, recording growth of EUR 0.9 billion or 3.2 percent as against the first half of 2005. This continued growth was aided by currency translation effects   in particular from the translation of U.S. dollars (USD)   in the amount of around EUR 0.3 billion, as well as effects relating to the composition of the Group in the amount of around EUR 0.2 billion. In the second quarter of 2006, the Company   s net revenue increased by EUR 0.4 billion or 2.6 percent year-on-year.

Revenue growth was driven in particular by the Mobile Communications strategic business area, where the substantial growth at T-Mobile USA remained the primary revenue contributor. Overall, the Mobile Communications strategic business area increased its revenue in the first six months by just under 11 percent year-on-year. The quarter-on-quarter comparison is also positive, with revenue up by over 9 percent as against the second quarter of 2005.

The year-on-year decline in revenue recorded by the Broadband/Fixed Network strategic business area is due primarily to a decline in call revenues, the loss of narrow band subscriber lines and considerable price drops in the Internet access market. Overall, this could not be offset by the volume-related growth in DSL resale and in subscriber lines.

Revenue in the Business Customers strategic business area also declined. Persistently strong price pressure in the Telecommunications and Computing & Desktop Services areas led to a decrease in revenue at the Enterprise Services unit in particular.

	For the three months ended March 31,	For the three months ended June 30,			For the six months ended June 30,			For the twelve months ended December 31,
	2006	2006	2005	Change %	2006	2005	Change %	2005
	(millions of , except where indicated)							
Net revenue	14,842	15,130	14,743	2.6	29,972	29,031	3.2	59,604
Mobile Communications[a]	7,575	7,856	7,197	9.2	15,431	13,943	10.7	29,452
Broadband/Fixed Network[a]	6,156	6,146	6,469	(5.0)	12,302	13,024	(5.5)	26,035
Business Customers[a]	3,011	3,146	3,219	(2.3)	6,157	6,325	(2.7)	12,850
Group Headquarters & Shared Services[a]	871	894	883	1.2	1,765	1,736	1.7	3,505
Inter-segment revenue[b]	(2,771)	(2,912)	(3,025)	3.7	(5,683)	(5,997)	5.2	(12,238)

a Total revenue (including revenue between strategic business areas).

b Elimination of revenue between strategic business areas.

Contribution of the strategic business areas to net revenue (after elimination of revenue between strategic business areas)

	For the six months ended June 30, 2006	Proportion of net revenue of the Group %	For the six months ended June 30, 2005	Proportion of net revenue of the Group %	Change millions of	Change %	For the twelve months ended December 31, 2005
			(millions of	, except where indicated)			
Net revenue	29,972	100.0	29,031	100.0	941	3.2	59,604
Mobile Communications	15,082	50.3	13,493	46.5	1,589	11.8	28,531
Broadband/Fixed Network	10,292	34.4	10,878	37.5	(586)	(5.4)	21,731
Business Customers	4,439	14.8	4,529	15.6	(90)	(2.0)	9,058
Group Headquarters & Shared Services	159	0.5	131	0.4	28	21.4	284

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The Mobile Communications strategic business area further increased its proportion of the Group s total revenue and contributed more than 50 percent of net revenue in the reporting period. However, the share of revenue accounted for by the Broadband/Fixed Network and Business Customers strategic business areas declined to around 34 and 15 percent respectively.

Net revenue generated outside Germany

The Group s international revenue increased by around EUR 1.6 billion year-on-year to EUR 13.6 billion. This improvement is also reflected in the quarter-on-quarter comparison compared with the second quarter of 2005, the share of revenue generated abroad rose by around EUR 0.8 billion in the second quarter of 2006 to around EUR 7 billion. The key factor for this successful international growth is the continued positive revenue trend at T-Mobile USA and T-Mobile UK in particular. Domestic revenue declined on both a six-month and a quarterly basis.

The proportion of revenue generated outside Germany in the first half of 2006 increased by more than 4 percentage points year-on-year to 45.5 percent.

	For the three months ended March 31, 2006	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)							
Net revenue	14,842	15,130	14,743	2.6	29,972	29,031	3.2	59,604
Domestic	8,208	8,139	8,517	(4.4)	16,347	17,028	(4.0)	34,183
International	6,634	6,991	6,226	12.3	13,625	12,003	13.5	25,421
Proportion generated internationally (%)	44.7	46.2	42.2		45.5	41.3		42.6
Europe (excluding Germany)	3,234	3,560	3,310	7.6	6,794	6,425	5.7	13,272
North America	3,332	3,356	2,852	17.7	6,688	5,444	22.9	11,858
Other	68	75	64	17.2	143	134	6.7	291

Cost of sales

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)						
Cost of sales	(8,057)	(7,688)	(4.8)	(15,878)	(15,213)	(4.4)	(31,862)

In addition to higher levels of depreciation resulting from a higher level of property, plant and equipment, the increase in the cost of sales was due, especially, to customer growth in the Mobile Communications area. By contrast, cost of sales decreased in the Broadband/Fixed Network strategic business area.

Selling expenses

	For the three months ended June 30,			For the six months ended June 30,			For the twelve months ended December 31,
	2006	2005	Change %	2006	2005	Change %	2005
	(millions of , except where indicated)						
Selling expenses	(4,014)	(3,511)	(14.3)	(7,788)	(6,946)	(12.1)	(14,683)

The increase in selling expenses is predominantly attributable to higher commission and marketing expenses in the Mobile Communications and Broadband/Fixed Network strategic business areas. The increase in the second quarter of 2006 is also attributable to the staging of major sporting events such as the soccer World Cup.

General and administrative expenses

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)						
General and administrative expenses	(1,101)	(1,047)	(5.2)	(2,178)	(2,073)	(5.1)	(4,210)

The increase in general and administrative expenses relates primarily to Mobile Communications and Group Headquarters & Shared Services. In contrast, the Broadband/Fixed Network strategic business area recorded a decrease.

Personnel

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)						
Personnel costs	(3,431)	(3,367)	(1.9)	(6,870)	(6,709)	(2.4)	(14,254)

The rise in personnel costs is attributable in particular to collectively agreed increases in wages and salaries and, primarily at T-Mobile USA, to increased staff levels and exchange rate effects.

The personnel cost ratio (personnel costs divided by net revenue) for the first half of 2006 is 22.9 percent of revenue. This represents a year-on-year improvement by 0.2 percentage points.

Depreciation, amortization and impairment losses

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)						
Amortization and impairment of intangible	630	624	1.0	1,247	1,237	0.8	4,427

assets							
of which: UMTS licenses	222	215	3.3	444	428	3.7	864
of which: U.S. mobile communications licenses					23	n.m.	30
of which: goodwill	-	-	-	10	-	n.m.	1,920
Depreciation and impairment of property, plant and equipment	2,034	1,986	2.4	3,987	3,907	2.0	8,070
Total depreciation, amortization and impairment losses	2,664	2,610	2.1	5,234	5,144	1.7	12,497

n.m. not meaningful

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The slight increase in depreciation, amortization and impairment losses was primarily due to higher depreciation of property, plant and equipment, especially technical equipment and machinery, as a result of additions to assets in the prior year, which resulted in a higher depreciation base particularly at T-Mobile USA.

Profit from operations

	For the three months ended March 31, 2006	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)							
Profit from operations in the Group	2,318	2,085	2,572	(18.9)	4,403	4,859	(9.4)	7,622
Mobile Communications	1,055	1,083	1,225	(11.6)	2,138	2,191	(2.4)	3,005
Broadband/Fixed Network	1,262	1,254	1,409	(11.0)	2,516	2,843	(11.5)	5,142
Business Customers	99	37	195	(81.0)	136	369	(63.1)	409
Group Headquarters & Shared Services	(94)	(271)	(232)	(16.8)	(365)	(499)	26.9	(840)
Reconciliation	(4)	(18)	(25)	28.0	(22)	(45)	51.1	(94)

Profit from operations decreased by EUR 0.5 billion in the first six months of 2006 to around EUR 4.4 billion. While Group Headquarters & Shared Services improved its profit from operations, the strategic business areas recorded a decline in profit from operations.

Loss from financial activities

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)						
Loss from financial activities	(772)	(452)	(70.8)	(1,340)	(1,167)	(14.8)	(1,410)
Finance costs	(602)	(464)	(29.7)	(1,260)	(1,171)	(7.6)	(2,401)
Interest income	94	36	n.m.	167	135	23.7	398
Interest expense	(696)	(500)	(39.2)	(1,427)	(1,306)	(9.3)	(2,799)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(49)	41	n.m.	(17)	77	n.m.	214
Other financial income (expense)	(121)	(29)	n.m.	(63)	(73)	13.7	777

n.m. not meaningful

The year-on-year increase in loss from financial activities in the second quarter of 2006 and the first six months of 2006 is partly attributable to increased finance costs. In the second quarter of 2005, the book value of financial liabilities was positively adjusted to reflect the changes in the present value of the estimated future payments. The changes in estimated future payments were triggered by a downward adjustment in interest rates relating to these financial liabilities following an upgrade of our credit rating by rating agencies. There was no similar adjustment made in 2006.

In contrast, other financial income improved slightly in comparison with the first half of 2005. This resulted, in particular, from the proceeds from the disposal of Celcom received in the first quarter of 2006 which was, however, offset by an unfavorable change in the results from financial instruments, including translation effects.

Profit before income taxes

The Group s profit before income taxes amounted to EUR 3.1 billion in the first half of 2006, down by EUR 0.6 billion year-on-year. Despite an improvement in gross profit, higher selling expenses in particular led to a decline in the profit from operations by EUR 0.5 billion as against the previous year to EUR 4.4 billion. In addition, the loss from financial activities was affected by the increase in finance costs and the deterioration of the share of profit/loss of equity-accounted investments.

Income taxes

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)						
Income taxes	(200)	(831)	75.9	(763)	(1,297)	41.2	(196)

Income taxes in the first half of 2006 decreased (as against the first half of 2005) due to lower profits before income taxes. In addition, the effective income tax rate was considerably lower. This was mainly due to the fact that we agreed in the second quarter of 2006 with the German tax authorities on the application of a provision of trade tax law regarding certain capital losses incurred in previous years. As a result of this agreement, we were able to release a provision for income taxes. This increased net profit in the second quarter by about EUR 440 million.

Net profit

At around EUR 2.1 billion, net profit in the first half of 2006 was down slightly as compared with the first half of 2005. This trend was partially offset, however, by the change in income tax expenses, which fell by around EUR 0.5 billion year-on-year, due mainly to the reversal of tax provisions.

Net profit was positivley impacted by the sale of Celcom in 2003, the proceeds of which were received in the first quarter of 2006. Additionally, expenses from severance and voluntary redundancy payments and restructuring, for example, had an offsetting effect.

Strategic business areas

Mobile Communications

The Mobile Communications strategic business area bundles all activities of T-Mobile International AG & Co. KG. T-Mobile is represented in Germany, the United States, the United Kingdom, the Netherlands, Austria, the Czech Republic, Hungary, Slovakia, Croatia, Macedonia and Montenegro. It also holds a minority interest in PTC. All T-Mobile companies offer

digital mobile voice and data services to consumers and business customers. T-Mobile also sells hardware and other terminal devices in connection with the services offered. In addition, T-Mobile services are sold to resellers and to companies that buy network services and market them independently to third parties (mobile virtual network operators, or MVNOs).

Broadband/Fixed Network

The Broadband/Fixed Network strategic business area offers consumers and small business customers state-of-the-art infrastructure for traditional fixed-network services, broadband Internet access, and customer-oriented multimedia services. Broadband/Fixed Network also does business with national and international network operators and with resellers (wholesale including resale), and provides upstream services for Deutsche Telekom s other strategic business areas.

Following the merger of T-Online International AG into Deutsche Telekom AG, T-Online no longer reports as a separate legal entity, but is managed as a successful product brand. For reporting purposes, Broadband/Fixed Network is broken down into its domestic and international operations. The Scout24 group is included within domestic operations since its parent company has its registered office in Germany.

Business Customers

The Business Customers strategic business area offers its customers products and services from a single source along the entire information and communications technology value chain. The Business Customers strategic business area is divided into two business units: T-Systems Enterprise Services, which supports around 60 multinational corporations and large public authorities, and T-Systems Business Services, which serves around 160,000 small and medium-sized business customers. T-Systems, our business customer brand, is represented in over 20 countries by subsidiaries, primarily in Germany and Western Europe (including France, Spain, Italy, the United Kingdom, Austria, Switzerland, Belgium, and the Netherlands).

The following tables give an overall summary of our segments for the 2005 financial year as well as for the second quarter and first half of both 2006 and 2005. In addition to the details of the segments, there is also a reconciliation line.

For the year ended December 31, 2005	**Net revenue**	**Inter segment revenue**	**Total revenue**	**Profit (loss) from operations**	**Share of profit (loss) of equity-accounted investments**	**Depreciation and amortization**	**Impairment losses**
	(millions of)						
Group	59,604		59,604	7,622	214	(10,291)	(2,206)
Mobile Communications	28,531	921	29,452	3,005	133	(4,745)	(1,951)
Broadband/Fixed Network	21,731	4,304	26,035	5,142	53	(4,026)	(8)
Business Customers	9,058	3,792	12,850	409	3	(885)	(11)
Group Headquarters & Shared Services	284	3,221	3,505	(840)	(1)	(695)	(233)
Reconciliation		(12,238)	(12,238)	(94)	26	60	(3)

For the three months ended June 30, 2006 **For the three months ended June 30, 2005**	**Net revenue**	**Inter segment revenue**	**Total revenue**	**Profit (loss) from operations**	**Share of profit (loss) of equity-accounted investments**	**Depreciation and amortization**	**Impairment losses**
				(millions of)			
Group	**15,130**		**15,130**	**2,085**	**(49)**	**(2,638)**	**(26)**
	14,743		14,743	2,572	41	(2,571)	(39)
Mobile Communications	**7,677**	**179**	**7,856**	**1,083**	**38**	**(1,279)**	**(1)**
	6,962	235	7,197	1,225	35	(1,179)	(1)
Broadband/Fixed Network	**5,085**	**1,061**	**6,146**	**1,254**	**5**	**(968)**	**(4)**
	5,420	1,049	6,469	1,409	6	(1,011)	(1)
Business Customers	**2,287**	**859**	**3,146**	**37**	**(92)**	**(233)**	**(2)**

	2,295	924	3,219	195	1	(223)	0
Group Headquarters & Shared Services	**81**	**813**	**894**	**(271)**	**(1)**	**(174)**	**(19)**
	66	817	883	(232)	(1)	(175)	(37)
Reconciliation		**(2,912)**	**(2,912)**	**(18)**	**1**	**16**	**0**
		(3,025)	(3,025)	(25)	0	17	0

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For the three months ended June 30, 2006 For the three months ended June 30, 2005	Net revenue	Inter segment revenue	Total revenue	Profit (loss) from operations	Share of profit (loss) of equity-accounted investments	Depreciation and amortization	Impairment losses
				(millions of)			
Group	**29,972**		**29,972**	**4,403**	**(17)**	**(5,189)**	**(45)**
	29,031		29,031	4,859	77	(5,057)	(87)
Mobile Communications	**15,082**	**349**	**15,431**	**2,138**	**66**	**(2,501)**	**(4)**
	13,493	450	13,943	2,191	65	(2,291)	(25)
Broadband/Fixed Network	**10,292**	**2,010**	**12,302**	**2,516**	**8**	**(1,927)**	**(14)**
	10,878	2,146	13,024	2,843	9	(2,021)	(1)
Business Customers	**4,439**	**1,718**	**6,157**	**136**	**(91)**	**(447)**	**(2)**
	4,529	1,796	6,325	369	2	(440)	0
Group Headquarters & Shared Services	**159**	**1,606**	**1,765**	**(365)**	**(1)**	**(342)**	**(25)**
	131	1,605	1,736	(499)	(1)	(336)	(60)
Reconciliation		**(5,683)**	**(5,683)**	**(22)**	**1**	**28**	**0**
		(5,997)	(5,997)	(45)	2	31	(1)

Mobile Communications

Customers

	As of June 30, 2006	As of March 31, 2006	Change June 30, 2006/ March 31, 2006 %	As of December 31, 2005	Change June 30, 2006/ December 31, 2005 %	As of June 30, 2005	Change June 30, 2006/ June 30, 2005 %
	(millions, except where indicated)						
Mobile customers (total)[a]	90.2	88.7	1.7	87.6	3.0	81.8	10.3
T-Mobile Deutschland[b]	30.4	30.2	0.7	29.5	3.1	28.2	7.8
T-Mobile USA	23.3	22.7	2.6	21.7	7.4	19.2	21.4
T-Mobile UK[c]	16.7	16.4	1.8	17.2	(2.9)	16.1	3.7
T-Mobile Netherlands	2.4	2.3	4.3	2.3	4.3	2.3	4.3
T-Mobile Austria	3.1	3.1	0.0	3.1	0.0	3.0	3.3
T-Mobile CZ (Czech Republic)	4.7	4.6	2.2	4.6	2.2	4.5	4.4
T-Mobile Hungary	4.3	4.2	2.4	4.2	2.4	4.1	4.9
T-Mobile Hrvatska (Croatia)	2.0	2.0	0.0	1.9	5.3	1.7	17.6
T-Mobile Slovensko (Slovakia)	2.0	2.0	0.0	2.0	0.0	1.9	5.3
Other[d]	1.1	1.1	0.0	1.1	0.0	1.0	10.0

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a One mobile communications card corresponds to one customer. The total was calculated on the basis of precise figures and rounded to millions. Percentages calculated on the basis of figures shown. Organic customer growth is reported for better comparability: tele.ring customers were also included in the historic customer base, although the company has only been consolidated since May 2006.

b The change in customer base in Germany in the first quarter of 2006 as compared with year-end 2005 comprises 284,000 net additions and 440,000 machine-to-machine (M2M) SIM cards. M2M SIM cards are used in automated communication between machines. M2M SIM cards have been counted as customers since the first quarter of 2006 in order to bring the reporting of T-Mobile Deutschland in line with that of the other T-Mobile companies. Prior-year comparatives have not been adjusted.

c Including Virgin Mobile. Despite positive net new customer growth in the first quarter of 2006, the number of customers declined in the first quarter of 2006 compared with year-end 2005 due to a change in the reporting standard. For more information, refer to the Group report for the first quarter of 2006.

d Other includes MobiMak (Macedonia) and MONET (Montenegro).

The number of customers in the Mobile Communications strategic business area passed the 90 million mark for the first time at the end of the second quarter of 2006. T-Mobile is thus maintaining its strong growth course. Overall, the T-Mobile Group recorded organic customer growth of 1.5 million in the second quarter. The acquisition of tele.ring in Austria improved growth to 2.5 million. The number of fixed-term contract customers grew particularly strongly, contributing over 90 percent to customer growth. Fixed-term contract customers now account for over 51 percent of the entire customer base. This is reflected by the clear success of package rates such as Relax or Flext in the United Kingdom, which are now used by some 7.2 million customers. In the past twelve months, the T-Mobile group achieved organic customer growth of 8.6 million, an increase of over 10 percent.

T-Mobile USA remained the main growth driver with 613,000 new customers, 83 percent of whom hold a fixed-term contract. Within the space of one year, T-Mobile USA s customer base grew by nearly 4.1 million to 23.3 million at the end of the reporting period. The marketing switch from one-year to two-year contracts at the beginning of the second quarter of 2006 led to a short-term dip in growth for fixed-term contract customers. The number of new customers gained each month increased again in the course of the second quarter of 2006, returning to the high first-quarter level in June. The positive customer retention effect resulting from the sale of two-year contracts is expected to be felt in the coming year. T-Mobile USA continued to focus on profitable growth in the increasingly competitive prepay customer segment.

ARPU at T-Mobile USA fell by EUR 1 year-on-year to EUR 40 in the second quarter of 2006. A slight increase in fixed-term contract customer ARPU almost completely balanced out a decline in prepay customer ARPU.

T-Mobile Deutschland also continued to expand its customer base in the second quarter of 2006. The number of customers rose by a total of 170,000. A particularly encouraging development was the strong growth in fixed-term contract customers, which at 175,000 reflects the successful marketing of the Relax rates. Another growth driver was the T-Mobile@home calling plan introduced in January 2006. By the end of the reporting period, over 700,000 customers had opted for this service allowing them to make attractively priced mobile calls from home. With a drop of only 5,000, the number of preypay customers remained practically stable. The year-on-year decline in ARPU to EUR 21 during the second quarter of 2006 is mainly attributable to the continued intense price competition in Germany and to the reduction in mobile termination charges in December 2005. Compared with the first quarter of 2006, ARPU increased slightly.

T-Mobile UK succeeded in attracting 369,000 new customers in the United Kingdom. While the number of prepay customers remained virtually constant, the number of fixed-term contract customers grew by a record 363,000 net adds. This represents over 11 percent growth in fixed-term contract customers within one quarter and demonstrates the success of the Flext calling plan introduced at the beginning of March 2006, which has already attracted 771,000 new customers to T-Mobile UK. This represents an increase of 515,000 on the first quarter of 2006. By focusing on fixed-term contract growth, ARPU stabilized at EUR 28 compared with the same period last year.

Growth also continued in the rest of Western Europe and in Eastern Europe. In both regions, T-Mobile again boosted new customer growth year-on-year despite increased penetration. The higher proportion of fixed-term contract customers over the previous year underlines the valuable nature of this growth.

	For the three months ended June 30, 2006 Service Revenue millions of ( )	For the three months ended June 30, 2006 ARPU ( )	For the three months ended June 30, 2006 Average number of customers (millions)	For the three months ended June 30, 2005 Service Revenue millions of ( )	For the three months ended June 30, 2005 ARPU ( )	For the three months ended June 30, 2005 Average number of customers (millions)
Service revenue						
T-Mobile Deutschland	1,868	21	30.4	1,929	23	28.2
T-Mobile USA	2,772	40	23.3	2,317	41	19.2
T-Mobile UKa	984	28	16.7	900	28	16.1
T-Mobile Netherlands	266	38	2.4	250	38	2.3
T-Mobile Austria	271	33	3.1	202	34	2.0
T-Mobile CZ (Czech Republic)	249	18	4.7	217	16	4.5
T-Mobile Hungary	238	19	4.3	249	20	4.1
T-Mobile Hrvatska (Croatia)	132	22	2.0	118	25	1.7
T-Mobile Slovenskob (Slovakia)	99	16	2.0	85	15	1.9

a Includes Virgin Mobile customers in average number of customers, but excludes Virgin Mobile customers and revenues therefrom for purposes of calculating ARPU.

b Fully consolidated as of the first quarter of 2005.

ARPU average revenue per user is used to measure monthly revenue from services per customer. ARPU is calculated as follows: revenue generated by customers for services (i.e., voice services, including incoming and outgoing calls, and data services) plus roaming revenue, monthly charges, and revenue from visitor roaming, divided by the average number of customers in the month. Revenue from services excludes the following: revenue from terminal equipment, revenue from customer activation, revenue from virtual network operators, and other revenue not generated directly by T-Mobile customers. Visitor roaming revenues are included in ARPU as of the first quarter of 2005. We believe this improves comparability with our competitors. Historical data was revised accordingly. ARPU is not uniformly defined and utilized by all companies in our industry group. Accordingly, such measures may not be comparable with similarly titled measures and disclosures by other companies.

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Development of operations

	For the three months ended March 31, 2006	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31 2005
	(millions of	, except where indicated)						
Total revenue[a]	7,575	7,856	7,197	9.2	15,431	13,943	10.7	29,452
of which: T-Mobile Deutschland	2,004	2,060	2,128	(3.2)	4,064	4,202	(3.3)	8,621
of which: T-Mobile USA	3,354	3,340	2,858	16.9	6,694	5,456	22.7	11,887
of which: T-Mobile UK	1,032	1,122	1,013	10.8	2,154	2,001	7.6	4,153
of which: T-Mobile Netherlands	271	282	267	5.6	553	523	5.7	1,064
of which: T-Mobile Austria[b]	217	285	213	33.8	502	435	15.4	885
of which: T-Mobile CZ	240	259	229	13.1	499	446	11.9	938
of which: T-Mobile Hungary	257	260	275	(5.5)	517	531	(2.6)	1,090
of which: T-Mobile Hrvatska	116	138	129	7.0	254	230	10.4	512
of which: T-Mobile Slovensko	100	104	93	11.8	204	179	14.0	378
of which: Other[c]	42	48	45	6.7	90	76	18.4	174
Profit from operations	1,055	1,083	1,225	(11.6)	2,138	2,191	(2.4)	3,005
Profit from operations margin(%)	13.9	13.8	17.0		13.9	15.7		10.2
Depreciation, amortization and impairment losses	(1,225)	(1,280)	(1,180)	(8.5)	(2,505)	(2,316)	(8.2)	(6,696)
Number of employees[d]	51,511	52,603	49,271	6.8	52,057	49,092	6.0	49,479

a The amounts stated for the national companies correspond to their respective unconsolidated financial statements (single-entity financial statements adjusted for uniform group accounting policies and reporting currency) without taking into consideration consolidation effects at the level of the strategic business area.

b Including the first-time consolidation of tele.ring.

c Other includes the revenues generated by MobiMak (Macedonia) and MONET (Montenegro). MONET has been fully consolidated since the second quarter of 2005.

d Average number of employees.

Total revenue

In the first six months of 2006, T-Mobile boosted its revenue by 10.7 percent or EUR 1.5 billion year-on-year. The main driver of this continued strong growth was again T-Mobile USA, whose revenues rose by 22.7 percent. The T-Mobile group also recorded double-digit growth rates in the Czech Republic, Slovakia, and Montenegro. In the United Kingdom, revenue growth accelerated from 4.5 percent in the first quarter to 10.8 percent in the second quarter of 2006. In Austria, the acquisition of tele.ring at the end of April 2006 led to correspondingly higher revenue for T-Mobile Austria (EUR 75 million). With the exception of Germany and Hungary, all companies increased their ARPU revenue. Developments at T-Mobile UK are particularly encouraging: Growth in ARPU revenue by more than 8.4 percent clearly reflects the company s success in acquiring fixed-term contract customers. The decline in revenue in Germany is largely attributable to the reduction in termination charges in December last year and the relentless price pressure.

Profit from operations

Profit from operations decreased by EUR 0.1 billion in the first six months of 2006 to EUR 2.1 billion. The EUR 1.5 billion increase in total revenue was nearly completely offset by an increase in operating costs excluding depreciation and amortization. Depreciation, amortization, and impairment losses increased by EUR 0.2 billion due to the larger asset base.

Personnel

In the first six months of 2006, the average number of employees in the Mobile Communications strategic business area increased by 2,965 year-on-year to 52,057. The higher figure is primarily attributable to the recruitment of new staff at T-Mobile USA as a result of the company s growth. In Europe, the number of employees increased slightly, while the initial consolidation of tele.ring in Austria and the growth-driven recruitment of new staff in the United Kingdom more than offset workforce reductions in Germany.

Broadband/Fixed Network

	As of June 30, 2006 (millions, except where indicated)	As of March 31, 2006	Change June 30, 2006/ March 31, 2006 %	As of December 31, 2005	Change June 30, 2006/ December 31, 2005%	As of June 30, 2005	Change June 30, 2006/ June 30, 2005 %
Broadbanda							
Lines (total)b	10.0	9.4	6.4	8.6	16.3	7.1	40.8
Domesticc	9.0	8.6	4.7	7.9	13.9	6.7	34.3
of which: resaled	2.5	2.2	13.6	1.6	56.3	0.7	n.a.
Internationale	1.0	0.8	25.0	0.6	66.7	0.4	n.a.
Broadband rates (total)f	6.5	6.1	6.6	5.5	18.2	4.5	44.4
of which: domestic	5.1	4.9	4.1	4.5	13.3	3.7	37.8
Narrowbanda							
Lines (total)b	40.1	40.6	(1.2)	41.2	(2.7)	42.1	(4.8)
Domesticg	34.2	34.7	(1.4)	35.2	(2.8)	36.0	(5.0)
Standard analog lines	24.9	25.2	(1.2)	25.5	(2.4)	25.9	(3.9)
ISDN lines	9.4	9.6	(2.1)	9.8	(4.1)	10.1	(6.9)
International (Eastern Europe only)	5.8	5.9	(1.7)	6.0	(3.3)	6.2	(6.5)
Magyar Telekomh	3.0	3.1	(3.2)	3.2	(6.3)	3.3	(9.1)
Slovak Telekom	1.2	1.2	0.0	1.2	0.0	1.2	0.0
T-Hrvatski Telekom	1.6	1.6	0.0	1.7	(5.9)	1.7	(5.9)
Narrowband rates (total)f	3.8	4.1	(7.3)	4.4	(13.6)	4.9	(22.4)
Internet customers with a billing relationship (total)f, i	15.6	15.5	0.6	15.2	2.6	14.7	6.1

Table includes broadband and narrowband lines (Germany plus Eastern and Western Europe).

a The total was calculated on the basis of precise figures and rounded to millions. Percentages calculated on the basis of figures shown.

b Lines in operation.

c Broadband lines excluding lines for internal use.

d Definition of resale: sale of broadband lines based on DSL technology to alternative providers outside the Deutsche Telekom Group.

e Includes customers with broadband lines on proprietary network.

f Customers with a billing relationship includes Germany, Eastern and Western Europe. Eastern Europe includes Magyar Telekom, T-Hrvatski Telekom, and Slovak Telekom; Western Europe includes Ya.com and Club Internet.

g Telephone lines excluding internal use and public telecommunications, including wholesale services.

h Subscriber-line figures are recorded including Magyar Telekom s subsidiary MakTel and Telekom Montenegro. Prior-year comparatives have not been adjusted.

i Total calculated on the basis of customers (broadband and narrowband rates) in Germany, in Western and Eastern Europe with a billing relationship and PAYG (pay as you go).

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The Broadband/Fixed Network strategic business area continued its growth course in the broadband market in the second quarter of 2006, increasing the number of both broadband lines and broadband rate customers. The total number of broadband lines increased by 594,000 to 10.0 million in the second quarter of 2006. In Germany, the number of DSL lines in operation provided by T-Com at the end of June 2006, increased by 402,000 in the second quarter of the year to approximately 9.0 million. This increase was lower than the increase in the prior quarter but was higher than the increase in the prior-year quarter. T-Com continued to increase the number of broadband lines based on DSL technology in operation in particular in Resale DSL. Falling ISP market prices and the intensified marketing of full-service packages were the driving forces behind the continued strong growth in the broadband sector. The total number of Resale DSL lines sold to competitors increased in the second quarter of 2006 by 387,000 to 2.5 million. By contrast, increases in the Group s Retail DSL in Germany were slowed by the delay in the merger of T-Online International AG into Deutsche Telekom AG. Internationally the Group added 192,000 DSL lines in the second quarter of 2006. Broadband/Fixed Network recorded high growth rates in Eastern Europe, where the total number of new broadband lines increased by 87,000 quarter-on-quarter to 751,000. The customer base more than doubled compared with the previous year. In Western Europe, the strong growth from the first quarter of 2006 continued as a result of the establishment of infrastructure which continued to contribute to the increase in the number of additions by over 100,000 to 262,000.

As the number of broadband lines in operation continues to grow, so does the broadband rate customer base, which expanded by a total of 381,000 customers to 6.5 million. In Germany, Broadband/Fixed Network served 5.1 million broadband rate customers at the end of the reporting period. The number of new broadband rate customers increased by 235,000 in the quarter. In total, the number of customers increased by approximately 38 % or 1.4 million as compared with the second quarter of 2005. Internationally, the number of new broadband rate customers increased by 147,000 in the second quarter of 2006. Growth in Eastern Europe in the second quarter exceeded the growth in the same quarter of the previous year with 75,000 broadband rate customers. In Western Europe, there were 795,000 broadband rate customers at the end of the second quarter of 2006. This represents an increase of 326,000 or approximately 70 % year-on-year.

During the second quarter of 2006, Broadband/Fixed Network continued to develop its product portfolio to include new innovative broadband service. Its portfolio of access services was broadened with the offer of a double flat rate for surfing and DSL telephony for EUR 9.95 a month that is available for all access line speeds offered by the Group. The new T-DSL 16000 line relating to data-intensive applications was launched in May 2006. In the entertainment area, the existing video-on-demand portfolio is being continually expanded: Customers now have access to a film library with 1,300 titles from all genres including 600 Hollywood blockbusters. The positive response from customers is reflected in the 120,000 streams per month in the second quarter of 2006.

In the second quarter of 2006, Broadband/Fixed Network expanded its offering for the online games portal Gamesload by entering into new alliances with prominent providers such as Take 2 Interactive and Zylom. Musicload announced a substantial increase in acceptance on Germany s online music download market. In the first six months of the year, downloads were up 34 % year-on-year to approximately 7.7 million.

The number of Broadband/Fixed Network narrowband lines decreased at a greater rate than expected. This is primarily due to increased competition from alternative fixed-network providers in Germany with fully integrated bundled packages. The loss of narrowband customers often occurs in connection with customers initial acquisition of a broadband line. The Broadband/Fixed Network strategic business area had only limited capacity to act in the market with the combined strengths of the T-Com and T-Online business units due to the delay in the merger of T-Online International AG into DTAG. In Germany, the number of narrow band lines decreased by 503,000 or 1.4 % to 34.2 million in the second quarter of 2006, continuing the decline in the previous quarter. The effects of fixed-mobile substitution in particular and, to a lesser extent, substitution by cable network operators were also factors contributing to this decline. At 9.4 million, the total number of T-ISDN lines decreased significantly by approximately 7 % year-on-year. This trend can be attributed in part to the integrated voice and Internet products offered by competitors. An increasing number of DSL line users are also switching from T-ISDN to an analog T-Net line.

The declining trend in the volume of call minutes in T-Com s network persisted. Aside from the loss of access lines, this is attributable to the increasing substitution by voice over IP and mobile communications compared with the previous year. By contrast, T-Com continued to improve customer retention on its own network for local, national, international and fixed-to-mobile calls through its calling plans, which have increased to 14.6 million customers. The increase in customers using calling plans reduces the use of call-by-call and preselection by customers. The XXL Fulltime calling plan has been particularly well received by customers. XXL Fulltime attracted almost 1.4 million customers in less than nine months. The fixed-to-mobile optional calling plan introduced on December 1, 2005 has increased to 717,000 customers.

Development of operations

Following the merger of T-Online International AG into Deutsche Telekom AG, T-Online no longer reports as a separate legal entity, but is managed as a successful product brand. For reporting purposes, Broadband/Fixed Network is broken down into its domestic and international operations. The Scout24 group is included in domestic operations since its parent company has its registered office in Germany.

	For the three months ended March 31, 2006	For the three months ended June 30 2005	2006	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)							
Total revenue	6,156	6,146	6,469	(5.0)	12,302	13,024	(5.5)	26,035
Domestic	5,464	5,445	5,776	(5.7)	10,909	11,667	(6.5)	23,249
of which: network communications	2,885	2,838	3,098	(8.4)	5,723	6,262	(8.6)	12,349
of which: value-added services	233	224	264	(15.2)	457	537	(14.9)	1,069
of which: terminal equipment	74	82	94	(12.8)	156	185	(15.7)	425
of which: data communications	318	324	281	15.3	642	620	3.5	1,226
of which: wholesale services	1,028	1,089	1,066	2.2	2,117	2,143	(1.2)	4,357
of which: IP/Internet a	740	714	758	(5.8)	1,454	1,511	(3.8)	2,994
International	692	701	693	1.2	1,393	1,357	2.7	2,786
Profit from operations	1,262	1,254	1,409	(11.0)	2,516	2,843	(11.5)	5,142
Depreciation, amortization and impairment losses	(969)	(972)	(1,012)	4.0	(1,941)	(2,022)	4.0	(4,034)
Number of employees b	110,202	110,028	113,515	(3.1)	110,115	113,193	(2.7)	112,872
Domestic c	87,327	87,118	88,637	(1.7)	87,222	88,479	(1.4)	88,578
International	22,875	22,910	24,878	(7.9)	22,893	24,714	(7.4)	24,294

a Including the revenues previously generated by T-Online in Germany.

b Average number of employees.

c Due to the transfer of the Telekom Direkt sales unit to T-Com, T-Com s workforce increased by almost 192 employees. Prior-year comparatives have not been adjusted.

Total revenue

The total revenue of the Broadband/Fixed Network strategic business area for the first six months of 2006 amounted to EUR 12.3 billion, a year-on-year decrease of 5.5 % compared with a decrease of 6.1 % in the first quarter of 2006. In Germany, revenue decreased by 6.5 % to EUR 10.9 billion in the first half-year of 2006. This decrease is mainly attributable to lower call revenues and a reduction in the number of narrowband lines, but also to declines in interconnection services. Revenue from business with the Business Customers strategic business area also decreased. The revenue shortfall was partly offset by volume growth in Resale DSL and in leased subscriber lines. Internationally, revenue increased by 2.7 % to approximately EUR 1.4 billion due in part to an increase in Western Europe s internet revenues. This increase was partially offset by a decrease in revenues in Eastern Europe primarily due to exchange rate effects in Hungary. While revenue in Western Europe increased by 52.4 % to just under EUR 0.2 billion due to increases in broadband revenues, despite strong broadband growth revenues in Eastern Europe decreased by 1.5 % to EUR 1.2 billion due to the continued decline in the traditional fixed-network business and exchange rate effects at Magyar Telekom.

Network communications

Network communications revenue decreased by EUR 0.5 billion to EUR 5.7 billion, due to intense competition from the combined voice and Internet packages offered by competitors, access revenues decreased slightly by 1.2 % or EUR 47 million. This decline in access revenues was only partially offset by an increase in calling plan revenues. Call revenues decreased by almost EUR 0.5 billion to EUR 1.8 billion compared with the first six months of

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2005. This decrease was mainly attributable to a lower average call minute price due to the increased penetration of calling plans and the transfer to end customers of the reduction in termination charges for fixed-to-mobile calls. The decline in call minutes and call revenues resulted from customer losses as well as increased fixed-to-mobile and voice-over-IP substitution.

Wholesale services

Revenue development in wholesale services was marked by contrasting effects. Total wholesale revenue declined by 1.2 % to EUR 2.1 billion compared with the first six months of 2005. The significant volume-driven growth in revenue from leased subscriber lines had a positive effect, despite the 9.8 % rate reduction that was imposed by the German regulatory authorities and which took effect on April 1, 2005. It was also supported by strong volume-driven growth in Resale DSL revenues. By contrast, revenues from interconnection services decreased due to volume effects resulting from increasing direct network interconnection between competitors and price reductions imposed by the German regulatory authorities that took effect on June 1, 2006. Wholesale services also posted a decline in call-by-call and preselection minutes as a consequence of the successful calling plan strategy of network communications. Wholesale originating services for Internet service providers had a negative impact on revenue. The narrowband sector recorded volume-related declines due to the continuing migration to broadband. In the broadband sector, price decreases resulted in a reduction in revenue. The decrease in prices in the International Carrier Services and Solutions (ICSS) business also contributed to a revenue decline.

IP/Internet

Revenue in the IP/Internet area declined in the first six months of the year by 3.8 % year-on-year to EUR 1.5 billion. This decrease is primarily due to a decrease in flat rate ISP prices. This decrease was partially offset by increases in retail broadband lines and rates.

Data communications

In the first half of 2006, data communications revenues increased by 3.5 % to EUR 0.6 billion as compared to the same period in 2005, primarily due to the reassignment of business customers with Telekom Designed Network (TDN) contracts from the Business Customers strategic business area to Broadband/Fixed Network.

Value-added services

In the area of value-added services, revenues decreased mainly due to a change in the Premium Rate Services billing model at the beginning of 2006. Total revenue is now billed as commissions revenue. Revenue in the first six months of 2006 therefore declined by around 14.9 % year-on-year to just under EUR 0.5 billion.

Terminal equipment

In the first half of 2006, revenues from terminal equipment declined by almost 16 % year-on-year to just under EUR 0.2 billion due to the decrease in the rental business.

International revenue

Revenue in Eastern Europe decreased slightly as compared to the prior-year to EUR 1.2 billion in the first six months of 2006. This decrease is primarily due exchange rate effects at Magyar Telekom. The traditional fixed-network business continues to be dominated by intense competition in all countries, especially from mobile communications, as well as by competition in the consumer business as a result of call-by-call, preselection, and cable providers. The decline in revenue in the traditional fixed-network business was partially offset by an increase in broadband revenues in the first six months of 2006.

Revenue in Western Europe increased by 52.4 % to EUR 0.2 billion. This is primarily due to an increase in Internet revenues in France and Spain, which are continuing to increase their customer base and revenues in the broadband market.

Net revenue

Net revenue decreased by 5.4 % compared with the first half of the previous year to EUR 10.3 billion. This decrease is primarily due to a decrease in calling minutes and access revenue as a result of increased competition.

Profit from operations

Profit from operations in the first half of 2006 decreased to EUR 2.5 billion, a decline of 11.5 % compared with the prior-year period. In Germany, the decline in revenue of EUR 0.8 billion was offset by reduced rental expense, including leased office space and the more efficient use of space, as well as improved receivables management. In addition, revenue-driven expenses for merchandise and telecommunications services were reduced. Billing and collection, legal and consulting expenses, and maintenance expenses also decreased. Internationally targeted advertising and sales measures, in particular to enhance customer acquisition in Western Europe, resulted in higher marketing expenses.

Employees

At 110,115, the average number of employees in the Broadband/Fixed Network strategic business area in the first half of 2006 was 2.7 % lower than the corresponding prior-year figure. In Germany, the workforce was reduced by approximately 1,250 employees year-on-year to 87,222.

The average number of employees in Europe (excluding Germany) decreased by just over 1,800. The Eastern European workforce diminished by around 2,100 as a consequence of the optimization of performance processes, while 290 new employees were hired in Western Europe.

Business Customers

	As of June 30, 2006	As of March 31, 2006	Change June 30, 2006/ March 31, 2006 %	As of December 31, 2005	Change June 30, 2006/ December 31, 2005 %	As of June 30, 2005	Change June 30, 2006/ June 30, 2005 %
Enterprise Services[a]							
Computing & Desktop Services							
Number of servers managed and serviced (units)	32,761	38,419	(14.7)	38,392	(14.7)	38,290	(14.4)
Number of workstations managed and serviced (millions)	1.36	1.36	0.0	1.35	0.7	1.30	4.6
Systems Integration							
Hours billed[b] (millions)	5.6	2.9	n.a.	11.5	n.a.	5.8	(3.4)
Utilization rate[c](%)	79.8	79.8	0.p	79.1	0.7p	78.1	1.7p

a The total was calculated on the basis of precise figures and rounded to millions. Percentages calculated on the basis of figures shown.

b Cumulative figures at the balance sheet date.

c Ratio of average number of hours billed to maximum possible hours billed per period.

For the Business Customers strategic business area, the first half of 2006 was marked by even fiercer competitive pressure. The level of new orders received which mostly run between 1 and 8 years - increased slightly in the second quarter compared with the first. Business Customers suffered a decline of approximately 6.5 percent in orders received in the first three months of this year, but this decrease slowed to approximately 0.3 percent by the end of the second quarter of 2006.

In the Computing & Desktop Services area, the Enterprise Services business unit further increased the number of workstations managed and serviced by systematically strengthening its customer relations. Strong price pressure in this area, however, meant that this was not accompanied by any revenue growth.

Development of operations

	For the three months ended March 31, 2006	For the three months ended June 30 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of , except where indicated)							
Total revenue	3,011	3,146	3,219	(2.3)	6,157	6,325	(2.7)	12,850
Enterprise Services	1,944	2,057	2,086	(1.4)	4,001	4,127	(3.1)	8,370
Business Services	1,067	1,089	1,133	(3.9)	2,156	2,198	(1.9)	4,480
Profit from operations	99	37	195	(81.0)	136	369	(63.1)	409
Depreciation, amortization and impairment losses	(214)	(235)	(223)	(5.4)	(449)	(440)	(2.0)	(896)

Number of employees[a]	51,738	57,010	51,727	10.2	54,374	51,521	5.5	51,744

a Average number of employees during the period.

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The total revenue of the Business Customers strategic business area was approximately EUR 6.2 billion in the first half of 2006, corresponding to a year-on-year decrease of 2.7 percent. The primary reasons for this are lower revenue from large and multinational business customers in the Telecommunications area, and lower revenue in the Desktop Services area. The international business grew significantly by EUR 118 million or 13.7 percent year-on-year. In contrast the domestic German business decreased by EUR 286 million or 5.2 percent. This is attributable primarily to the acquisition of former Volkswagen AG subsidiary gedas at the end of the first quarter of 2006, allowing the Business Customers area to further expand its international footprint. gedas was fully consolidated for the first time in the second quarter of 2006 and contributed EUR 151 million to total revenue.

Business with customers outside the Deutsche Telekom Group decreased by 2 percent in the first six months of 2006 due to lower revenue in the Business Services and the Enterprise Services business units, in particular in the Telecommunications and Computing & Desktop Services areas. In the Telecommunications area, positive growth in the IP sector was unable to offset the continued fierce price pressure in the voice and data business. Net revenue also declined in Computing & Desktop Services due to the sharp fall in prices and the low level of new business. By contrast, the Systems Integration area recorded an increase in net revenue, due in particular to the acquisition of gedas. The telecommunications sector continues to be the main driver of developments in the Business Services unit. The successful implementation of the IT strategy for small and medium-sized businesses, and growth in the IP business, were unable to counter the negative trend in traditional data communication services.

At EUR 0.1 billion in the first half of 2006, profit from operations also declined year-on-year. Profit from operations decreased by 63.1 percent overall compared with the first six months of 2005 due to lower margins, price and competitive pressure and reduced corporate IT budgets. Restructuring expenses also reduced profit from operations.

The average headcount within the Business Customers strategic business area was 54,374, an increase of 5.5 percent year-on-year. The inclusion of gedas was the major factor driving this growth.

Group Headquarters & Shared Services

Group Headquarters & Shared Services performs strategic and cross-divisional management functions for the Group, as well as those operating activities that are not directly related to the core business of the units. The Shared Services unit mainly consists of the Real Estate Services division, whose activities include the management of our real estate portfolio in Germany; DeTeFleetServices GmbH, a full-service provider of fleet management and mobility services; and Vivento.

In addition to its presence in Hungary, Real Estate Services has been represented in Slovakia since June 2006. DeTeImmobilien-Slovakia s.r.o, a joint venture between DeTe Immobilien, Deutsche Telekom Immobilien and Service GmbH and a local partner, will provide integrated real estate management and facility management services in Slovakia. The company s largest customer is the national telecommunications company, Slovak Telecom.

In the second quarter of 2006, Vivento established Vivento Interim Services GmbH to support the workforce restructuring measures within the Group. The newly formed company will be staffed by junior Deutsche Telekom employees on fixed-term contracts who have passed their final exams but have yet to find a follow-up position and can thus gain further professional experience through Vivento Interim Services. Vivento Interim Services aims to fill temporary employment gaps caused by workforce restructuring where no suitable transferees are available.

At June 30, 2006, Vivento had a workforce of approximately 14,800, of which around 700 are Vivento s own employees/members of management, around 7,600 are employed at Vivento s business lines, and around 6,500 are transferees. At the reporting date, some 3,900 of these transferees were engaged on a contract or temporary basis. Around 1,900 staff left Vivento in the first half of 2006. Since its formation, some 20,800 employees have found new jobs outside Vivento. Vivento took on some 1,400 employees during the reporting period, bringing the total number of Deutsche Telekom staff transferred to Vivento since its formation to around 35,600. The employment qualification rate remains high: At June 30, 2006, around 83 percent of the approximately 14,100 employees (excluding Vivento s own staff and management) were in employment or undergoing training. A major contributory factor is the consistent and successful staffing of Vivento s business lines. Vivento Customer Services increased its number of staff to around 3,300 in the second quarter of 2006, with another approximately 300 Vivento employees working for Vivento Customer Services on a contract or temporary basis at the reporting date. Vivento Technical Services also recorded an increase in its workforce to around 2,000 at the end of the first half of 2006. Some 400 Vivento employees were also hired on a contract or temporary basis.

In a ruling dated June 22, 2006, the German Federal Administrative Court created legal certainty with regard to the transfer of civil servants to Vivento declaring the transfer as not legally permissible. Deutsche Telekom has acknowledged the ruling and will analyze the reasons given as soon as these are available. The Company will decide what further steps to take on the basis of its analysis. Until then, no further civil servants will be transferred to Vivento for the time being. The situation for the civil servants already transferred will remain unchanged they will stay at Vivento and will continue to be given temporary employment or a new permanent position inside or outside the Group. The transfers made to Vivento to date are legally valid because the transfer process is completed. Deutsche Telekom will continue to implement the necessary workforce restructuring measures as before. To do this, the Company will continue to use Vivento s placement skills in addition to voluntary redundancy and early retirement incentives.

Development of operations

	For the three months ended March 31, 2006	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the twelve months ended December 31, 2005
	(millions of	, except where indicated)						
Total revenue	871	894	883	1.2	1,765	1,736	1.7	3,505
Profit (loss) from operations	(94)	(271)	(232)	(16.8)	(365)	(499)	26.9	(840)
Profit (loss) from operations margin (%)	(10.8)	(30.3)	(26.3)		(20.7)	(28.7)		(24.0)
Depreciation, amortization and impairment losses	(174)	(193)	(212)	9.0	(367)	(396)	7.3	(928)
Number of employees[a]	29,973	29,753	29,997	(0.8)	29,863	30,432	(1.9)	29,931
of which: at Vivento[b]	14,500	14,800	16,500	(10.3)	14,800	16,500	(10.3)	15,300

a Average number of employees.

b Number of employees at the balance sheet date, including Vivento s own staff and management. Figures rounded.

Total revenue of Group Headquarters & Shared Services increased slightly year-on-year in the first half of 2006. This positive development was driven mainly by the continued expansion of business at Vivento Customer Services and Vivento Technical Services. However, the real estate group s invoices to the strategic business areas declined, due mainly to price and volume reductions as well as the effect of converting the lease arrangements with the business areas.

Profit (loss) from operations improved by EUR 134 million compared with the prior-year period. The increase is mainly attributable to growth in earnings from real estate sales, which was only partially offset by the decline in intragroup revenue recorded by the real estate group. In addition, profit (loss) from operations benefited from the reversal of a provision in connection with the housing assistance program (Wohnungsfuersorge), after the pending arbitration proceedings between Deutsche Telekom AG and Deutsche Post AG were resolved by an arbitral award in the first quarter of 2006. The further decrease in Vivento s workforce also had a positive effect on profit (loss) from operations. Profit (loss) from operations in the first six months of 2006 was reduced by expenses relating to the transfer of Telekom Direkt from Vivento to the Broadband/Fixed Network strategic business area in the first quarter of 2006. Besides, in the prior-year period, profit (loss) from operations was positively impacted by income from insurance refunds. Profit (loss) from operations of the first six month of 2006 also increased due to a decline in depreciation, amortization, and impairment losses, primarily relating to Deutsche Telekom AG s real estate assets.

The average number of employees was 29,863 at the end of the reporting period, down slightly year-on-year. Significant decreases in the headcount at Vivento were partially offset by the intragroup pooling of shared service activities at the Real Estate, Security and HR Services divisions.

Liquidity and Capital Resources

The following table provides information regarding our cash flows:

	For the three months ended June 30, 2006	2005	For the six months ended June 30, 2006	2005	For the year ended December 31 2005
	(millions of , except where indicated)				
Net cash from operating activities	2,892	3,639	5,688	5,815	14,998
Net cash used in investing activities	(3,761)	(1,251)	(5,921)	(6,974)	(10,058)
Net cash from (used in) financing activities	(1,690)	(4,766)	1,037	(2,994)	(8,039)
Effect of foreign exchange rate changes on cash and cash equivalents	(117)	28	(112)	58	69
Net increase (decrease) in cash and cash equivalents[a]	(2,676)	(2,350)	692	(4,095)	(3,030)
Cash and cash equivalents, at beginning of period	8,343	6,260	4,975	8,005	8,005
Cash and cash equivalents, at end of period	5,667	3,910	5,667	3,910	4,975

a Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

Net cash from operating activities

Net cash from operating activities amounted to EUR 5.7 billion in the first half of 2006. This corresponds to a decrease of EUR 0.1 billion compared with the previous year, mainly attributable to changes in working capital and a decline in profit from operations. These effects are partially offset by lower income tax and net interest payments.

Net cash used in investing activities

Net cash used in investing activities decreased to EUR 5.9 billion from EUR 7.0 billion in the prior-year period. The decrease was mainly caused by lower cash outflows for intangible assets and property, plant and equipment in the amount of EUR 0.9 billion (in 2005, this item included increased cash outflows for investments by T-Mobile USA relating to the winding up of the U.S. mobile communications joint venture). In addition, cash outflows for investments in fully consolidated subsidiaries decreased by EUR 0.3 billion. The cash outflows in 2005 for the acquisition of additional T-Online shares totaled EUR 1.8 billion, whereas the 2006 acquisition of tele.ring and gedas accounted for cash outflows of EUR 1.6 billion.

Net cash from/used in financing activities

In the first half of 2006, net cash from financing activities amounted to EUR 1.0 billion after a cash outflow of EUR 3.0 billion in the prior-year period. This change is mainly attributable to a net reduction in repayments of EUR 4.4 billion (mainly relating to the global bond and medium term notes, partly offset by an increase in dividend payments of EUR 0.4 billion.

Transactions that did not result in a change in cash (non-cash transactions) include, the conversion of the mandatory convertible bond (EUR 2.2 billion increase in issued capital and capital reserves) and the merger of T-Online International AG into Deutsche Telekom AG (EUR 0.8 billion increase in issued capital and capital reserves). For more detailed information on these transactions, please refer to the statement of changes in shareholders equity and the notes on shareholders equity contained in the financial statements.

Capital Resources

The following table summarizes our total financial liabilities as of June 30, 2006 and 2005, and December 31, 2005:

	As of June 30, 2006 (millions of	As of December 31, 2005 , except where indicated)	Change	Change %	As of June 30, 2005
Bonds	38,587	37,255	1,332	3.6	40,746
Liabilities to banks	2,365	2,227	138	6.2	3,530
Liabilities to non-banks from promissory notes	635	645	(10)	(1.6)	653
Liabilities from derivatives	571	678	(107)	(15.8)	745
Lease liabilities	2,301	2,373	(72)	(3.0)	2,473
Liabilities arising from ABS transactions	1,213	1,363	(150)	(11.0)	1,384
Other financial liabilities	2,011	2,180	(169)	(7.8)	2,565
Total	**47,683**	**46,721**	**962**	**2.1**	**52,096**

Total financial liabilities increased as of June 30, 2006, compared to December 31, 2005, primarily as a result of a bond of USD 2.5 billion (EUR 2.1 billion), issued in three tranches, four medium-term notes of EUR 0.5 billion each, one medium-term note of EUR 0.75 billion and a HUF 47.4 billion (EUR 0.2 billion) loan from the European Investment Bank (EIB), offset, in part, by principal repayments and conversion of the mandatory convertible bond of EUR 2.7 billion at maturity. Additionally, our financial liabilities decreased due to foreign-exchange effects of EUR 0.8. The material terms of the liabilities issued in 2006 are as follows:

	Nominal (in millions of)	Contractual and expected maturity	Interest Rate	
Floating-Rate Bond Tranche	829	March 23, 2009	USD-Libor 3M + 0.18	%
Fixed-Rate Bond Tranche	415	March 23. 2011	5.38	%
Fixed-Rate Bond Tranche	829	March 23, 2016	5.75	%
Medium-Term Note	500	June 27, 2008	EURIBOR 3M + 0.10	%
Medium-Term Note	500	February 2, 2009	3.00	%
Medium-Term Note	500	August 17, 2009	EURIBOR 3M + 0.20	%
Medium-Term Note	750	April 13, 2011	4.00	%
Medium-Term Note	500	May 31, 2016	4.75	%
EIB Loan	188	January 31, 2013	BUBOR 3M + 0.10	%

The following table summarizes the development of cash and cash equivalents as of June 30, 2006 and 2005, and December 31, 2005:

	As of June 30, 2006	As of December 31, 2005	Change	Change %	As of June 30, 2005
	(millions of , except where indicated)				
Cash and cash equivalents	5,667	4,975	692	13.9	3,910

During the first half of 2006, cash and cash equivalents increased from EUR 5.0 billion to EUR 5.7 billion. This increase was primarily due to the net cash flow from operating activities and the issuance of liabilities as explained above, offset, in part by cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill); and fully consolidated subsidiaries.

Capital expenditures and investments

The following table provides information concerning capital expenditures and investments in subsidiaries, associated companies and related companies, as well as proceeds from the sale of non-current assets and investments.

	For the three months ended June 30,				For the six months ended June 30			
	2005		2006		2006		2005	
	(millions of , except where indicated)							
Capital expenditures	1,925		1,824		3,969		4,915	
Investments in subsidiaries and non-current financial assets	1,762		367		2,167		2,409	
Proceeds from disposal of non-current assets and investments	(137	)	(98	)	(628	)	(364	)
Other	211		(842	)	413		14	
Net cash used for investing activities	3,761		1,251		5,921		6,974	

n.m. not meaningful

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Capital Expenditures

The following table provides information about our capital expenditures by strategic business area for the periods presented.

	For the three months ended June 30		For the six months ended June 30,		December 31,
	2006	2005	2006	2005	2005
	(millions of , except where indicated)				
Mobile Communications	840	1,007	1,932	3,512	5,603
Broadband / Fixed Network	787	540	1,476	936	2,481
Business Customers	196	168	349	300	775
Group Headquarters and Shared Services	103	118	217	174	456
Reconciliation	(1)	(9)	(5)	(7)	(46)
Total capital expenditures	**1,925**	**1,824**	**3,969**	**4,915**	**9,269**

The decrease in total cash basis capital expenditures in the first six months of 2006, compared to the same period of 2005, mainly relate to the much higher level of capital expenditures in the first half of the prior year consisting primarily of the purchase of networks in California and Nevada. Capital expenditures in the first half of 2006 primarily included the roll-out of the high-speed network in the Broadband/Fixed Network strategic business area and the expansion of mobile communications network in the United States.

OUTLOOK

Highlights after the balance sheet date (June 30, 2006)

Group

Staff restructuring and reduction program continues

The Group is continuing to implement its staff restructuring program. One of the instruments used to implement the workforce reduction on a voluntary basis is severance payments. Deutsche Telekom AG s special redundancy payment program (*Abfindung spezial*), which will grant severance payments of up to EUR 225,000, is due to expire on August 31, 2006. The redundancy model for T-Systems Enterprise Services and T-Systems Business Services sets December 31, 2006 as the deadline for the higher voluntary redundancy payments. Additional job cuts will need to be made at Deutsche Telekom AG beginning September 1, 2006. Workforce adjustments will continue as before, covering both non-civil servants and civil servants. Until such time as Deutsche Telekom has reviewed the reasons for the ruling by the Federal Administrative Court dated June 22, 2006 that the transfer to Vivento of civil servants affected by rationalization measures is impermissible, the civil servants original organizational units will use Vivento s expertise to provide counseling and job placement services with respect to these employees.

Medium-term note issue

In July 2006, Deutsche Telekom took advantage of the market environment to issue a medium-term note of GBP 250 million. The seven-year bond was successfully placed by the participating banks.

Mobile Communications

HSDPA marketing launched in the United Kingdom

T-Mobile UK is one of the first mobile communications providers in the United Kingdom to offer its customers HSDPA the UMTS turbo with speeds of up to 1.8 Mbit/s. At the time of its launch in early August 2006, the network already covered 65 percent of the population. Having introduced HSDPA in Germany, Austria, the Netherlands, and Hungary, T-Mobile is now underlining its innovative strength in mobile broadband also in the United Kingdom.

Introduction of new data communication rates in Germany

T-Mobile Deutschland introduced new, attractive data prices as of August 1, 2006, thus slashing the cost of data communications. There are four different data volumes available to suit all requirements. In addition to the data volume, all four rates include additional access time for W-LAN HotSpots.

Start of Auction 66 in the United States

T-Mobile USA, through a wholly-owned subsidiary, has filed an application to participate in the U.S. Federal Communi−cations Commission s (FCC) Auction 66, which was accepted by the FCC on July 7, 2006. In the auction, the FCC is planning to sell 1,122 spectrum licenses for so-called advanced wireless services. The auction began on August 9, 2006 and is expected to last several weeks. In line with auction rules, all participants had to make up front payments to qualify for, and register their respective interest in, a maximum amount of spectrum. The amount of the upfront payment is calculated by a formula involving the amount of spectrum per license in any given market times the population of that market times a certain minimum price set by the FCC for that market. The upfront pay−ment will either be used to fund the final payment of the spectrum won by the respective applicant, or be partially or fully refunded if the applicant does not win all or any portion of the spectrum it intended to acquire. In accordance with the FCC s eligibility requirements for bidding, the T-Mobile USA applicant made an upfront payment of approxi−mately USD 583 million. The format of the bidding will be simultaneous multi-round Internet-based bidding. The FCC will provide complete bid information after each round (e.g., who placed bids on which licenses, who provisionally won bids in that round, how much the bids were for, etc.).

EU Commission proposes price regulation for international mobile roaming

On July 12, 2006, the EU Commission issued a proposal to regulate the prices charged to consumers for using their mobile phones abroad (international roaming). According to this proposal for a regulation, the wholesale price is to be based on the average termination charge in the European Union. Calls made to domestic numbers while inside another member state may not be priced at more than twice that rate, while calls to a third member state may not exceed three times that amount. Retail prices, too, are to be capped under certain circumstances at an additional 30 percent plus VAT of the limit for the aforementioned wholesale prices. Ultimately, the price of an incoming call should not exceed 130 percent of the European average termination rate. As the regulation has yet to pass through European Parliament and requires adoption by the Council of Ministers, it is not expected to come into force before mid-2007.

Broadband/Fixed Network

IPTV launch in and outside Germany

As part of the launch of IPTV via the new high-speed network, Deutsche Telekom will not only broadcast around 100 TV channels, but also offer transmissions of the soccer matches of the first and second Bundesliga divisions in cooperation with the Pay-TV channel Premiere. In France, IPTV has already been launched by Club Internet Deutsche Telekom s French subsidiary. This new triple-play offering is the first of its kind in France to be based on the Microsoft TV software platform. Preparations for the launch of a triple-play product were also systematically driven forward in Spain in the second quarter of 2006. Ya.com, Deutsche Telekom s Spanish subsidiary, will introduce a triple-play offering based on the Microsoft TV platform in the second half of 2006. Preparations for implementing the first triple-play packages in Eastern Europe in the second half of 2006 are also successfully underway. In Croatia, for example, the first field test has been in progress since June 2006, giving approximately 1,000 customers the opportunity to test IPTV.

Regulatory order on IP bitstream access

On July 21, 2006 the Federal Network Agency submitted a draft regulatory order on IP bitstream access, i.e., bitstream access based on the Internet protocol, to the European Commission and the national regulatory authorities of the other Member States. IP bitstream access serves to enable competitors to offer access to the Internet, notably broadband access, to end users, and primarily targets the mass market. The draft order requires Deutsche Telekom AG to provide IP bitstream access on non-discriminatory terms, to keep separate accounts, and to publish a reference offer. With regard to rates, the draft proposes ex-ante approval. The European Commission and the national regulatory authorities of the other Member States have a month to comment on this draft.

T-One launched on August 3, 2006

T-One combines the advantages of the fixed network, the Internet and mobile communications. Whether at home, on the move or in one of T-Com and T-Mobile s HotSpots, customers can now talk and send text and multimedia messages using a single handset. This means that customers can be reached via the same fixed-network number. Customers receive all services, including voice mail, a directory, and a bill, simply and conveniently all from a single source.

Business Customers

T-Systems supports multimedia experience of the Guggenheim Collection in Bonn

The Art & Exhibition Hall of the Federal Republic of Germany in Bonn has introduced a multimedia exhibition guide for the Guggenheim Collection, which opened on July 20, 2006. This is the first time that such technology has been used for an exhibition in Germany. The Personal Art Assistant explains in texts, sound sequences and films the works of the world-famous art collection, which is being exhibited for the first time in Europe thanks to sponsorship from Deutsche Telekom AG.

T-Systems solution combines fixed-network and mobile communications with a single number

T-Systems combines fixed-network and mobile communications for small and medium-sized enterprises. No matter what their location on the move, on the company premises, or at their desk the Octopus Open Mobility solution enables employees to be reached under the same fixed-network number. Even staff whose place of work varies have a single number.

Development of revenue and profit

Changed market prospects

Despite the strong developments relating to our international sales markets, particularly in the United States and the United Kingdom, current developments on our domestic sales markets, such as the slowing growth on the mobile communications market, as well as the faster than expected decline in prices on the telecommunications markets for consumer broadband and business voice telephony, mean that prior expectations for the development of revenue and profit have had to be lowered.

On the basis of the expected market situation, we are now aiming to generate revenues of between EUR 61.5 billion and EUR 62.1 billion in the full 2006 financial year. In the subsequent year 2007, we expect moderate revenue growth.

Consequences for management of the Company

We are responding to the challenges of the rapid technological changes and the strong competition in the telecommunications industry with specific measures to ensure the long-term sustainability of customer relationships and thus the development of revenue and profit.

On the product side, investments in future product areas, as well as the planned simplifications of price structures, are expected to safeguard Deutsche Telekom s customer relationships and revenues. Additional cost reduction measures, achieved with the help of increased rationalization investments, such as in new, more cost efficient IP-based networks, are expected to improve the development of profit and therefore ensure the long-term sustainability of cash flow.

The immense changes in our market environment in particular the rapid technological change are forcing Deutsche Telekom to adjust its workforce structure. As a result, Deutsche Telekom has set the target of reducing the number of jobs at Deutsche Telekom AG by 19,000 net by 2008. The workforce reduction budgeted to date will be implemented using voluntary partial retirement arrangements or severance payments. A total of approximately EUR 3.3 billion has been budgeted for this purpose.

Mobile Communications

Mobile Communications expects net revenue to grow in 2006, with T-Mobile USA remaining the primary growth driver. Regulatory decisions and the further development of the U.S. dollar and British pound sterling (GBP) exchange rates may have an effect on Mobile Communications revenue and profit measured in euros.

Broadband/Fixed Network

The Broadband/Fixed Network strategic business area expects net revenue to decline on the whole in 2006 due to intense competition and price reductions. The planned introduction of innovative products like the T-One DualPhone or triple-play services, as well as other measures aimed at defending the existing customer base, are intended to stabilize the revenue trend beginning in 2007.

Business Customers

The Business Customers strategic business area expects a decline in revenue and profit for the 2006 financial year, due primarily to the slowing growth in the IP solutions market and the intensifying domestic price reductions in other markets.

RISK SITUATION

Appraisal rights proceedings

In July 2006, Deutsche Telekom AG was served the initial applications for a court review of the fairness of the exchange ratio stipulated in the merger agreement between Deutsche Telekom AG and T-Online International AG dated March 8, 2005. Under the German Reorganization and Transformation Act (*Umwandlungsgesetz*), former shareholders of T-Online International AG whose shares were exchanged for Deutsche Telekom shares following the merger can request the Frankfurt/Main Regional Court to review the fairness of the exchange ratio within a period of three months from the date on which the entry of the merger is deemed announced in accordance with the provisions of the Reorganization and Transformation Act. These proceedings are known as appraisal rights proceedings (*Spruchstellenverfahren*). If the outcome of these proceedings shows that the exchange ratio for the T-Online shares is too low, the competent court will stipulate a supplementary cash payment to be paid by Deutsche Telekom AG to all former shareholders of T-Online International AG whose shares were exchanged for shares of Deutsche Telekom AG within the framework of the merger. The exchange ratio stipulated in the merger agreement was set on the basis of company valuations that were conducted by Deutsche Telekom AG and the former T-Online International AG with the support of two audit firms. Following the signature of the merger agreement, the independent merger auditor selected and appointed by order of court also stated that according to his findings, the exchange ratio is fair.

Toll Collect

The toll collection system has proved its value and meets all of the technical requirements of the operator agreement. DaimlerChrysler Financial Services AG, Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes SA (Cofiroute) and Toll Collect GmbH are currently negotiating with the Federal Republic on the issue of a final operating permit. Should the permit not be issued, the Federal Government may terminate the operator agreement which would also entitle it to exercise a call option on the shares in Toll Collect GmbH.

CORPORATE GOVERNANCE

In the most recent Declaration of Conformity released on December 12, 2005 pursuant to § 161 of the German Stock Corporation Act, the Board of Management and Supervisory Board of Deutsche Telekom AG declared that Deutsche Telekom AG had complied with the recommendations of the Government Commission for a German Corporate Governance Code, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on July 20, 2005, without exception. The full text of the Declaration of Conformity can be found on Deutsche Telekom s website (www.deutschetelekom.com). The Declaration of Conformity by the former publicly traded subsidiary T-Online International AG, which was merged with Deutsche Telekom AG on June 6, 2006, has been made available to shareholders on T-Online International AG s website.

Deutsche Telekom AG shares are listed as American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE). As a result, Deutsche Telekom is subject to the NYSE listing rules as well as to U.S. capital market legislation, in particular the Sarbanes-Oxley Act of 2002 and associated regulations of the Securities and Exchange Commission (SEC) for listed foreign entities. A general summary of the main differences between German corporate governance rules and those of the NYSE that apply to U.S. entities is included in Deutsche Telekom s Annual Report on Form 20-F for the 2005 financial year, and is also published on the Company s homepage at www.deutschetelekom.com under Investor Relations/Corporate Governance.

On April 19, 2006 Deutsche Telekom AG introduced a Code of Conduct, which since the merger has also applied to T-Online. The Code of Conduct management tool was introduced worldwide using the established dialog sessions bet−ween executives and staff throughout the Group. In terms of its implementation in line with the principle of ethical man−agement, executives play a key role. In order to fulfill that role they are given training. The Code of Conduct is a bridge between the relevant legislation and T-Spirit, the Group s set of worldwide corporate values, and its Group policies. It also fulfills the requirements that have to be met by Deutsche Telekom as a listed company. The Code of Conduct is Deutsche Telekom s way of linking value management and ethical management with compliance and anti-fraud management, while creating transparency in communicating these issues coherently to the Company s employees. Upon introducing the Code of Conduct, the Group also set up a centralized communication interface, the so-called Ethics Line, which all stakeholders may use to report violations and make inquiries in connection with the Code of Conduct.

OTHER DISCLOSURES

Magyar Telekom

As previously announced, Magyar Telekom is still inquiring into certain contracts (and certain actions taken subsequent to these contracts including potential interference with the investigation) to determine whether they have been entered into in violation of company policy or applicable law or regulation. This inquiry, which is being conducted by an independent law firm and supervised by Magyar Telekom s Audit Committee, is still ongoing. Magyar Telekom also announced that due to the delay to the respective General Meetings, it and some of its subsidiaries have failed and may fail to meet certain deadlines prescribed by Hungarian and other applicable laws and regulations for preparing and filing audited annual results.

Magyar Telekom has notified the Hungarian Financial Supervisory Authority, the U.S. Securities and Exchange Commission and the U.S. Department of Justice of the investigation and is in contact with these authorities regarding the investigation. The Hungarian Financial Supervisory Authority ordered Magyar Telekom to prepare its annual report and to take all possible and necessary legal measures in order to comply with the statutory obligations. Magyar Telekom is currently investigating the legal solutions to hold a General Meeting and prepare the annual report as soon as possible. No assurance can be given that, as a result of the investigation, Magyar Telekom s financial statements for 2005 and financial statements for any other period will not vary from those published prior to the completion of the investigation.

Articles of Incorporation

On May 24, 2006, we registered in the Commercial Register (*Handelsregister*) of the District Court (*Amtsgericht*) in Bonn, Germany, amendments to our Articles of Incorporation (Satzung). The amended Articles of Incorporation reflect the resolutions adopted by the shareholders at the Annual General Meeting (*Hauptversammlung*) on May 3, 2006. The attached Exhibit 99.1 is a convenience English translation of the amended Articles of Incorporation. Accordingly, in all matters involving the Articles of Incorporation, the German language document shall control.

Share Buyback

On August 10, 2006, the Management Board resolved to exercise the authorization granted by the General Shareholders Meeting on May 3, 2006 to repurchase its own shares and to cancel the shares according to § 71 para. 1 No. 8 of the German Stock Corporation Act (*Aktiengesetz*) AktG. The Supervisory Board subsequently approved the repurchase and cancellation. In total, 62,730,182 shares of Deutsche Telekom AG are to be repurchased, which corresponds to the number of shares that were newly issued in connection with the merger of T-Online International AG with Deutsche Telekom AG. The share buyback is carried out for the sole purpose of cancelling the recently issued shares with the consequence of reducing the share capital by a like amount. The buyback is expected to commence in August 2006 and will end no later than September 30, 2006. The buyback will be facilitated by an independent broker, who will have full authority to execute trades as appropriate and in accordance with applicable law.

Legal proceedings updates

The companies in our group are involved in a number of legal proceedings in the ordinary course of our business. A detailed discussion of litigation affecting our business is included in Item 8. Financial Information Legal Proceedings in our 2005 Annual Report on Form 20-F. Additional developments have been described in our subsequent Report on Form 6-K filed on May 17, 2006. Further developments are summarized below.

Release Proceedings Relating to the T-Online Merger

Some T-Online shareholders had filed lawsuits with the District Court in Darmstadt (*Landgericht Darmstadt*) challenging the validity of the resolution approving the merger agreement of March 8, 2005, between T-Online International AG and Deutsche Telekom AG, adopted at the T-Online International AG Shareholders Meeting on April 29, 2005. On August 12, 2005, T-Online filed an application for release with the District Court in Darmstadt, seeking an order preventing the lawsuits of such shareholders from standing in the way of the merger s registration in the commercial registers of T-Online and Deutsche Telekom in Darmstadt and Bonn, respectively, and thus becoming effective. On November 29, 2005, the District Court rejected T-Online s application for release.

On December 9, 2005, T-Online filed an immediate appeal with the Court of Appeals in Frankfurt am Main (*Oberlandesgericht Frankfurt a.M.*) in the release proceedings. In response to T-Online s appeal, the Court of Appeals set aside the decision of the Darmstadt District Court and found that such lawsuits do not stand in the way of the registration of the merger with Deutsche Telekom in the commercial register. Appeals had been filed with the Federal Court of Justice (*Bundesgerichtshof*) by some of the opposing parties in the release proceedings, such opposing parties being shareholders who have filed lawsuits challenging the validity of the resolution approving the merger. The Federal Court of Justice, approved the decision of the Court of Appeals; such final and binding decision was communicated by the court on June 1, 2006. As mentioned above, the merger was registered in the commercial registers on June 6, 2006 and became effective on such date.

To the extent that the plaintiffs have not withdrawn their lawsuits, the main proceedings on the lawsuits challenging the validity of the T-Online shareholder s resolution approving the merger agreement continue. However, even if the plaintiffs prevailed, these lawsuits would not lead to an annulment of the merger, but the court could only find Deutsche Telekom liable for damages. The now competent court of first instance, the District Court in Frankfurt am Main (*Landgericht Frankfurt a.M.*), has not set a date for a court hearing yet. Deutsche Telekom is of the opinion that such law suits are without any merit.

Damage Proceedings Relating to the Voluntary Public Offer for T-Online Shares

On December 2005, four shareholders of T-Online International AG who had tendered their T-Online shares in the voluntary public offer by Deutsche Telekom to acquire T-Online shares filed suit with the District Court in Frankfurt am Main (Landgericht Frankfurt a. M.). These plaintiffs allege that Deutsche Telekom had provided incomplete information in connection with the offer, and therefore requested a declaratory judgment to the effect that Deutsche Telekom is liable for damages. Plaintiffs have not yet specified the amount of damages sought. The District Court in Frankfurt am Main dismissed the lawsuits on June 19, 2006. This decision is not yet final and binding. Appeals have been filed by the plaintiffs.

German Prospectus Liability Suits

Since 2001, purported purchasers of our shares sold pursuant to prospectuses dated May 28, 1999, and May 26, 2000, have filed numerous lawsuits in Germany, predominantly alleging that the book values of our real property portfolio were improperly established and maintained under German GAAP. With its decision of July 11, 2006, the District Court (*Landgericht*) in Frankfurt am Main initiated master proceedings, pursuant to the new Act on Model Case Proceedings in Disputes Under Capital Markets Law (*Kapitalanleger-Musterverfahrensgesetz*), with respect to the prospectus dated May 26, 2000. In addition, the court has indicated that it will also initiate master proceedings with respect to the prospectus dated May 28, 1999. The findings of the Court of Appeals (*Oberlandesgericht*) in its master decision, relating to common questions of law and fact, will be binding upon all parties in the main proceedings.

Vodafone Czech Republic

In May 2004, Vodafone Czech Republic (formerly Oskar Mobil) filed a lawsuit in the Municipal Court in Prague (*Mêstský soud v Praze*), seeking damages in the amount of CZK 614,909,677 (approximately EUR 19.5 million). Vodafone Czech Republic states that it suffered damage due to discrimination in the retail prices of calls from T-Mobile Czech Republic s network to Vodafone Czech Republic s network. The Municipal Court in Prague has re-scheduled the hearing in this matter from April 5, 2006, to September 13, 2006.

Deutsche Post AG Logistics

On May 29, 2006, Deutsche Post AG initiated arbitration proceedings against us, based on alleged warranty claims arising out of a contractual agreement in 2000, pursuant to which we sold a number of our logistics centers to Deutsche Post AG. The statement of claims asserts claims for damages in the amount of EUR 37 million and further claims for unspecified damages relating to allegedly missing building permits. We expect these further claims to amount to approximately EUR 68 million. Although the outcome of these arbitration proceedings is difficult to predict, we believe that the claims are mostly unsustainable. We are vigorously contesting these claims.

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Reimbursement and Damages for Subscriber Data Costs

In December 2004, and January and February 2005, a number of telephone directory service providers, especially telegate AG, who receive data from us relating to subscribers of voice telephony services for the purpose of providing their own directory services, filed lawsuits with the District Court in Cologne in the aggregate amount of approximately EUR 100 million, plus interest, claiming reimbursement for payments made to us since 1999. A first oral hearing in this matter took place before the District Court in Cologne on June 26, 2006; a second oral hearing is scheduled to take place on November 3, 2006.

Yellow Pages Trademark Proceeding

In August 2006, the German Patent and Trademark Office *(Deutsche Patent-und Markenamt)* cancelled our rights to exclusive use of the trademarks Gelbe Seiten and Yellow Pages. We intend to file an appeal of the decision.

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Consolidated financial statements

Consolidated income statement (unaudited)

	For the three months ended June 30, 2006	2005	Change %	For the six months ended June 30, 2006	2005	Change %	For the year ended December 31, 2005
	(millions of , except where indicated)			(millions of , except where indicated)			
Net revenue	**15,130**	**14,743**	**2.6**	**29,972**	**29,031**	**3.2**	**59,604**
Cost of sales	(8,057)	(7,688)	(4.8)	(15,878)	(15,213)	(4.4)	(31,862)
Gross profit	**7,073**	**7,055**	**0.3**	**14,094**	**13,818**	**2.0**	**27,742**
Selling expenses	(4,014)	(3,511)	(14.3)	(7,788)	(6,946)	(12.1)	(14,683)
General and administrative expenses	(1,101)	(1,047)	(5.2)	(2,178)	(2,073)	(5.1)	(4,210)
Other operating income	256	354	(27.7)	606	633	(4.3)	2,408
Other operating expenses							