DEUTSCHE TELEKOM AG
Form 6-K
May 11, 2007

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 May 2007

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 ¨

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 ¨ 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 three-month period ended March 31, 2007. 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, targets, goals, outlook 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 and personnel reductions; 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 initiatives and outcome of labor negotiations; the effects of a strike or other form of labor action by our employees 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 additional 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, 2006 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.

This Report also contains forward-looking statements that reflect the current views of management with respect to future market potential, such as the Outlook statements, as well as our dividend outlook, and include generally any information that relates to expectations or targets for revenue or other performance measures.

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 1.3549, which was the noon buying rate on May 9, 2007.

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 audited consolidated financial statements contained in our Annual Report on Form 20-F for the year ended December 31, 2006.

International Finacial Reporting Standards (IFRS)

You should read the following discussion, which has been prepared in accordance with the requirements of the International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB), and as adopted by the European Union (E.U.) as of the date of the financial statements included in this report, in conjunction with the annual consolidated financial statements, including the notes to those financial statements, contained in our Annual Report on Form 20-F for the year ended December 31, 2006 filed with the Securities and Exchange Commission. All International Financial Reporting Standards issued by the IASB, effective at the time of preparing the consolidated financial statements and applied by Deutsche Telekom, have been adopted for use in the E.U. by the European Commission. The consolidated financial statements of Deutsche Telekom also comply with International Financial Reporting Standards as published by the IASB. Therefore, there are no differences and a reconciliation between International Financial Reporting Standards as adopted by the E.U. (E.U. GAAP) and International Financial Reporting Standards as published by the IASB is not needed. E.U. GAAP and International Financial Reporting Standards as published by the IASB are referred to hereafter, collectively, as IFRS . IFRS differs 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 and our consolidated subsidiaries, see Item 5. Operating and Financial Review and Prospects Reconciling Differences between IFRS and U.S. GAAP and notes (50) and (51) to our consolidated financial statements contained in our Annual Report on Form 20-F.

DEUTSCHE TELEKOM AT A GLANCE

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Net revenue	15,453	14,842	611	4.1	61,347
Domestic	7,793	8,208	(415)	(5.1)	32,460
International	7,660	6,634	1,026	15.5	28,887
Profit from operations	1,795	2,318	(523)	(22.6)	5,287
Profit (loss) from financial activities[a]	(749)	(550)	(199)	(36.2)	(2,683)
Profit before income taxes[a]	1,046	1,768	(722)	(40.8)	2,604
Depreciation, amortization and impairment losses	(2,748)	(2,570)	(178)	(6.9)	(11,034)
Net profit[a]	459	1,090	(631)	(57.9)	3,165
Earnings per share/ADS[a,b], basic and diluted ( )	0.11	0.26	(0.15)	(57.7)	0.74
Net cash from operating activities[c]	2,065	2,797	(732)	(26.2)	14,222

Number of employees at balance sheet date

		Mar. 31, 2007	Dec. 31, 2006	Change Mar. 31, 2007/ Dec. 31, 2006 %	Mar. 31, 2006	Change Mar. 31, 2007/ Mar. 31, 2006 %
Deutsche Telekom Group		247,125	248,800	(0.7)	248,982	(0.7)
Non-civil servants		207,163	208,420	(0.6)	204,818	1.1
Civil servants		39,962	40,380	(1.0)	44,164	(9.5)
Number of fixed-network and mobile customers						
Telephone lines[d]	(millions)	50.8	51.6	(1.6)	53.9	(5.8)
Broadband lines[e]	(millions)	12.7	11.7	8.5	9.4	35.1
Mobile customers[f]	(millions)	109.2	106.4	2.6	99.2	10.1

a As of December 31, 2006, we voluntarily changed our accounting policies relating to provisions for pensions as permitted under IAS 19.93A, which allows for actuarial gains and losses to be recognized directly under retained earnings in shareholders equity. We believe that fully recognizing actuarial gains and losses when they occur results in a better presentation of the financial position in the balance sheet. The corresponding prior-year comparatives have been adjusted accordingly. For more information see note (29) to the consolidated financial statements contained in our Annual Report on Form 20-F for the year ended December 31, 2006.

b One ADS (American Depositary Share) corresponds to one ordinary share of Deutsche Telekom AG.

c Current finance lease receivables were previously reported in net cash from operating activities. From January 1, 2007, they are reported in net cash from investing activities. Prior-year figures have been adjusted accordingly.

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

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

f Number of customers of the fully consolidated mobile communications companies of the Mobile Communications strategic business area.

Highlights

Group

Staff restructuring continues.

The Group is continuing to implement its staff restructuring program in Germany. During the first quarter of 2007, employees continued to be receptive to the severance and other packages offered in connection with the socially responsible adjustment of staff levels toward our previously announced goal of an aggregate of 32,000. Through voluntary staff reduction programs, natural attrition and divestitures, around 15,300 employees have left the Group since 2006, of which 3,200 left during the first quarter of 2007. Besides these staff reduction effects, negotiations on the sale of further parts of the Vivento business models were brought to a successful conclusion. On January 26, 2007, Vivento Customer Services GmbH sold two further sites in Suhl und Cottbus to walter ComCare Gmbh & Co. KG. Around 400 staff members at these sites have changed employers as of April 1, 2007 by means of a transfer of operations. On May 1, 2007, five additional Vivento Customer Services locations in Rostock, Neubrandenburg, Potsdam, Erfurt and Stuttgart were sold to arvato AG. Around 1,100 staff members will change employers as part of the transfer of operations. Long-term contract commitments were also given under the terms of this disposal in order to safeguard the transferred jobs until varying periods through 2008.

Milestones for greater quality of service.

On March 1, 2007, the 600th T-Punkt store opened its doors. As part of the initiative to improve service, the Group plans to expand the number of T-Punkt stores to a total of 786 by the end of this year and further enhance the quality of personalized customer care by recruiting additional staff. In addition, the Group will increase the number of sales partners to around 1,000 in order to strengthen direct sales and the quality of service. The T-Com and T-Mobile joint partner program will provide a solid foundation for more intensive cooperation with retailers and will enable the entire product portfolio to be offered throughout Germany by particularly well-qualified partners. Retailers will benefit from significantly enhanced sales opportunities as a result of being integrated into advertising activities covering the whole country. For customers, combining sales strengths in mobile communications and fixed-network products is expected to result in an increase in the quality of customer care.

Outcome of Deutsche Telekom AG negotiations on training.

On March 16, 2007, Deutsche Telekom reached agreement with ver.di, the service industry trade union, on the annual number of trainees until 2010 and on trainees pay. The agreement provides for 4,000 traineeships to be offered in 2007 the same number as in past years. This demonstrates the Group s high level of commitment to training this year as in previous years, despite the continuing reduction in employee numbers and the high financial cost of socially acceptable staff restructuring measures.

Furthermore, we agreed to a higher than average annual trainee ratio of 2.9 percent of the domestic workforce for 2008 through 2010. We believe we are setting an example for other companies and sectors with this high proportion of trainees. New terms were also agreed for trainees pay, applying to all trainees beginning their training from 2007 onwards.

HotSpot network expanded.

T-Mobile is Lufthansa s new partner for the public WLAN service in Lufthansa lounges. This will enable passengers in virtually all Lufthansa lounges worldwide to benefit from high-quality mobile broadband access. As of the end of March 2007, HotSpots are also available in the lounges in Milan and Dubai. Further HotSpots in Atlanta and Boston will follow by the end of June 2007. Passengers with WLAN-enabled equipment can choose between a free information service provided by Lufthansa and direct, chargeable Internet access. Together with T-Com, T-Mobile now operates around 20,000 HotSpots worldwide and is therefore one of the world s leading public WLAN operators. T-Com has also added new sites to its HotSpot network with wireless Internet access availability at 25 major German rail stations using the public WLAN infrastructure since the end of February 2007. The service is based on a wide-ranging cooperation agreement with Deutsche Bahn. As a result, passengers can log on to the Internet quickly and easily at DSL speeds, enabling them to download e-mails, surf the Web or make low-cost Internet telephone calls.

Successful medium-term note issue.

Deutsche Telekom took advantage of the favorable market environment in March 2007 to successfully place a EUR 500 million medium-term note. The five-year floating rate note was successfully placed with institutional investors.

Mobile Communications

Consistent modernization of the mobile network.

T-Mobile Deutschland is proceeding with the further enhancement of its mobile network. By comprehensively upgrading more than 5,000 base transceiver stations, T-Mobile is increasing the bandwidth and performance capability of the T-Mobile network and is thus laying the foundations for further extending the coverage of the mobile broadband technology EDGE (Enhanced Data Rates for GSM Evolution). In addition, the new technology will permit a reduction of around 30 percent in the energy consumption of the base stations. The modernization project is expected to be completed by the end of 2007. T-Mobile will then be the only mobile communications operator in Germany to make EDGE available in the entire nationwide T-Mobile network. EDGE will accelerate mobile data transfer to up to 220 kbit/s, four times faster than ISDN in the fixed network. In parallel with further developing the GSM network, T-Mobile is pressing ahead with the expansion of the UMTS network. T-Mobile is the first mobile communications operator in Germany to equip the entire UMTS network with High-Speed Downlink Packet Access (HSDPA) technology. HSDPA offers transfer rates of up to 3.6 Mbit/s. It is expected that speeds will double to up to 7.2 Mbit/s as early as this year.

First flat rate for mobile e-mails and successful MyFaves community service.

In March 2007, T-Mobile launched the first flat rate for mobile e-mail communication. With Mobile E-Mail, T-Mobile customers can receive and send unlimited e-mails using their mobile phones for only EUR 3.95 per month. At CeBIT 2007, T-Mobile announced the start of two community services, Super SMS and MyFaves. The innovative Super SMS service, which T-Mobile will introduce in the second half of 2007, enables mobile users to chat away and follow the entire conversation in text form on the display. With MyFaves, T-Mobile will be bringing one of T-Mobile USA s most successful consumer services so far, to Europe later this year. MyFaves allows customers easy access to their five favorite contacts with personalized icons or photos on their mobile phones. T-Mobile is currently working together with leading mobile manufacturers to provide a comprehensive mobile phone offering for MyFaves.

T-Mobile USA takes leading position in customer service ranking.

In March 2007, Business Week, a leading U.S. business periodical, listed T-Mobile USA as one of the 25 best service companies in the United States in its first ranking. T-Mobile USA was the only mobile communications company among the top 25 and therefore ranks among especially service-oriented companies, such as Starbucks, Ritz-Carlton and Apple.

Broadband/Fixed Network

Strongest growth in DSL retail in one quarter.

In the first quarter of 2007, the Broadband/Fixed Network strategic business area posted the strongest quarterly DSL retail growth yet. The absolute number of new DSL retail additions came to 572,000, after gaining 563,000 in the fourth quarter of 2006. This growth is mainly due to the successful introduction of the new complete packages rate plans.

T-Com s triple-play service offers Germany s most comprehensive High Definition TV (HDTV) service via IPTV.

Since the end of January 2007, ProSiebenSat.1 Media AG s high-definition channels have been receivable via T-Home (www.t-home.de). T-Com s triple-play service therefore provides the most wide-ranging HD offering in Germany via IPTV. This also includes a large proportion of the Bundesliga soccer matches available from T-Home. T-Com is the only provider capable of offering live transmissions, as well as recordings available on demand at any time from TV archives, in high-definition picture quality. High-definition television provides a higher level of sharpness and detail resolution than the conventional PAL television signal.

Business Customers

T-Systems wins major contract from British energy group Centrica plc.

The British energy group Centrica plc. has awarded T-Systems a major contract for IT outsourcing. The outsourcing services comprise the operation of the IT infrastructure and desktop support for more than 23,000 computer workstations in the United Kingdom. The agreement also includes the transfer of 230 jobs and two computing centers to T-Systems. Under the British Gas brand, Centrica supplies around 10 million customers with electricity and gas. The United Kingdom is the largest information and communications technology market (ICT) in Europe, and this deal represents a milestone in T-Systems international growth strategy for its ICT services. The data centers to be transferred to T-Systems provide a solid platform for the company s future expansion in the British IT market. The contract is the largest ever signed by T-Systems with a new customer.

T-Systems connects Allianz subsidiaries in Eastern Europe.

T-Systems is to set up and operate a standardized voice and data solution for six Eastern European subsidiaries of Allianz New Europe Holding. The new high-performance network will support the insurance and financial services provider in its international growth strategy. T-Systems will provide the network platform for connection to the Allianz Service Center, which will combine and standardize the different applications already in place in the individual countries. Additional countries can be connected quickly and flexibly to the voice and data network and can continue to use their existing applications without the need for extra development costs.

Group Strategy

Our market and competitive environment continues to present huge challenges for the Group. We plan to meet these challenges with a strategy that is focused on four core areas:

- Safeguard competitiveness in Germany and Eastern Europe;
- Grow abroad with mobile communications;
- Mobilize the Internet and the Web 2.0 trend; and
- Seek partnership for T-Systems.

Safeguarding competitiveness

We initiated a series of measures to safeguard our competitiveness, above all in Germany. We intend to achieve growth in the promising broadband market by launching broadband packages for fixed-network and mobile communications, as well as innovative services. The Group s brand identity in the consumer market is being simplified, with a second brand being developed for the price-sensitive, young customer segment. We are also systematically tackling our cost structure and, at the same time, steadily pursuing our goal of becoming the service leader.

We will continue to invest in upgrading the network infrastructure for IPTV and bundled products in Germany. We plan to equip a total of 50 cities with VDSL and connect them to the platform by the end of 2008. This year, we will also offer IPTV and triple-play, based on ADSL2+ technology, in a total of 750 cities. A total of around 17 million households will therefore be able to use innovative products and access attractive content in the form of TV channels and movies.

T-Mobile Deutschland will continue building on its leading position with new community services and the further development of the web n walk mobile Internet service. The HSDPA network, soon to provide bandwidths of up to 7.2 Mbit/s, together with powerful terminal equipment and attractive data prices, will be the growth engines for mobile broadband. Personalizing communication in social networks is being actively promoted as the principal value driver. By introducing offers such as MyFaves a hit in the United States or the innovative chat service Super SMS, we will implement attractive service packages for our customers this year.

Brand architecture is to be radically simplified for a better customer focus. T-Home will offer services for the home and T-Mobile for on the move. T-Systems will remain the business customer brand. In addition, a second brand incorporating mobile communications and DSL offerings specifically aimed at particularly price-conscious customers will be launched this summer.

Given the intense competition, it is imperative that we improve our cost structure. The goal of the Save for Service program is to reduce costs by EUR 2 billion in 2007 alone. By 2010, total savings of between EUR 4.2 billion and EUR 4.7 billion are expected to be realized. Costs are to be cut by migrating the network infrastructure to IP technology, for instance, and by consolidating all of the Group s service units into a new unit. Telekom Service will help to improve quality standards in customer service significantly. Our service units intend to maintain rapid levels of availability and responsiveness 80 percent of contacts in 2008 within 20 seconds, ensure that 90 percent of all service appointments are kept, and resolve 80 percent of matters raised by customers upon first contact.

Growing abroad with mobile communications

The focus in terms of customer growth continues to be on the United States, with more than 5 million customer additions in 2007 and 2008. The number of customers in Europe is also expected to increase. Various trends can be seen in the mobile communications markets from which the Group intends to benefit particularly growth in voice traffic through fixed-mobile substitution, the increase in data traffic, and greater WLAN use. Rising sales of data devices, such as laptops with embedded data cards or Blackberry s and web n walk-enabled cell phones, should promote positive development in mobile data revenue.

In addition, acquisitions in the mobile communications sector are possible as part of our growth strategy. This relates to markets in which we are already present and possible activities outside the Company s current footprint. This potential growth through acquisitions would likely be financed through the sale of non-strategic business units.

Mobilizing the Internet and the Web 2.0 trend

The current trends in the industry are mobile Internet access, Web 2.0 (where users play an active role in shaping Internet content), and personal and social networking between users. We plan to actively participate in these growing trends. With web n walk, we already provide mobile, multi-portal Internet access to our customers. Mobile blogging and other forms of personal and social networking will also be made available via mobile communications. In addition, we are looking toward partnerships with other providers to integrate popular Internet services and toward investing and entrepreneurial involvement in new relevant products and concepts. Accordingly, we plan to retain customers and attract new customers with calling plans designed to increase usage, Internet-based services, innovative terminal equipment, and access to popular content.

Partnership for T-Systems

While margins in the telecommunications sector for business customers are shrinking, the information technology (IT) market is growing. The ICT (information and communications technology) area is growing as a result of increased business process outsourcing in particular and the intensifying convergence of IT and telecommunications. An international footprint and a significant scale are crucial for growth in this segment. We plan to further develop this business with international key accounts. The aim is to enter into a strategic partnership to gain the necessary resources for successful development and become a sizeable international player to leverage economies of scale.

BUSINESS DEVELOPMENTS IN THE GROUP

Net revenue

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Net revenue	15,453	14,842	611	4.1	61,347
Mobile Communications[a]	8,400	7,575	825	10.9	32,040
Broadband/Fixed Network[a,b]	5,832	6,125	(293)	(4.8)	24,515
Business Customers[a,b]	2,906	3,063	(157)	(5.1)	12,869
Group Headquarters & Shared Services[a,b]	952	892	60	6.7	3,758
Intersegment revenue[c]	(2,637)	(2,813)	176	6.3	(11,835)

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

b Since January 1, 2007, reporting of Magyar Telekom has included a further breakdown into the business areas Business Customers and Group Headquarters & Shared Services. In previous periods, these areas were reported under Broadband/Fixed Network. Prior-year figures have been adjusted accordingly.

c Elimination of revenue between strategic business areas.

In the first quarter of 2007, we continued the positive overall revenue growth of the previous year. Net revenue increased by EUR 611 million to EUR 15,453 million, an increase of 4.1 percent, compared to the same period last year. This favorable development was partially driven by customer growth at T-Mobile USA and T-Mobile UK. There were also consolidation effects totaling EUR 695 million, particularly from the first-time consolidation of gedas, tele.ring and PTC during 2006. Additionally, exchange rate effects totaling EUR 261 million, especially from the translation of U.S. dollars to euros, had a negative impact on net revenue for the quarter ended March 31, 2007.

The Mobile Communications strategic business area was again the major revenue driver, with net revenue growth of 10.9 percent year-on-year. In addition to customer growth in the United States and the United Kingdom, the full consolidation of PTC as of November 1, 2006 and of tele.ring as of May 1, 2006, also contributed to the year-on-year increase in net revenues.

In contrast, total revenue for the Broadband/Fixed Network strategic business area declined, mainly due to line losses, which also led to declines in call revenues. Additionally, there was also a decline in net revenues from interconnection services. Price pressures in the broadband market also had an impact on the decline in net revenues. This revenue decrease was partly offset by volume growth in DSL resale and in unbundled local loop access.

The Business Customers strategic business area also reported a decrease in net revenues. This decrease was primarily due to lower revenues in the telecommunications services area from multinational business customers and customers in the Business Services area due to continuing price pressures and fierce competition in the voice and data services markets.

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

	Q1 2007 millions of	Proportion of net revenue of the Group %	Q1 2006 millions of	Proportion of net revenue of the Group %	Change millions of	Change %	FY 2006 millions of
Net revenue	15,453	100.0	14,842	100.0	611	4.1	61,347
Mobile Communications	8,246	53.4	7,405	49.9	841	11.4	31,308
Broadband/Fixed Network[a]	4,935	31.9	5,153	34.7	(218)	(4.2)	20,366
Business Customers[a]	2,183	14.1	2,203	14.8	(20)	(0.9)	9,301
Group Headquarters & Shared Services[a,]	89	0.6	81	0.6	8	9.9	372

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a Since January 1, 2007, reporting of Magyar Telekom has included a further breakdown of results into the business areas Business Customers and Group Headquarters & Shared Services. In previous periods, these areas were reported under Broadband/Fixed Network. Prior-year figures have been adjusted accordingly.

The Mobile Communications strategic business area further increased its share of net revenue. At 53.4 percent, T-Mobile made the largest contribution to net revenue within the Group in the reporting period. The percentage of net revenue generated by the Broadband/Fixed Network and Business Customers strategic business areas was 31.9 percent and 14.1 percent, respectively.

Net revenue generated outside Germany

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Net revenue	15,453	14,842	611	4.1	61,347
Domestic	7,793	8,208	(415)	(5.1)	32,460
International	7,660	6,634	1,026	15.5	28,887
Proportion generated internationally (%)	49.6	44.7			47.1
Europe (excluding Germany)	4,099	3,234	865	26.7	14,823
North America	3,475	3,332	143	4.3	13,700
Other	86	68	18	26.5	364

The Group s international net revenue increased by EUR 1,026 million year-on-year to EUR 7,660 million. The proportion of net revenue generated outside Germany also increased by 5 percentage points to 49.6 percent. The key factor behind this successful international growth was the positive revenue trend at T-Mobile USA and T-Mobile UK, as well as the first-time full consolidation of PTC.

Profit (loss) from Operations

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Profit (loss) from operations in the Group	1,795	2,318	(523)	(22.6)	5,287
Mobile Communications	1,066	1,055	11	1.0	4,504
Broadband/Fixed Network[a]	976	1,270	(294)	(23.1)	3,356
Business Customers[a]	44	112	(68)	(60.7)	(835)
Group Headquarters & Shared Services[a]	(250)	(118)	(132)	n.m.	(2,138)
Reconciliation	(41)	(1)	(40)	n.m.	400

n.m. not meaningful

a Since January 1, 2007, reporting of Magyar Telekom has included a further breakdown into the business areas Business Customers and Group Headquarters & Shared Services. In previous periods, these areas were reported under Broadband/Fixed Network. Prior-year figures have been adjusted accordingly.

Profit from operations decreased by EUR 523 million year-on-year to EUR 1,795 million. This decrease was primarily due to an increase in cost of sales, which exceeded revenue growth and was largely attributable to higher commission and marketing expenses, and expenses related to the sale of call center locations. While profit from operations generated by the Mobile Communications strategic business area increased, the Broadband/Fixed Network and Business Customers strategic business areas and Group Headquarters and Shared Services reported a decrease in profit from operations as compared with the first quarter of 2006. For more information, see - Strategic Business Areas.

Profit before income taxes

The Group s profit before income taxes was EUR 1,046 million in the first quarter of 2007, a decrease of EUR 722 million year-on-year. This was primarily a result of an increase in cost of sales, which exceeded revenue growth largely attributable to higher commission and marketing expenses, and expenses related to the sale of call center locations. Additionally, the loss from financial activities increased by EUR 199 million, which in the previous year included gains of EUR 196 million on the disposal of Celcom.

Net profit

At EUR 459 million, net profit for the first quarter of 2007 decreased by EUR 631 million year-on-year, mainly due to the aforementioned effects.

Cost of sales

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Cost of sales	(8,620)	(7,821)	(799)	(10.2)	(34,755)

In addition to the effects resulting from the change in the composition of the Group, the increase in the cost of sales is primarily the result of the growth in the number of customers at the Mobile Communications strategic business area and increased costs at Group Headquarters and Shared Services, offset in part by slightly reduced cost of sales at Broadband/Fixed Network.

Selling expenses

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Selling expenses	(3,973)	(3,774)	(199)	(5.3)	(16,410)

In addition to the effects resulting from the change in the composition of the Group, 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 at Mobile Communications was due to a greater number of new contracts, higher personnel costs, and advertising campaigns.

General and administrative expenses

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
General and administrative expenses	(1,065)	(1,077)	12	1.1	(5,264)

General and administrative expenses remained relatively unchanged from the prior year period, with a slight increase at Mobile Communications primarily due to the consolidation of PTC in November 2006, offset largely by decreases at Broadband/Fixed network, Business Customers and Group Headquaters and Shared Services.

Personnel

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Personnel costs	(3,479)	(3,439)	(40)	(1.2)	(16,542)

In addition to effects resulting from changes in the composition of the Group, higher personnel costs are attributable in particular to an increase in the average number of employees, primarily at T-Mobile USA, offset in part by reductions in Eastern Europe and as a result of certain call center operations.

Average number of employees

	Q1 2007	Q1 2006	Change	Change %	FY 2006
Deutsche Telekom Group	247,288	243,424	3,864	1.6	248,480
Non-civil servants	207,106	199,203	7,903	4.0	205,511
Civil servants	40,182	44,221	(4,039)	(9.1)	42,969
Trainees and student interns	10,924	10,447	477	4.6	10,346

The increase in the average number of employees was primarily caused by changes in the composition of the Group and the increased headcount at T-Mobile USA, primarily at T-Mobile USA, offset in part by reductions in Eastern Europe and as a result of the transfer of certain call center operations.

Number of employees at balance sheet date

	Mar. 31, 2007	Dec. 31, 2006	Change	Change %	Mar. 31, 2006
Deutsche Telekom Group	247,125	248,800	(1,675)	(0.7)	248,982
Germany	158,323	159,992	(1,669)	(1.0)	168,717
International	88,802	88,808	(6)		80,265
Non-civil servants	207,163	208,420	(1,257)	(0.6)	204,818
Civil servants	39,962	40,380	(418)	(1.0)	44,164
Trainees and student interns	10,906	11,840	(934)	(7.9)	10,468

The number of employees at the reporting date was influenced by the sale of call centers and continued headcount reductions in Eastern Europe.

Depreciation, amortization and impairment losses

	Q1 2007 millions of	Q1 2006 millions of	Change millions of	Change %	FY 2006 millions of
Amortization and impairment of intangible assets	(781)	(617)	(164)	(26.6)	(2,840)
of which: UMTS licenses	(228)	(222)	(6)	(2.7)	(893)
of which: U.S. mobile communications licenses	(7)			n.m.	(33)
of which: goodwill		(10)		n.m.	(10)
Depreciation and impairment of property, plant and equipment	(1,967)	(1,953)	(14)	(0.7)	(8,194)
Total depreciation, amortization and impairment losses	(2,748)	(2,570)	(178)	(6.9)	(11,034)

n.m. not meaningful

Higher depreciation, amortization and impairment losses were predominantly caused by increased amortization primarily due to the first-time consolidation in 2006 of tele.ring and PTC in the Mobile Communications strategic business area.

Profit/(loss) from financial activities

	Q1 2007 millions of	Q1 2006[a] millions of	Change millions of	Change %	FY 2006 millions of
Loss from financial activities	(749)	(550)	(199)	(36.2)	(2,683)
Finance costs	(658)	(658)	0		(2,540)
Interest income	47	73	(26)	(35.6)	297
Interest expense	(705)	(731)	26	3.6	(2,837)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	3	32	(29)	(90.6)	24
Other financial income (expense)	(94)	76	(170)	n.m.	(167)

n.m. not meaningful

a As of December 31, 2006, we voluntarily changed our accounting policies relating to provisions for pensions as permitted under IAS 19.93A, which allows for actuarial gains and losses to be recognized directly under retained earnings in shareholders equity. For more information, see note (29) to the consolidated financial statements contained in our Annual Report on Form 20-F for the year ended

December 31, 2006.

The increase in the loss from financial activities in the first quarter of 2007 compared to the same period last year was primarily attributable to other financial expense which last year included the income generated by the sale of Celcom (EUR 196 million). Additionally, the share of profit of associates and joint ventures accounted at equity declined since PTC was included in such line item for the first quarter of 2006, but has been fully consolidated since November 2006.

Income taxes

	Q1 2007 millions of	Q1 2006[a] millions of	Change millions of	Change %	FY 2006 millions of
Income taxes	(471)	(570)	99	17.4	970

a As of December 31, 2006, we voluntarily changed our accounting policies relating to provisions for pensions as permitted under IAS 19.93A, which allows for actuarial gains and losses to be recognized directly under retained earnings in shareholders equity. The corresponding prior-year comparatives have been adjusted accordingly. For more information, see note (29) to the consolidated financial statements contained in our Annual Report on Form 20-F for the year ended December 31, 2006.

The reduction in income taxes compared to the same period last year is due to lower profit before income taxes.

STRATEGIC BUSINESS AREAS

Mobile Communications

The Mobile Communications strategic business area combines all activities of T-Mobile International. T-Mobile is represented in Germany, the United States, the United Kingdom, the Netherlands, Austria, the Czech Republic, Hungary, Slovakia, Croatia, Macedonia, Montenegro and Poland. All of T-Mobile s national companies offer consumers and business customers a comprehensive portfolio of mobile voice and data services, supplemented by corresponding hardware and terminal devices. They also sell services to resellers and companies that buy network services and market them independently to third parties (MVNOs). T-Mobile has enhanced its position as one of the mobile industry s leading service providers with customer growth of around 10 million customers compared with the prior year quarter. In addition to the further modernization of the T-Mobile network, this growth is based on products and services that meet user needs for convenience and a simplified rate structure.

Broadband/Fixed Network

In the Broadband/Fixed Network strategic business area, we offer consumers and small business customers state-of-the-art network infrastructure for traditional fixed-network services, broadband Internet access, and innovative multimedia services. This strategic business area s customers also include national and international carriers, resellers, and the other strategic business areas of the Deutsche Telekom Group. With more than 12 million DSL lines at the end of the first quarter of 2007, this strategic business area has maintained its leading position in the broadband market. Overall, the number of broadband customers rose by 3.3 million year-on-year. Due to competition the number of narrowband lines dropped to 38.3 million.

Business Customers

The Business Customers strategic business area offers products and solutions along the entire information and communications technology value chain. Through its two business units, T-Systems Enterprise Services and T-Systems Business Services, this strategic business area supports around 130 multinational corporations and large public authorities, as well as around 160,000 medium-sized and large enterprises as business customers of the Deutsche Telekom Group. T-Systems, our business customer brand, is represented in over 20 countries through subsidiaries, primarily in Germany and Western Europe (France, Spain, Italy, the United Kingdom, Austria, Switzerland, Belgium, and the Netherlands). T-Systems recorded a further decrease in revenue in the first quarter of 2007 due to continued competition and price pressures.

Segment reporting

The following tables give an overall summary of our segments for the full 2006 financial year and the first three months of 2007 and 2006.

Segment information for the 2006 financial year

FY 2006

	Net revenue millions of	Inter-segment revenue millions of	Total revenue millions of	Profit (loss) from operations millions of	Share of profit (loss) of equity-accounted investments millions of	Depreciation and amortization millions of	Impairment losses millions of
Group	61,347		61,347	5,287	24	(10,624)	(410)
Mobile Communications	31,308	732	32,040	4,504	80	(5,300)	(58)
Broadband/Fixed Network[a]	20,366	4,149	24,515	3,356	31	(3,744)	(95)
Business Customers[a]	9,301	3,568	12,869	(835)	(86)	(939)	(7)
Group Headquarters & Shared Services[a]	372	3,386	3,758	(2,138)	(2)	(710)	(237)
Reconciliation		(11,835)	(11,835)	400	1	69	(13)

a Since January 1, 2007, reporting of Magyar Telekom has included a further breakdown of results into the business areas Business Customers and Group Headquarters and Shared Services. In previous periods, these results were reported under Broadband/Fixed Network. Prior-year figures have been adjusted accordingly.

Segment information in the quarters

Q1 2007

Q1 2006

	Net revenue millions of	Inter-segment revenue millions of	Total revenue millions of	EBIT (profit (loss) from operations) millions of	Share of profit (loss) of equity-accounted investments millions of	Depreciation and amortization millions of	Impairment losses millions of
Group	**15,453**		**15,453**	**1,795**	**3**	**(2,729)**	**(19)**
	14,842		14,842	2,318	32	(2,551)	(19)
Mobile Communications	**8,246**	**154**	**8,400**	**1,066**	**1**	**(1,448)**	**(7)**
	7,405	170	7,575	1,055	28	(1,222)	(3)
Broadband/Fixed Network[a]	**4,935**	**897**	**5,832**	**976**	**5**	**(904)**	**(4)**
	5,153	972	6,125	1,270	3	(952)	(10)
Business Customers[a]	**2,183**	**723**	**2,906**	**44**	**(2)**	**(217)**	**0**
	2,203	860	3,063	112	1	(217)	0
Group Headquarters & Shared Services[a]	**89**	**863**	**952**	**(250)**	**0**	**(174)**	**(8)**
	81	811	892	(118)	0	(172)	(6)
Reconciliation		**(2,637)**	**(2,637)**	**(41)**	**(1)**	**14**	**0**
		(2,813)	(2,813)	(1)	0	12	0

a Since January 1, 2007, reporting of Magyar Telekom has included a further breakdown of results into the business areas Business Customers and Group Headquarters & Shared Services. In previous periods, these results were reported under Broadband/Fixed Network. Prior-year figures have been adjusted accordingly.

Mobile Communications

	Mar. 31, 2007 millions	Dec. 31, 2006 millions	Change Mar. 31, 2007/ Dec. 31, 2006 %	Mar. 31, 2006 millions	Change Mar. 31, 2007/ Mar. 31, 2006 %
Mobile customers (total)[a]	109.2	106.4	2.6	99.2	10.1
T-Mobile Deutschland[b]	33.0	31.4	5.1	30.2	9.3
T-Mobile USA	26.0	25.0	4.0	22.7	14.5
T-Mobile UK[c]	16.7	16.9	(1.2)	16.4	1.8
PTC (Poland)	12.4	12.2	1.6	10.5	18.1
T-Mobile Netherlands	2.6	2.6	0.0	2.3	13.0
T-Mobile Austria[a]	3.1	3.2	0.0	3.1	3.2
T-Mobile CZ (Czech Republic)	5.1	5.0	2.0	4.6	10.9
T-Mobile Hungary	4.5	4.4	2.3	4.2	7.1
T-Mobile Croatia	2.2	2.2	0.0	2.0	10.0
T-Mobile Slovensko (Slovakia)	2.2	2.2	0.0	2.0	10.0
Other[d]	1.3	1.3	0.0	1.1	18.2

a One mobile communications card corresponds to one customer. The total was calculated on the basis of precise figures and rounded to millions. Percentages are calculated on the basis of figures shown. Figures shown have been adjusted to include historical customer numbers of consolidated companies to enhance comparability of prior periods.

b As a result of court proceedings against competitors, T-Mobile Deutschland changed its deactivation policy at the beginning of 2007 in favor of its prepaid customers. These customers can now use their prepaid credit longer than before. Accordingly, in the first quarter of 2007, far fewer customers were deactivated. Most of the reported first quarter increase in customers was due to this change. Approximately 400,000 prepay customers relate to the use of pre-activated prepay cards in the context of special customer aquisition measures.

c Including Virgin Mobile.

d Other includes T-Mobile Macedonia (formerly MobiMak) and T-Mobile Montenegro (formerly MONET).

The number of T-Mobile customers increased in the first quarter of 2007, by 2.8 million, as compared with the year ended December 31, 2006. This is primarily due to a change in the churn policy in Germany as a result of certain legal proceedings involving our competitors. Prepaid customers in Germany can now use their credit for a longer period of time and are thus recorded as customers for a longer time. Additionally, T-Mobile USA gained almost 1 million customers in the first quarter of 2007 as compared with the year ended 2006. The T-Mobile group increased its number of contract customers by 1.5 million during the same period.

Overall, T-Mobile generated customer growth year-on-year . Double-digit percentage growth was again recorded in many markets compared with the same period last year.

	For the three months ended March 31, 2007 Service Revenue millions of ( )	For the three months ended March 31, 2007 ARPU ( )	For the three months ended March 31, 2007 Average number of customers (millions)	For the three months ended March 31, 2006 Service Revenue millions of ( )	For the three months ended March 31, 2006 ARPU ( )	For the three months ended March 31, 2006 Average number of customers (millions)
Service Revenue						
T-Mobile Deutschland	1,750	18	31.9	1,804	20	30.2
T-Mobile USA	2,969	39	25.5	2,741	41	22.7
T-Mobile UK[a]	1,056	30	16.8	881	26	16.4
PTC (Poland) [b]	429	12	12.3			
T-Mobile Netherlands	270	35	2.6	255	37	2.3
T-Mobile Austria[c]	294	31	3.2	209	33	2.1
T-Mobile CZ (Czech Republic)	255	17	5.1	228	16	4.6
T-Mobile Hungary	236	17	4.5	236	19	4.2

T-Mobile Croatia	116	18	2.2	106	18	2.0
T-Mobile Slovensko (Slovakia)	112	17	2.2	94	16	2.0

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

b Fully consolidated as of November 1, 2006.

c Includes tele.ring fully consolidated as of April 28, 2006

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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. 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.

Compared with the prior-year period, all companies recorded either declining or stable ARPU trends. This is primarily due to increasing price pressure caused by competitive conditions and regulatory rulings affecting termination rates. T-Mobile Deutschland s decline in ARPU was the largest, from EUR 20 to EUR 18 year-on-year.

ARPU in the United States decreased from EUR 41 to EUR 39 primarily due to the weak dollar to the euro. However, in local currency, ARPU increased in the United States.

Development of operations

	Q1 2007 millions of	**Q1 2006 millions of**	**Change millions of**	**Change %**	**FY 2006 millions of**
Total revenue[a]	8,400	7,575	825	10.9	32,040
of which: T-Mobile Deutschland	1,951	2,004	(53)	(2.6)	8,215
of which: T-Mobile USA	3,468	3,354	114	3.4	13,628
of which: T-Mobile UK	1,165	1,032	133	12.9	4,494
of which: PTC[b]	446	n.a.	n.a.	n.a.	305
of which: T-Mobile Netherlands	288	271	17	6.3	1,138
of which: T-Mobile Austria[c]	310	217	93	42.9	1,149
of which: T-Mobile CZ	265	240	25	10.4	1,043
of which: T-Mobile Hungary	265	257	8	3.1	1,050
of which: T-Mobile Croatia	123	116	7	6.0	556
of which: T-Mobile Slovensko	118	100	18	18.0	429
of which: Other[d]	49	42	7	16.7	198
Profit from operations	1,066	1,055	11	1.0	4,504
Depreciation, amortization and impairment losses	(1,455)	(1,225)	(230)	(18.8)	(5,358)
Number of employees[e]	60,614	51,511	9,103	17.7	54,124

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 Fully consolidated as of November 1, 2006.

c Including first-time consolidation of tele.ring from May 2006.

d Other includes revenues generated by T-Mobile Macedonia and T-Mobile Montenegro.

e Average number of employees.

Total revenue

In the first three months of 2007, T-Mobile increased its revenue to EUR 8,400 million. This represents growth of EUR 825 million year-on-year. The Polish company PTC, now fully consolidated, contributed EUR 446 million, T-Mobile USA EUR 114 million, and T-Mobile UK EUR 133 million to this increase. While the weak U.S. dollar narrowed the sound operating growth on a euro basis in the United States, T-Mobile UK s revenue growth was boosted by significant sales successes and the appreciation of the British pound sterling against the euro. The acquisition of tele.ring was one of the drivers of T-Mobile Austria s strong revenue growth. T-Mobile achieved organic growth in the double-digit percentage range in the Czech Republic and Slovakia. Due to intense price competition in the German market, T-Mobile Deutschland recorded a 2.6 percent decline in revenue.

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Profit from operations

Profit from operations increased by EUR 11 million in the first quarter of 2007 compared to the prior year period.

Depreciation, amortization and impairment losses

Increased depreciation, amortization, and impairment losses resulted primarily from the consolidation of PTC and tele.ring.

Personnel

In the first three months of 2007, the average number of employees in the Mobile Communications strategic business area increased by 9,103 year-on-year to 60,614. The first-time inclusion of PTC and tele.ring was the major factor driving this growth. Additionally, there was an increase in staff at T-Mobile USA and T-Mobile Deutschland.

Broadband/Fixed Network

			change Mar. 31, 2007/ Dec. 31, 2006		**change Mar. 31, 2007/ Mar. 31, 2006**
	Mar. 31, 2007	**Dec. 31, 2006**	**%**	**Mar. 31, 2006**	**%**
Broadband					
Lines (total)[a,b,c]	12.7	11.7	8.5	9.4	35.1
of which: retail	9.1	8.3	9.6	7.1	28.2
Domestic[d]	11.1	10.3	7.8	8.6	29.1
of which: retail	7.6	7.1	7.0	6.4	18.8
International[b,e]	1.7	1.4	21.4	0.8	112.5
of which: Magyar Telekom[f]	0.7	0.6	16.7	0.4	75.0
of which: Slovak Telekom	0.2	0.2	0.0	0.1	n.m.
of which: T-Hrvatski Telekom	0.3	0.2	50.0	0.1	n.m.
Broadband rates (total)[g]	9.1	8.0	13.8	6.1	49.2
of which: domestic	7.0	6.3	11.1	4.9	42.9
Narrowband					
Lines (total)[a]	38.3	39.0	(1.8)	40.6	(5.7)
Domestic[h]	32.6	33.2	(1.8)	34.7	(6.1)
Standard analog lines	23.7	24.2	(2.1)	25.2	(6.0)
ISDN lines	8.9	9.0	(1.1)	9.6	(7.3)
International (Eastern Europe only)[f]	5.7	5.8	(1.7)	5.9	(3.4)
Narrowband rates (total)[g]	3.2	3.2	0.0	4.1	(22.0)
Internet customers with a billing relationship (total)[g,i,j]	17.5	16.6	5.4	15.5	12.9
Wholesale/resale					
Resale DSL[c]	3.6	3.4	5.9	2.3	56.5
of which: domestic	3.4	3.2	6.3	2.2	54.5
Unbundled local loop lines[k]	5.1	4.7	8.5	3.7	37.8

n.m. not meaningful

Table includes broadband and narrowband lines (Germany, Eastern and Western Europe). The total was calculated on the basis of precise figures and rounded to millions. Percentages calculated on the basis of figures shown.

a Lines in operation.

b Total of retail and resale.

c Definition of resale: Sale of broadband lines based on DSL technology to alternative providers outside the Deutsche Telekom Group. Resale: Included in total number of broadband lines.

d Broadband lines excluding lines for internal use.

e Includes customers with broadband lines on proprietary network.

f Subscriber-line figures include Magyar Telekom s subsidiary MakTel and CrnogorskiTelekom (formerly Telekom Montenegro).
g Customers with a billing relationship include customers in Germany, Eastern and Western Europe. Eastern Europe includes Magyar Telekom, T-Hrvatski Telekom and Slovak Telekom; Western Europe includes Ya.com and Club Internet.
h Telephone lines excluding internal use and public telecommunications, including wholesale services.
i Total calculated on the basis of customers (broadband and narrowband rates) in Germany, and Western and Eastern Europe with a billing relationship and PAYG (pay as you go) customers.
j Iskon Internet d.d. is consolidated through T-Hrvatski Telekom with retroactive effect from June 1, 2006. Prior-year figures have not been adjusted.
k Definition of unbundled local loop lines: Deutsche Telekom wholesale service that can be leased by other telecommunications operators without upstream technical equipment in order to offer their own customers a telephone (i.e. narrowband) or DSL line (i.e. broadband).

The number of Broadband/Fixed Network s narrowband lines decreased in the first quarter of 2007 as expected. In Germany, this decrease is largely due to competition from fixed-network competitors and cable network operators, as well as, to some extent, fixed-mobile substitution. Most narrowband line losses are due to customers switching to competitors when ordering their first broadband line as part of a complete package. The total number of fixed-network lines in Germany decreased by 588,000 in the first quarter of 2007 to 32.6 million, with a disproportionately large decrease in the number of ISDN lines to 8.9 million (approximately 7.3 percent) year-on-year. This is attributable in part to DSL customers switching from T-ISDN to an analog T-Net line.

The development of call minutes in the first quarter of 2007 was impacted by opposite influences. As in previous quarters, Broadband/Fixed Network again improved customer retention for all call types (local, regional, national and international) in its own network by successfully marketing calling plans (calling plans including PSTN rate options from the new complete packages and VoIP flat rates). Although Broadband/Fixed Network managed to defend itself against competitors call-by-call and preselection offers, narrowband line losses and mobile and VoIP substitution meant that the absolute number of billed call minutes in Broadband/Fixed Network s network declined sharply.

The growth of the **broadband market** continues both in Germany and abroad. Compared with the end of the first quarter of 2006, the total number of broadband lines, including resale, increased by 3.3 million to a total of 12.7 million. The Broadband/Fixed Network strategic business area recorded an increase in retail broadband lines in **Germany** of almost 572,000 to 7.6 million compared with the fourth quarter of 2006. This increase is largely attributable to continuing strong growth in the broadband segment and successful activities to promote the complete packages rate plans. The rate of growth in the German Resale DSL business decreased compared to the fourth quarter of 2006. However, the total number of Resale DSL lines increased by 213,000 to 3.4 million.

We believe that the demand for wholesale Broadband/Fixed Network products is currently changing. While the number of wholesale unbundled local loop lines increased by 484,000 to 5.1 million, Broadband/Fixed Network s largest increase ever, the Resale DSL rate of growth is decreasing. In September 2006, Broadband/Fixed Network began to offer customers its first integrated packages for voice and Internet communications. In October 2006, Broadband/Fixed Network added IPTV to its portfolio, positioning itself as a full-service provider of telephony, Internet, and entertainment with its T-Home product (triple-play). By the end of March 2007, the number of customers with the new complete packages had risen to 5.7 million, an increase of around 2.5 million since year-end 2006. The sale of higher-value products and innovative service packages attracted new customer groups. Driven by the successful marketing of the complete packages , the number of DSL rate customers in Germany increased by 666,000 in the first quarter to 7.0 million. Approximately 2.1 million new rate customers have been added compared with the first quarter of 2006.

Outside of Germany, the number of broadband customers, including resale, increased by 845,000, or by approximately 112.5 percent, to 1.7 million in the first quarter of 2007 compared to the first quarter of 2006. In Eastern Europe, the number of broadband lines (including resale) increased by 112,000 to 1.1 million in the first quarter of 2007. Furthermore, new services such as Voice over IP (VoIP) and the continued rollout of triple-play packages helped to sustain the buoyant growth Western Europe experienced in the second half of 2006. The number of DSL lines in Deutsche Telekom s own Western European networks rose by 116,000 in the first quarter of 2007 to 561,000. In total, approximately 1.5 million retail and 0.2 million resale broadband lines were in operation outside of Germany at the end of March 2007.

Development of operations

	Q1 2007	Q1 2006	Change	% Change	FY 2006
	(millions of	, except where noted)			
Total revenue	5,832	6,125	(293)	(4.8)	24,515
Domestic[a]	5,146	5,464	(318)	(5.8)	21,835
of which: network communications	2,631	2,885	(254)	(8.8)	11,240
of which: wholesale services	1,156	1,028	128	12.5	4,302
of which: IP/Internet	632	740	(108)	(14.6)	3,000
of which: data communications	289	318	(29)	(9.1)	1,258
of which: value-added services	229	233	(4)	(1.7)	945
of which: terminal equipment	76	74	2	2.7	333
International[a]	698	661	37	5.6	2,680
Profit from operations	976	1,270	(294)	(23.1)	3,356
Number of employees[b]	100,590	108,392	(7,802)	(7.2)	107,006
Domestic	81,409	87,327	(5,918)	(6.8)	86,315
International	19,181	21,065	(1,884)	(8.9)	20,691

Since January 1, 2007, reporting of Magyar Telekom has included a further breakdown of results into the strategic business areas Business Customers and Group Headquarters and Shared Services. In previous periods, these areas were reported under Broadband/Fixed Network. Prior-year figures have been adjusted accordingly.

Following the merger of T-Online International AG into Deutsche Telekom AG, T-Online no longer reports as a separate unit but is managed as a product brand. 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.

a Does not include consolidation adjustments on the Group level.

b Average number of employees (excluding apprentices and interns).

Total revenue

Total revenue in the first three months of 2007 decreased by EUR 293 million, or 4.8 percent, to EUR 5,832 million. The decrease is mainly due to narrowband line losses and a decrease in call revenues. This decrease was partly offset by increased DSL resale product and unbundled local loop line revenues.

Intersegment revenue in the first three months of 2007 decreased by 7.7 percent to EUR 897 million compared with the first three months of 2006. This decrease is due primarily to a reduction in revenue from business with the Business Customers strategic business area, which decreased due to lower volumes and prices.

In **Germany**, revenue decreased by 5.8 percent or EUR 318 million to EUR 5,146 million in the first three months of 2007 compared with the first three months of 2006. This was primarily due to lower call revenues and line losses in the narrowband area. The decrease in revenues in Germany was also due to decreased prices for broadband ISP services due to competition a decrease in interconnection services revenues due to mandatory price reductions for these services, and a decrease in demand of wholesale services products by the Business Customers strategic business area. The overall decrease in revenues in Germany was only partly offset by increased Resale DSL and unbundled local loop line revenues due to increased volumes and despite decreases in prices for these products.

International revenue increased by EUR 37 million, or 5.6 percent, to EUR 698 million. Total revenue in the Eastern European subsidiaries increased by 1.2 percent to EUR 592 million primarily due to currency effects. Strong broadband volume and revenue growth in the Eastern European subsidiaries was partly offset by a continued decline in the traditional fixed-line business. In local currency, the continued decline in the traditional fixed-line business revenues at Magyar Telekom and Hrvatski Telekom were only partly offset by increased broadband revenues. Spain and France reported strong growth in broadband line volumes and revenues, which was the primary factor in an increase in revenue from those subsidiaries of approximately 40 percent to over EUR 0.1 billion.

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Network communications revenues in Germany decreased by EUR 254 million, or 8.8 percent, in the first three months of 2007 to EUR 2,631 million compared to in the first three months of 2006, primarily due to lines losses because of intense competition. Narrowband access revenues decreased by only 0.2 percent, primarily due to the intensified marketing and customer acceptance of calling plans with a flat-rate component of access line products, which Broadband/Fixed Network introduced to enhance customer retention. Conversely, call revenues declined sharply primarily due to a decrease in call minutes as a result of continued line losses, as well as, by competition from other telecommunications operators and substitution by cable operators and mobile communications. The higher penetration of calling plans, which tend to have a flat-rate component, also led to a decrease in average call minute prices and therefore revenues.

Wholesale services revenue in Germany increased by EUR 128 million, or 12.5 percent, in the first three months of 2007 to EUR 1,156 million compared to the first three months of 2006. This increase is primarily due an increase in Resale DSL revenue and unbundled local loop line revenue resulting from increased demand for these products. The significant increase in the number of orders for co-location space placed by other carriers in the fourth quarter of 2006, were fulfilled in the first quarter of 2007, which led to an increase in co-location revenue. This increase in wholesale services revenue was partially offset by a decrease in demand for interconnection, as well as, due to regulatorily mandated price reductions, such as the decrease in interconnection charges by an average of 10 percent from June 1, 2006. Price decreases for Resale DSL, due to increased competition, also partially offset the growth in wholesale services revenues.

Revenue from **IP/Internet** services decreased by EUR 108 million, or 14.6 percent, in the first three months of 2007 to EUR 632 million compared to the first three months of 2006. This decrease is primarily due to decreases in prices due to high levels of competition. The increase in the number of customers switching to complete packages with a flat-rate component also led to a decrease in IP/Internet usage revenue. The decrease in IP/Internet revenue was only partly offset by increased revenues resulting from increased volumes of DSL lines and ISP subscribers.

Revenue from **data communications** decreased by EUR 29 million, or 9.1 percent, in the first three months of 2007 to EUR 289 million compared to the first three months of 2006, primarily due to a decrease in revenues from certain platform products, CompanyConnect and TDN, as well as, a result of a decrease in prices for products and services Broadband/Fixed Network provides to other strategic business areas. The decrease in data communications revenues was partly offset by an increase in demand for products and services Broadband/Fixed Network provides to other strategic business areas.

Value-added services revenue decreased by 1.7 percent to EUR 229 million year-on-year as a result of decreased usage of T-Vote Call services and volume declines in directory inquiry services. The decrease in value-added revenues was only partly offset by an increase in cash card revenues.

Terminal equipment revenue increased by 2.7 percent to EUR 76 million in the first quarter of 2007 compared to the first quarter of 2006, primarily due to an increase in the sale of equipment, such as WLAN routers in connection with a PSTN device bundle resulting from customer acceptance of Broadband/Fixed Network s successful marketing of the new complete packages . The increase in terminal equipment revenue was partly offset by the continued decrease in demand and revenues from rental equipment.

In the first quarter of 2007, **net revenue** decreased by EUR 218 million or 4.2 percent to EUR 4,935 million compared to the first quarter of 2006. This decrease is primarily due to a decrease in call revenues as a result of narrowband line losses in the first quarter of 2007. This decrease was partly offset by increased revenues from DSL resale products and unbundled local loop lines.

Profit from operations decreased in the first quarter of 2007 by EUR 294 million, or 23.1 percent, to EUR 976 million compared to the first quarter of 2006. This decrease was primarily due to a decline in revenues in the traditional fixed-network business. The strong demand for the new complete packages resulted in an increase in selling commissions and customer acquisition costs. In addition, the cost of implementing the quality campaign in Germany had a negative impact on costs. Other factors included higher expenditures for merchandise in connection with the acquisition of broadband customers. However, measures aimed at cutting rental costs, such as the termination of leases for office space and a more efficient use of existing space, resulted in lower costs in these areas. A reduction in revenue-related costs, such as telecommunications services and the improvement of IT systems also had a positive impact. A slight decrease in depreciation, amortization and impairment losses partially offset the decrease in profit from operations.

The **average number of employees** in Broadband/Fixed Network decreased in the first quarter of 2007 by 7.2 percent to 100,590 compared to 108,392 in the first quarter of 2006. The reallocation of individual business units at Magyar Telekom resulted in the migration of 2,200 Broadband/Fixed Network employees to Business Customers and Group Headquarters and Shared Services. In Germany, the average number of employees decreased in the first quarter of 2007 by 5,918 to 81,409 as compared to the first quarter of 2006. Outside of Germany, the average number of employees decreased in the first quarter of 2007 by 1,884 as compared to the first quarter of 2006. The Eastern European workforce decreased by 1,849 due to the improvement of performance processes and service outsourcing, while the number of employees in Western Europe decreased by 3.4% in the first quarter of 2007 compared to the first quarter of 2006.

Business Customers