DEUTSCHE TELEKOM AG
Form 6-K/A
March 07, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K/A

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

For the month of March 2006

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 ý 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 ý

This Report on Form 6-K/A 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.

Explanatory Note

In 2005, Deutsche Telekom for the first time based its financial reporting on International Financial Reporting Standards (IFRS). In prior years, we had reported under German GAAP. On August 30, 2005, we filed on Form 6-K with the United States Securities and Exchange Commission (SEC), unaudited consolidated financial statements as of and for the three months and six months ended June 30, 2005 and 2004, as of and for the years ended December 31, 2004 and 2003, and as of January 1, 2003, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission for use in the European Union (EU GAAP). In connection with the preparation of our financial statements related to our first-time adoption of EU GAAP for the periods ended December 31, 2005, we identified certain adjustments to our balance sheet as of January 1, 2003 and certain other financial information relating to quarterly periods in 2005 and 2004 and the years ending December 31, 2004 and 2003. These adjustments are summarized as follows:

In 2002, in connection with certain previously issued financial liabilities, an interest rate step-up provision was triggered as a result of a downgrade in our credit rating by certain rating agencies. We subsequently determined that pursuant to International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*, we should have increased the book value of these financial liabilities to reflect the present value of the estimated future payments at the time of the interest rate change in 2002. This adjustment, amounting to a EUR 588 million increase in financial liabilities offset by deferred taxes of EUR 199 million, has now been reflected in our revised IFRS opening balance sheet as of January 1, 2003. Subsequently, in April 2005, the rating agencies upgraded our credit rating, which triggered a corresponding downward adjustment to the interest rates relating to these financial liabilities. Pursuant to IAS 39, we should have adjusted, in the second quarter of 2005, the book value of these liabilities to reflect the present value of the associated estimated future payments as a result of the decrease in interest rates caused by the rating upgrade. Accordingly, we have adjusted financial income (expense), net, income taxes and net profit, for the three months and six months ended June 30, 2005 and 2004 and the years ended December 31, 2004 and 2003 to reflect the impact of the change in interest rates. The adjustments resulted in increases of EUR 253 million, EUR 8 million, EUR 260 million, EUR 20 million, EUR 70 million and EUR 79 million to net profit for the three months and six months ended June 30, 2005 and 2004 and for the years ended December 31, 2004 and 2003, respectively. The adjustments also resulted in an increase of EUR 0.06, EUR 0.06, EUR 0.01, EUR 0.02 and EUR 0.02 in basic and diluted earnings per share for the three months ended June 30, 2005, the six months ended June 30, 2005 and 2004, and the years ended December 31, 2004 and 2003, respectively. Basic and diluted earnings per share for the three months ended June 30, 2004 did not change as a result of these adjustments.

We also identified adjustments to revenue including amounts relating to the recording of revenue for multiple element arrangements, leases embedded in service contracts and non-refundable up-front fees. We recorded an aggregate adjustment of EUR 212 million as of January 1, 2003, primarily as a reduction in deferred revenue included in other liabilities and an offsetting adjustment of EUR 83 million to deferred taxes in the IFRS opening balance sheet. The adjustments, affecting primarily net revenues, cost of sales and income taxes, resulted in an increase of EUR 2 million, an increase of EUR 1 million, a decrease of EUR 46 million, an increase of EUR 3 million, a decrease of EUR 6 million and a decrease of EUR 25 million to net profit for the three months ended June 30, 2005 and 2004, the six months ended June 30, 2005 and 2004 and the years ended December 31, 2004 and 2003, respectively. The adjustments also resulted in a decrease of EUR 0.01 in basic and diluted earnings per share for the six months ended June 30, 2005 and the year ended December 31, 2003. Basic and diluted earnings per share for the three months ended June 30, 2005 and 2004, the six months ended June 30, 2004 and the year ended December 31, 2004 did not change as a result of these adjustments. Certain billings to our T-Mobile USA customers for the Universal Service Fund and other regulatory fees were originally presented on a net basis in the income statement for the year ended December 31, 2003. We have made an adjustment to present such billings on a gross basis increasing net revenues and cost of sales by EUR 129 million for the year ended December 31, 2003. The change in presentation did not affect net profit or earnings per share.

Further, we identified and recorded a number of additional adjustments which are now reflected in the financial statements that follow this Explanatory Note that resulted, in an aggregate increase of EUR 59 million in shareholders equity at January 1, 2003. Those adjustments resulted in a decrease of EUR 29 million, a decrease of EUR 50 million, a decrease of EUR 14 million, an increase of EUR 18 million, a decrease of EUR 35 million and an increase of EUR 72 million to net profit for the three months ended June 30, 2005 and 2004, the six months ended June 30, 2005 and 2004 and for the years ended December 31, 2004 and 2003, respectively. The adjustments caused a decrease of EUR 0.01, a decrease of EUR 0.01, and an increase of EUR 0.02 in basic and diluted earnings per share for the three months ended June 30, 2004, and the years ended December 31, 2004 and 2003, respectively. Basic and diluted earnings per share for the three months ended June 30, 2005 and the six months ended June 30, 2005 and 2004 did not change as a result of these adjustments.

The following tables show the impact of the adjustments on these consolidated income statements and balance sheets as and for the three months and six months ended June 30, 2005 and 2004 and as of and for the years ended December 31, 2004 and 2003.

	As reported			As amended			Adjustments		
	For the three months ended June 30,		For the year ended December 31,	For the three months ended June 30,		For the year ended December 31,	For the three months ended June 30,		For the year ended December 31,
	2005	2004	2004	2005	2004	2004	2005	2004	2004
	(millions of	, except where indicated)		(millions of	, except where indicated)		(millions of	, except where indicated)	
Net revenue	**14,748**	**14,377**	**57,360**	**14,743**	**14,379**	**57,353**	**(5)**	**2**	**(7)**
Cost of sales	(7,649)	(8,971)	(31,559)	(7,688)	(8,957)	(31,544)	(39)	14	15
Gross profit	7,099	5,406	25,801	7,055	5,422	25,809	(44)	16	8
Selling expenses	(3,507)	(3,072)	(12,837)	(3,511)	(3,074)	(12,870)	(4)	(2)	(33)
General and administrative expenses	(1,058)	(1,148)	(4,505)	(1,047)	(1,147)	(4,476)	11	1	29
Other operating income	354	473	1,718	354	473	1,718	0	0	0
Other operating expenses	(279)	(375)	(3,916)	(279)	(375)	(3,916)	0	0	0
Profit from operations	**2,609**	**1,284**	**6,261**	2,572	1,299	6,265	**(37)**	**15**	**4**
Net interest income (expense)	(792)	(895)	(3,354)	(464)	(887)	(3,280)	328	8	74
Share of profit of associates and joint ventures accounted for using the equity method	41	80	945	41	79	945	0	(1)	0
Other financial income (expense)	(31)	119	(334)	(29)	127	(361)	2	8	(27)
Financial expense, net	**(782)**	**(696)**	**(2,743)**	(452)	(681)	(2,696)	**330**	**15**	**47**
Profit before income taxes	1,827	588	3,518	2,120	618	3,569	293	30	51
Income tax (expense) benefit	(763)	111	(1,528)	(831)	39	(1,552)	(68)	(72)	(24)
Profit after income taxes	**1,064**	**699**	**1,990**	**1,289**	**657**	**2,017**	**225**	**(42)**	**27**
Profit attributable to minority interests	121	122	426	120	121	424	(1)	(1)	(2)
Net profit	**943**	**577**	**1,564**	**1,169**	**536**	**1,593**	**226**	**(41)**	**29**
Outstanding shares (basic) (millions)	4,327	4,328	4,323	4,327	4,328	4,323	0	0	0
Outstanding shares (diluted) (millions)	4,328	4,328	4,328	4,328	4,328	4,328	0	0	0
Earnings per share(1) /ADS(2), basic and diluted ( )	0.22	0.14	0.38	0.28	0.13	0.39	0.06	(0.01)	0.01

	As reported			As amended			Adjustments		
	For the six months ended June 30,		For the year ended December 31,	For the six months ended June 30,		For the year ended December 31,	For the six months ended June 30,		For the year ended December 31,
	2005	2004	2003	2005	2004	2003	2005	2004	2003
	(millions of	, except where indicated)		(millions of	, except where indicated)		(millions of	, except where indicated)	
Net revenue	**29,124**	**28,267**	**55,503**	**29,031**	**28,273**	**55,596**	**(93)**	**6**	**93**
Cost of sales	(15,175)	(16,190)	(29,369)	(15,213)	(16,176)	(29,493)	(38)	14	(124)
Gross profit	13,949	12,077	26,134	13,818	12,097	26,103	(131)	20	(31)
Selling expenses	(6,941)	(6,279)	(12,747)	(6,946)	(6,282)	(12,752)	(5)	(3)	(5)
General and administrative expenses	(2,095)	(2,182)	(4,596)	(2,073)	(2,181)	(4,596)	22	1	0
Other operating income	633	834	2,359	633	834	2,359	0	0	0
Other operating expenses	(597)	(750)	(2,765)	(573)	(741)	(2,765)	24	9	0
Profit from operations	**4,949**	**3,700**	**8,385**	**4,859**	**3,727**	**8,349**	**(90)**	**27**	**(36)**
Net interest income (expense)	(1,535)	(1,789)	(3,683)	(1,171)	(1,713)	(3,589)	364	76	94
Share of profit of associates and joint ventures accounted for using the equity method	77	26	356	77	26	356	0	0	0

Other financial income (expense)	(45)	(157)	(920)	(73)	(203)	(890)	(28)	(46)	30
Financial expense, net	**(1,503)**	**(1,920)**	**(4,247)**	**(1,167)**	**(1,890)**	**(4,123)**	**336**	**30**	**124**
Profit before income taxes	3,446	1,780	4,138	3,692	1,837	4,226	246	57	88
Income tax (expense) benefit	(1,249)	(319)	(1,744)	(1,297)	(336)	(1,709)	(48)	(17)	35
Profit after income taxes	**2,197**	**1,461**	**2,394**	**2,395**	**1,501**	**2,517**	**198**	**40**	**123**
Profit attributable to minority interests	244	252	457	242	251	454	(2)	(1)	(3)
Net profit	**1,953**	**1,209**	**1,937**	**2,153**	**1,250**	**2,063**	**200**	**41**	**126**
Outstanding shares (basic) (millions)	4,326	4,327	4,301	4,326	4,327	4,301	0	0	0
Outstanding shares (diluted) (millions)	4,330	4,333	4,306	4,330	4,333	4,306	0	0	0
Earnings per share(1) /ADS(2), basic and diluted ( )	0.46	0.29	0.47	0.51	0.30	0.50	0.05	0.01	0.03

(1) Earnings per share for each period are calculated by dividing net profit by the weighted average number of outstanding shares. For more information, please see Note 10.

(2) One ADS corresponds in economic terms to one ordinary share of Deutsche Telekom AG.

	As reported					As amended					Adjustments				
	As of June 30,		As of December 31,		As of January 1,	As of June 30,		As of December 31		As of January 1	As of June 30,		As of December 31,		As of January 1
	2005	2004	2004	2003	2003	2005	2004	2004	2003	2003	2005	2004	2004	2003	2003
	(millions of)														
ASSETS															
Current assets															
Cash and cash equivalents	3,910	6,305	8,005	8,684	1,711	3,910	6,305	8,005	8,684	1,711	0	0	0	0	0
Trade and other receivables	7,411	7,565	6,732	7,567	7,609	7,410	7,564	6,731	7,567	7,609	(1)	(1)	(1)	0	0
Current recoverable income taxes	462	378	317	1,025	1,327	462	378	317	1,025	1,327	0	0	0	0	0
Other current financial assets	1,270	2,231	1,237	1,940	2,095	1,270	2,231	1,237	1,940	2,095	0	0	0	0	0
Inventories	903	1,210	1,154	972	1,174	903	1,210	1,154	972	1,174	0	0	0	0	0
Other current assets	1,824	1,827	1,391	1,218	1,101	1,804	1,860	1,420	1,247	1,128	(20)	33	29	29	27
	15,780	**19,516**	**18,836**	**21,406**	**15,017**	**15,759**	**19,548**	**18,864**	**21,435**	**15,044**	**(21)**	**32**	**28**	**29**	**27**
Noncurrent assets															
Intangible assets	54,625	55,468	50,736	55,461	61,906	54,636	55,478	50,745	55,460	61,906	11	10	9	(1)	0
Property, plant and equipment	48,376	47,891	46,318	49,263	54,938	48,376	47,876	46,294	49,249	54,923	0	(15)	(24)	(14)	(15)
Investments accounted for using the equity method	1,796	2,824	2,667	2,382	2,758	1,796	2,824	2,667	2,382	2,758	0	0	0	0	0
Other noncurrent financial assets	2,088	970	1,678	1,368	2,220	2,047	970	1,636	1,368	2,220	(41)	0	(42)	0	0
Deferred tax assets	4,298	5,229	4,527	5,773	7,782	4,509	5,360	4,724	5,855	8,105	211	131	197	82	323
Other noncurrent assets	342	309	378	323	218	342	293	360	309	209	0	(16)	(18)	(14)	(9)
	111,525	**112,691**	**106,304**	**114,570**	**129,822**	**111,706**	**112,801**	**106,426**	**114,623**	**130,121**	**181**	**110**	**122**	**53**	**299**
TOTAL ASSETS	**127,305**	**132,207**	**125,140**	**135,976**	**144,839**	**127,465**	**132,349**	**125,290**	**136,058**	**145,165**	**160**	**142**	**150**	**82**	**326**
LIABILITIES AND SHAREHOLDERS EQUITY															
Current liabilities															
Current financial liabilities	11,489	16,785	12,515	17,255	13,671	11,548	16,803	12,592	17,256	13,671	59	18	77	1	0
Trade and other payables	5,487	5,311	6,116	6,354	6,493	5,487	5,311	6,116	6,354	6,493	0	0	0	0	0
Income tax liabilities	812	520	715	229	308	1,191	792	1,049	466	766	379	272	334	237	458
Current provisions	3,249	3,180	3,698	3,364	3,054	3,071	2,908	3,546	3,070	2,595	(178)	(272)	(152)	(294)	(459)
Other current liabilities	3,250	3,336	2,970	3,062	3,060	3,250	3,337	2,969	3,062	3,060	0	1	(1)	0	0
	24,287	**29,132**	**26,014**	**30,264**	**26,586**	**24,547**	**29,151**	**26,272**	**30,208**	**26,585**	**260**	**19**	**258**	**(56)**	**(1)**
Noncurrent liabilities															
Noncurrent financial liabilities	40,573	41,385	38,142	46,317	56,923	40,548	41,800	38,498	46,776	57,511	(25)	415	356	459	588
Provisions for pensions and other employee benefits	4,419	4,260	4,209	4,175	4,108	4,419	4,260	4,209	4,175	4,108	0	0	0	0	0
Other noncurrent provisions	2,950	2,901	3,077	2,601	2,134	2,750	2,901	2,883	2,601	2,134	(200)	0	(194)	0	0
Deferred tax liabilities	6,761	6,609	5,932	7,085	8,278	6,842	6,557	5,948	7,024	8,437	81	(52)	16	(61)	159
Other noncurrent liabilities	1,645	1,658	1,895	1,718	1,645	1,548	1,469	1,677	1,536	1,426	(97)	(189)	(218)	(182)	(219)
	56,348	**56,813**	**53,255**	**61,896**	**73,088**	**56,107**	**56,987**	**53,215**	**62,112**	**73,616**	**(241)**	**174**	**(40)**	**216**	**528**
Liabilities	**80,635**	**85,945**	**79,269**	**92,160**	**99,674**	**80,654**	**86,138**	**79,487**	**92,320**	**100,201**	**19**	**193**	**218**	**160**	**527**
Shareholders equity															
Issued capital	10,747	10,746	10,747	10,746	10,746	10,747	10,746	10,747	10,746	10,746	0	0	0	0	0

Capital reserves	49,544	49,514	49,523	49,500	49,551	49,544	49,514	49,528	49,500	49,551	0	0	5	0	0
Accumulated deficit, including carryforwards	(18,699)	(17,693)	(17,680)	(19,631)	(19,626)	(18,756)	(17,766)	(17,766)	(19,829)	(19,827)	(57)	(73)	(86)	(198)	(201)
Other comprehensive income	(354)	(1,922)	(2,667)	(2,950)	439	(350)	(1,938)	(2,678)	(2,954)	439	4	(16)	(11)	(4)	0
Net profit	1,953	1,209	1,564	1,937		2,153	1,250	1,593	2,063		200	41	29	126	
Treasury shares	(8)	(8)	(8)	(8)	(7)	(8)	(8)	(8)	(8)	(7)	0	0	0	0	0
	43,183	**41,846**	**41,479**	**39,594**	**41,103**	**43,330**	**41,798**	**41,416**	**39,518**	**40,902**	**147**	**(48)**	**(63)**	**(76)**	**(201)**
Minority interest	3,487	4,416	4,392	4,222	4,062	3,481	4,413	4,387	4,220	4,062	(6)	(3)	(5)	(2)	0
Shareholders equity	**46,670**	**46,262**	**45,871**	**43,816**	**45,165**	**46,811**	**46,211**	**45,803**	**43,738**	**44,964**	**141**	**(51)**	**(68)**	**(78)**	**(201)**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**127,305**	**132,207**	**125,140**	**135,976**	**144,839**	**127,465**	**132,349**	**125,290**	**136,058**	**145,165**	**160**	**142**	**150**	**82**	**326**

Other than the foregoing items and conforming changes related thereto (including changes to the notes to the condensed consolidated financial statements and Operating and Financial Review and Prospects), no part of the Report on Form 6-K filed on August 30, 2005 is being amended, and the filing of this Amended Report on Form 6-K/A should not be understood to mean that any other statements contained therein are true or complete as of any date subsequent to August 30, 2005.

Defined Terms and Contact Information

The term Report refers to this Report on Form 6-K for the six-month period ended June 30, 2005. 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; and changes in currency exchange rates and interest rates. 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, 2004 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.

Cautionary Note Regarding Historical Financial Information Prepared In Accordance With International Financial Reporting Standards

This report contains financial information that has been prepared in accordance with International Financial Reporting Standards, or IFRS, and on the basis of the new strategic business areas, effective since January 1, 2005.

The IFRS financial information contained in this report was prepared on the basis of the assumption that all existing standards and interpretations that have been issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) will be fully endorsed by the European Commission for use in the European Union (EU GAAP).

Subject to outstanding EU endorsement of individual standards under IFRS and no further changes from the IASB, the information presented here is expected to form the basis for reporting Deutsche Telekom s financial results for 2005, and for subsequent reporting periods. However, Deutsche Telekom cannot assure you that there will not be material changes in IFRS between the date of this Interim Report and the first date on which Deutsche Telekom is required to publish consolidated financial statements for the 2005 financial year. Any changes may also have an impact on the preliminary comparatives already published for the years 2004 or 2003.

For further information and explanations, see Notes (1) and (11) to the condensed consolidated financial statements contained in this Report.

Exchange Rates

Unless otherwise indicated, all amounts in this document are expressed in euros. As used in this document, , euro or EUR means the single unified currency that was introduced in the Federal Republic of Germany (referred to as the Federal Republic) and ten other participating member states of the European Union on January 1, 1999. U.S. dollar , $ or USD means the lawful currency of the United States of America. 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, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in the City of New York for cable transfers in foreign currencies. The noon buying rate on June 30, 2005 was EUR 1.00 to USD 1.2098.

Amounts appearing in this report that were translated into euros from other currencies were translated in accordance with the principles described in the unaudited condensed consolidated financial statements contained in this Report under Note (1) Transition to International Financial Reporting Standards (IFRS) and summary of accounting policies Explanation of exemptions applied under IFRS 1 Currency translation.

DEUTSCHE TELEKOM AT A GLANCE(1)

(Unaudited) (amended)

	For the six months ended June 30, 2005	2004	Change	% Change	For the year ended December 31, 2004
	(millions of	, except where indicated)			
Total net revenues (total revenues excluding inter-segment revenues)	29,031	28,273	758	2.7	57,353
Domestic	17,028	17,192	(164)	(1.0)	34,741
International	12,003	11,081	922	8.3	22,612
Profit from operations	4,859	3,727	1,132	30.4	6,265
Financial expense, net	(1,167)	(1,890)	723	38.3	(2,696)
Depreciation, amortization and impairment losses	(5,144)	(5,893)	749	12.7	(13,127)
of which: property, plant and equipment	(3,907)	(3,845)	(62)	(1.6)	(7,666)
of which: intangible assets	(1,237)	(2,048)	811	39.6	(5,461)
Net profit	2,153	1,250	903	72.2	1,593
Earnings per share /ADS(2) (basic and diluted) ( )	0.51	0.30	0.21	70.0	0.39
Net cash from operating activities	5,815	7,204	(1,389)	(19.3)	16,720
Equity ratio (%)(3)	36.7	33.9	n.m.	n.m.	34.5
Total financial liabilities(4)	52,096	58,603	(6,507)	(11.1)	51,090
Number of employees at balance sheet date (actual)					
Deutsche Telekom Group	244,277	247,830	(3,553)	(1.4)	244,645
Non-civil servants	197,644	199,866	(2,222)	(1.1)	197,482
Civil servants	46,633	47,964	(1,331)	(2.8)	47,163
Telephone lines (including ISDN channels)(5)	56.1	57.7	(1.6)	(2.8)	57.2
Broadband lines (in operation) (millions)	7.1	4.9	2.2	44.9	6.1
Mobile communications customers(6)	80.9	73.5	7.4	10.1	77.6

n.m. not meaningful

(1) All financial figures are calculated in accordance with IFRS, which are different from the amounts reported in the previous year due to the adoption of IFRS. See Note (1) to the financial statements for more information.

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

(3) Equity ratio is calculated as total shareholders equity divided by total assets at the balance sheet date.

(4) Includes current and noncurrent financial liabilities (see Condensed Consolidated Balance Sheets).

(5) Number of telephone lines (including those used within the Group) as of the balance sheet date. All amounts are in millions.

(6) The number of customers of the consolidated subsidiaries included within our Mobile Communications strategic business area as of the balance sheet date. Our methods for calculating this number are described in our Annual Report on Form 20-F for the year ended December 31, 2004. All amounts are in millions.

DEUTSCHE TELEKOM AG

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2005 AND 2004, DECEMBER 31, 2004 AND 2003 AND JANUARY 1, 2003
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004
AND THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

(Unaudited) (amended)

**DEUTSCHE TELEKOM AG
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (amended)**

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,	For the year ended December 31,
	2005	2004	2005	2004	2004	2003
			(millions of , except where indicated)			
Net revenue	14,743	14,379	29,031	28,273	57,353	55,596
Cost of sales	(7,688)	(8,957)	(15,213)	(16,176)	(31,544)	(29,493)
Gross profit	7,055	5,422	13,818	12,097	25,809	26,103
Selling expenses	(3,511)	(3,074)	(6,946)	(6,282)	(12,870)	(12,752)
General and administrative expenses	(1,047)	(1,147)	(2,073)	(2,181)	(4,476)	(4,596)
Other operating income	354	473	633	834	1,718	2,359
Other operating expenses	(279)	(375)	(573)	(741)	(3,916)	(2,765)
Profit from operations	2,572	1,299	4,859	3,727	6,265	8,349
Net interest income (expense)	(464)	(887)	(1,171)	(1,713)	(3,280)	(3,589)
Share of profit of associates and joint ventures accounted for using the equity method	41	79	77	26	945	356
Other financial income (expense)	(29)	127	(73)	(203)	(361)	(890)
Financial expense, net	(452)	(681)	(1,167)	(1,890)	(2,696)	(4,123)
Profit before income taxes	2,120	618	3,692	1,837	3,569	4,226
Income tax (expense) benefit	(831)	39	(1,297)	(336)	(1,552)	(1,709)
Profit after income taxes	1,289	657	2,395	1,501	2,017	2,517
Profit attributable to minority interests	120	121	242	251	424	454
Net profit	1,169	536	2,153	1,250	1,593	2,063
Outstanding shares (basic) (millions)	4,327	4,328	4,326	4,327	4,323	4,301
Outstanding shares (diluted) (millions)	4,328	4,328	4,330	4,333	4,328	4,306
Earnings per share(1) /ADS(2), basic and diluted ( )	0.28	0.13	0.51	0.30	0.39	0.50

(1) Earnings per share for each period are calculated by dividing net profit by the weighted average number of outstanding shares. For more information, please see Note 10.

(2) One ADS corresponds in economic terms to one ordinary share of Deutsche Telekom AG.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DEUTSCHE TELEKOM AG
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (amended)

	As of June 30, 2005	As of June 30, 2004	As of December 31, 2004 (millions of)	As of December 31, 2003	As of January 1, 2003
ASSETS					
Current assets					
Cash and cash equivalents	3,910	6,305	8,005	8,684	1,711
Trade and other receivables	7,410	7,564	6,731	7,567	7,609
Current recoverable income taxes	462	378	317	1,025	1,327
Other current financial assets	1,270	2,231	1,237	1,940	2,095
Inventories	903	1,210	1,154	972	1,174
Other current assets	1,804	1,860	1,420	1,247	1,128
	15,759	**19,548**	**18,864**	**21,435**	**15,044**
Noncurrent assets					
Intangible assets	54,636	55,478	50,745	55,460	61,906
Property, plant and equipment	48,376	47,876	46,294	49,249	54,923
Investments accounted for using the equity method	1,796	2,824	2,667	2,382	2,758
Other noncurrent financial assets	2,047	970	1,636	1,368	2,220
Deferred tax assets	4,509	5,360	4,724	5,855	8,105
Other noncurrent assets	342	293	360	309	209
	111,706	**112,801**	**106,426**	**114,623**	**130,121**
TOTAL ASSETS	**127,465**	**132,349**	**125,290**	**136,058**	**145,165**
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities					
Current financial liabilities	11,548	16,803	12,592	17,256	13,671
Trade and other payables	5,487	5,311	6,116	6,354	6,493
Income tax liabilities	1,191	792	1,049	466	766
Current provisions	3,071	2,908	3,546	3,070	2,595
Other current liabilities	3,250	3,337	2,969	3,062	3,060
	24,547	**29,151**	**26,272**	**30,208**	**26,585**
Noncurrent liabilities					
Noncurrent financial liabilities	40,548	41,800	38,498	46,776	57,511
Provisions for pensions and other employee benefits	4,419	4,260	4,209	4,175	4,108
Other noncurrent provisions	2,750	2,901	2,883	2,601	2,134
Deferred tax liabilities	6,842	6,557	5,948	7,024	8,437
Other noncurrent liabilities	1,548	1,469	1,677	1,536	1,426
	56,107	**56,987**	**53,215**	**62,112**	**73,616**
Liabilities	**80,654**	**86,138**	**79,487**	**92,320**	**100,201**
Shareholders equity					
Issued capital	10,747	10,746	10,747	10,746	10,746
Capital reserves	49,544	49,514	49,528	49,500	49,551
Accumulated deficit, including carryforwards	(18,756)	(17,766)	(17,766)	(19,829)	(19,827)
Other comprehensive income	(350)	(1,938)	(2,678)	(2,954)	439
Net profit	2,153	1,250	1,593	2,063	
Treasury shares	(8)	(8)	(8)	(8)	(7)
	43,330	**41,798**	**41,416**	**39,518**	**40,902**

Minority interest	3,481	4,413	4,387	4,220	4,062
Shareholders equity	**46,811**	**46,211**	**45,803**	**43,738**	**44,964**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**127,465**	**132,349**	**125,290**	**136,058**	**145,165**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DEUTSCHE TELEKOM AG
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited) (amended)

	Equity contributed		Consolidated shareholders equity generated			
	Issued capital	Capital reserves	Accumulated deficit	Carry-forwards	Net profit	Total
			(millions of)			
Balance at January 1, 2004	**10,746**	**49,500**	**(19,829)**	**0**	**2,063**	**(17,766)**
Changes in the composition of the Group						0
Profit after income taxes					1,250	1,250
Unappropriated net profit carried forward				2,063	(2,063)	0
Dividends						0
Exercise of options and conversion rights		14				0
Change in other comprehensive income (not recognized in income statement)						0
Recognition of other comprehensive income in income statement						0
Balance at June 30, 2004	**10,746**	**49,514**	**(19,829)**	**2,063**	**1,250**	**(16,516)**
Balance at January 1, 2005	**10,747**	**49,528**	**(19,829)**	**2,063**	**1,593**	**(16,173)**
Changes in the composition of the Group						0
Profit after income taxes					2,153	2,153
Unappropriated net profit carried forward				1,593	(1,593)	0
Dividends			(2,586)			(2,586)
Exercise of options and conversion rights		16				0
Change in other comprehensive income (not recognized in income statement)			3			3
Recognition of other comprehensive income in income statement						0
Balance at June 30, 2005	**10,747**	**49,544**	**(22,412)**	**3,656**	**2,153**	**(16,603)**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

	Other comprehensive income					
	Fair value measurement of available-for-sale financial assets	**Fair value measurement of derivatives**	**Revaluation in the context of business combinations**	**Deferred taxes**	**Difference from currency translation**	**Total**
			(millions of)			
Balance at January 1, 2004	**262**	**1,124**	**0**	**(436)**	**(3,904)**	**(2,954)**
Changes in the composition of the Group						0
Profit after income taxes						0
Unappropriated net profit carried forward						0
Dividend						0
Exercise of options and conversion rights						0
Change in other comprehensive income (not recognized in income statement)	92	(135)		56	1,259	1,272
Recognition of other comprehensive income in income statement	(256)					(256)
Balance at June 30, 2004	**98**	**989**	**0**	**(380)**	**(2,645)**	**(1,938)**
Balance at January 1, 2005	**860**	**1,429**	**63**	**(556)**	**(4,474)**	**(2,678)**
Changes in the composition of the Group						0
Profit after income taxes						0
Unappropriated net profit carried forward						0
Dividend						0
Exercise of option and conversion rights						0
Change in other comprehensive income (not recognized in income statement)	126	(488)	(3)	184	2,555	2,374
Recognition of other comprehensive income in income statement	(47)	1				(46)
Balance at June 30, 2005	**939**	**942**	**60**	**(372)**	**(1,919)**	**(350)**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

	Treasury shares	Total (equity interest of shareholders in parent company) (millions of)	Minority interest capital
Balance at January 1, 2004	**(8)**	**39,518**	**4,316**
Changes in the composition of the Group		0	
Profit after income taxes		1,250	251
Unappropriated net profit carried forward		0	
Dividend		0	(144)
Exercise of options and conversion rights		14	
Change in other comprehensive income (not recognized in income statement)		1,272	
Recognition of other comprehensive income in income statement		(256)	
Balance at June 30, 2004	**(8)**	**41,798**	**4,423**
Balance at January 1, 2005	**(8)**	**41,416**	**4,332**
Changes in the composition of the Group		0	(1,009)
Profit after income taxes		2,153	242
Unappropriated net profit carried forward		0	
Dividend		(2,586)	(193)
Exercise of options and conversion rights		16	
Change in other comprehensive income (not recognized in income statement)		2,377	3
Recognition of other comprehensive income in income statement		(46)	
Balance at June 30, 2005	**(8)**	**43,330**	**3,375**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

	Minority interest					
	Other comprehensive income					
	Revaluation in the context of business combinations	Difference from currency translation	Other	Total	Total (minority interest in equity)	Total consolidated shareholders equity
	(millions of)					
Balance at January 1, 2004	**0**	**(97)**	**1**	**(96)**	**4,220**	**43,738**
Changes in the composition of the Group				0	0	0
Profit after income taxes				0	251	1,501
Unappropriated net profit carried forward				0	0	0
Dividend				0	(144)	(144)
Exercise of option and conversion rights				0	0	14
Change in other comprehensive income (not recognized in income statement)		86		86	86	1,358
Recognition of other comprehensive income in income statement				0	0	(256)
Balance at June 30, 2004	**0**	**(11)**	**1**	**(10)**	**4,413**	**46,211**
Balance at January 1, 2005	**61**	**(7)**	**1**	**55**	**4,387**	**45,803**
Changes in the composition of the Group		(2)		(2)	(1,011)	(1,011)
Profit after income taxes				0	242	2,395
Unappropriated net profit carried forward				0	0	0
Dividend				0	(193)	(2,779)
Exercise of options and conversion rights				0	0	16
Change in other comprehensive income (not recognized in income statement)	(3)	56		53	56	2,433
Recognition of other comprehensive income in income statement				0	0	(46)
Balance at June 30, 2005	**58**	**47**	**1**	**106**	**3,481**	**46,811**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DEUTSCHE TELEKOM AG
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (amended)

	For the six months ended June 30, 2005	For the six months ended June 30, 2004	For the year ended December 31, 2004
		(millions of)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after income taxes	2,395	1,501	2,017
Depreciation, amortization and impairment losses	5,144	5,893	13,127
Income tax expense	1,297	336	1,552
Interest income and interest expenses	1,171	1,713	3,280
Gain from the disposal of non-current assets	(12)	(100)	(1,306)
Share of profit of associates and joint ventures accounted for using the equity method	(77)	(26)	27
Other non-cash transactions	(38)	352	845
Change in assets carried as working capital	(639)	(731)	523
Change in provisions	(241)	265	604
Change in other liabilities carried as working capital	(908)	(683)	(337)
Income taxes (paid) received	(697)	509	48
Dividends received	24	30	82
Cash generated from operations	**7,419**	**9,059**	**20,462**
Net interest paid	(1,604)	(1,855)	(3,742)
Net cash from operating activities	**5,815**	**7,204**	**16,720**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash outflows for investments in			
Intangible assets	(1,032)	(355)	(1,044)
Property, plant and equipment	(3,883)	(2,573)	(5,366)
Non-current financial assets	(402)	(505)	(870)
Investments in fully consolidated subsidiaries	(2,007)	(150)	(483)
Proceeds from disposal of			
Intangible assets	20	9	7
Property, plant and equipment	170	205	550
Non-current financial assets	172	328	2,140
Investments in fully consolidated companies and business units	2	0	1
Net change in short-term investments and marketable securities	(14)	(297)	564
Other	0	2	0
Net cash used in investing activities	**(6,974)**	**(3,336)**	**(4,501)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of current financial liabilities	1,913	381	703
Repayment of current financial liabilities	(6,069)	(6,088)	(13,798)
Proceeds from issue of non-current financial liabilities	4,258	159	1,322
Repayment of non-current financial liabilities	(287)	(420)	(481)
Dividend payments	(2,723)	(170)	(404)
Proceeds from the exercise of stock options	14	11	21
Repayment of lease liabilities	(100)	(151)	(244)
Net cash used in financing activities	**(2,994)**	**(6,278)**	**(12,881)**
Effect of exchange rate changes on cash and cash equivalents	58	31	(17)
Net decrease in cash and cash equivalents	**(4,095)**	**(2,379)**	**(679)**
Cash and cash equivalents at the beginning of the period	**8,005**	**8,684**	**8,684**

Cash and cash equivalents at end of the period	**3,910**	**6,305**	**8,005**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Note (1) Transition to International Financial Reporting Standards (IFRS) and summary of accounting policies

Transition to International Financial Reporting Standards (IFRS)

According to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (Official Journal EC L 243 p. 1) the Company is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the first time for the financial year 2005 and thereafter. Our opening IFRS consolidated balance sheet was prepared as of January 1, 2003 (date of transition to IFRS in accordance with IFRS 1). The Company will adopt IFRS as adopted by the European Commission for use in the European Union (EU GAAP) for the first time in its financial statements for the year ended December 31, 2005, which will include comparative financial statements for the year ended December 31, 2004 and 2003. IFRS 1, First-time Adoption of International Financial Reporting Standards , requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS financial statements (e.g., December 31, 2005). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (January 1, 2003) and throughout all periods presented in the first IFRS financial statements.

The accompanying interim financial information as of and for the six month periods ended June 30, 2005 and 2004, have been prepared in accordance with EU GAAP effective at June 30, 2005. The EU GAAP that will be applicable at December 31, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information. As a result, the accounting policies used to prepare this financial information are subject to change up to the reporting date of the Company s first IFRS financial statements.

In accordance with IFRS 1, assets and liabilities are recognized and measured in accordance with the IFRS required to be applied as of December 31, 2005, the preparation date of the first IFRS consolidated financial statements. The resulting differences between the IFRS carrying amounts and the carrying amounts of the assets and liabilities in our consolidated balance sheet under German GAAP as of January 1, 2003 are recognized directly in equity at the date of transition to IFRS.

Explanation of exemptions applied under IFRS 1

In general, the carrying amounts of the assets and liabilities in our consolidated balance sheet prepared on the basis of German GAAP as of December 31, 2002 must be recognized and measured retrospectively in our opening IFRS consolidated balance sheet as of January 1, 2003 on the basis of those IFRSs in force at December 31, 2005. IFRS 1 nevertheless provides exemptions from this principle in specific cases. The main exemptions that the Company has applied are explained below:

Business combinations

IFRS 3, Business Combinations , is not required to be applied retrospectively to business combinations that took place before the date of transition to IFRS. The Company has applied this exemption. The classification and amounts recorded in a business combination under German GAAP must then be maintained. As a rule, all assets and liabilities that were acquired or assumed in business combinations must be carried in the opening IFRS consolidated balance sheet. All assets, except intangible assets, and liabilities that were recognized in the consolidated balance sheet under German GAAP but that do not meet the IFRS recognition criteria are not recognized in the opening IFRS consolidated balance sheet, and reduce or increase the amount of retained earnings. All assets, except intangible and liabilities that were not recognized in the consolidated balance sheet under German GAAP but that do meet the IFRS recognition criteria are recognized in the opening IFRS consolidated balance sheet and increase or reduce the amount of retained earnings. Changes in the carrying amount of assets and liabilities already recognized under German GAAP are also presented in retained earnings. The carrying amount of goodwill under German GAAP is recognized in the opening IFRS consolidated balance sheet, subject to any necessary adjustments. At the date of transition to IFRS, goodwill was tested for impairment and were written down at the date of transition to IFRS if required. No other adjustments to the carrying amount were required.

Revaluation as deemed cost

Entities that have revalued their assets at fair values at one particular date prior to first-time adoption of IFRS because of a specific event may establish these fair values as deemed cost and account for them from the date of the revaluation in accordance with the IFRSs effective at the date of preparation of the first IFRS financial statements. The Company has applied this exemption and has used the fair values of assets recognized in our opening consolidated balance sheet at the date of privatization (January 1, 1995) as the deemed cost of the assets under IFRS at January 1, 1995. These figures have been carried in accordance with regulations on subsequent measurement for the period January 1, 1995 to January 1, 2003 (date of preparation of our opening IFRS consolidated balance sheet).

Fair value measurement

An entity may elect to measure certain items of non-current assets at the date of transition at fair value instead of subsequent historical cost under IFRS; this exemption may be applied individually to each asset. The Company has applied this exemption in specific cases.

Employee benefits

If an entity elects to recognize actuarial gains and losses arising as a result of the measurement of defined benefit plans after the date of transition to IFRS using the corridor approach permitted by IAS 19 Employee Benefits , it may still decide not to apply the corridor approach retrospectively and to recognize all cumulative actuarial gains and losses from defined benefit plans directly in equity at the date of transition to IFRS. The Company has applied this exemption.

Cumulative translation differences

Under IAS 21 The Effects of Changes in Foreign Exchange Rates , differences from the translation of financial statements prepared in a currency other than the presentation currency of the parent must be recognized as a separate component of equity. In line with the principle of retrospective application of IFRS, these differences would be required to be determined retrospectively. According to the exemption in IFRS 1, cumulative translation differences may be deemed to be zero at the date of transition. In the case of subsequent disposal of the entity concerned, only translation differences that arose subsequent to the date of transition to IFRS would be recognized in profit or loss. The Company has applied this exemption.

Share-based payment

Under IFRS 1, equity instruments from share-based options granted on or before November 7, 2002 and those granted after November 7, 2002 and vested before January 1, 2005 are not required to be recognized under IFRS 2 Share-based Payment by a first-time adopter. The Company has applied this exemption.

Summary of accounting policies

These condensed consolidated financial statements are unaudited. In management s opinion, these unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated results of operations, balance sheet and cash flows for each period presented. The consolidated results for interim periods are not necessarily indicative of results for the full year. These financial results should be read in conjunction with our report on Form 20-F for the year ended December 31, 2004. However, the financial statements contained in that report were prepared in accordance with the requirements of the German Commercial Code (HGB-German GAAP), German Stock Corporation Act (Aktiengesetz), and German Accounting Standards (GAS) which differ in certain significant respects from U.S. generally accepted accounting principles (U.S. GAAP) and IFRS. For a reconciliation of German GAAP to IFRS, see Note 11. In addition, certain prior period balance sheet items have been reclassified to conform to the current period presentation.

Statement of compliance

The financial statements for the period ended June 30, 2005 are in compliance with IAS 34, Interim Financial Reporting . They have been prepared in accordance with the IFRS that are in effect as of June 30, 2005 as if they were to be applied to the first IFRS consolidated financial statements for the period ending December 31, 2005.

Adjustments due to changes in reporting

Certain deferred tax assets and liabilities have been netted in the German tax consolidation group for the first time to improve the presentation of Deutsche Telekom s financial statements. The prior-year comparative information has been amended accordingly.

Finance costs and other financial income/expense has changed as against the first quarter of 2005 due to the recognition of interest income and expense when accounting for interest rate derivatives. Prior-period comparatives have been adjusted accordingly.

Consolidated group

All subsidiaries, joint ventures and associates are generally included in the condensed consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by us; such companies are consolidated. Joint ventures are companies jointly controlled by us and other companies. Associates are companies on which the Company has a significant influence, and that are neither subsidiaries nor joint ventures. As with joint ventures, associates are accounted for using the equity method.

Consolidation methods

The financial statements of the companies included in our condensed consolidated financial statements are prepared in accordance with uniform accounting policies.

Under IFRS, all business combinations must be accounted for using the purchase method. The acquirer allocates the cost of a business combination by recognizing the acquiree s identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Any positive difference between the cost of the business combination and the acquirer s interest in the net fair value of identifiable assets, liabilities and contingent liabilities, regardless of the level of the investment held, is recognized as goodwill. Any excess of the acquirer s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities which exceeds the cost of a business combination is recognized immediately in profit or loss. In the periods following the business combination, any realized differences between the carrying amounts and fair values of assets and liabilities are adjusted, amortized or reversed, reflecting the treatment of the corresponding assets and liabilities.

When acquiring additional equity ownership interests in companies that are already consolidated subsidiaries, the difference between the purchase price consideration and the proportionate acquired equity is recognized as goodwill.

Goodwill is not amortized, but is tested for impairment together with the cash-generating unit to which the goodwill is allocated (an impairment-only approach). The impairment test must be performed annually, as well as whenever there are indications that the carrying amount of the cash-generating unit is impaired. If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit must be reduced in the amount of the difference. Impairment losses for goodwill may not be reversed. If the impairment loss recognized for the cash-generating unit is greater than the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognized through the pro rata reduction of the carrying amounts of the assets allocated to the cash-generating unit.

Intra-group income and expenses, receivables and liabilities, and profits or losses are eliminated.

A subsidiary is deconsolidated from the date it is no longer controlled.

Investments in joint ventures and associates accounted for using the equity method are carried at the acquirer s interest in the identifiable assets, liabilities and contingent liabilities remeasured to fair value, plus any attributable goodwill. Goodwill from application of the equity method is not amortized, but tested for impairment at least once a year. Unrealized gains and losses from transactions with these companies are eliminated in proportion to the acquirer s interest.

Currency translation

Financial statements prepared in foreign currencies and transactions denominated in foreign currencies are translated using the functional currency concept. The functional currency is the currency of the primary economic environment in which the subsidiary operates. The activities and financial structure reported in this currency should be reflected in the consolidated financial statements.

Foreign currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At subsequent balance sheet dates, monetary items are translated at the closing rate, and non-monetary items continue to be translated at the exchange rate at the date of transaction. Any resulting exchange differences are recognized in profit or loss.

The financial statements of our Group entities whose functional currency is not the euro are translated using the modified closing rate method. In the consolidated financial statements, the assets and liabilities of foreign Group entities are translated into euros from the local currency at the middle rates at the balance sheet date. The income statements and corresponding profit or loss of foreign currency denominated Group companies are translated at average exchange rates for the period. Exchange differences are recognized as a separate component of equity.

Intangible assets

Intangible assets (excluding goodwill) with finite useful lives, including UMTS licenses, are measured at cost and amortized on a straight-line basis over their useful lives. Such assets are impaired if their recoverable amount is lower than the carrying amount. Indefinite-lived intangible assets (FCC licenses) are carried at cost. They are not amortized, but are tested regularly for impairment and, if necessary, written down to the recoverable amount. The impairment test must be performed annually, as well as whenever there are indications of impairment. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply.

Goodwill is not amortized, but is tested for impairment at least once a year.

The useful lives of mobile communications licenses are as follows:

	Years
UMTS licenses	20 to 22
GSM licenses	10 to 20
FCC licenses	indefinite

Development expenditures are capitalized if they meet the criteria for recognition as assets and are amortized over their useful lives. Research expenditures are not capitalized and are recognized as expenses. Borrowing costs are not capitalized.

Property, plant and equipment

Property, plant and equipment is carried at cost less straight-line depreciation. The depreciation period is based on the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. In addition to directly attributable costs, the cost of internally developed assets includes proportionate indirect material and labor costs, as well as administrative expenses relating to production or the providing of services. Cost also includes the estimated cost for dismantling and removing the asset, and restoring the site on which it is located. If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred. Borrowing costs are not capitalized. Investment grants received reduce the cost of the assets for which the grants were made.

Impairment of intangible assets and items of property, plant and equipment is identified by comparing the carrying amount with the recoverable amount (the higher of fair value less costs to sell and value in use). If no future cash flows generated independently of other assets can be allocated to the individual assets, recoverability is tested on the basis of the cash-generating unit to which the assets can be allocated. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply.

The useful lives of material asset categories are as follows:

	Years
Buildings	25 to 50
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment and technical equipment for broadband distribution networks	4 to 10
Broadband distribution networks, outside plant networks and cable conduit lines	15 to 35
Other equipment, operating and office equipment	3 to 23

Leasehold improvements are amortized over the shorter of the useful life or lease term.

Leases

Beneficial ownership of leased assets is attributed to the contracting party in the lease to which substantially all risks and rewards incidental to ownership of the asset are transferred. If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized by the lessor. Measurement of the leased asset is then governed by the accounting policies applicable to that asset. The lease payments are recognized in profit or loss. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease), the lessee must recognize the leased asset. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future lease payments and depreciated over the shorter of the estimated useful life or the lease term. The lessee recognizes a lease liability at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is classified into repayments of the lease receivable and financial income.

Investment property

Investment property consists of all property held to earn rentals or for capital appreciation and not used in production or for administrative purposes. Investment property is measured at cost less any accumulated depreciation and impairment losses.

Assets held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell following classification as non-current assets held for sale. Such assets are no longer depreciated. As a rule, impairment of such assets is only recognized if fair value less costs to sell is lower than the carrying amount. If fair value less costs to sell subsequently increases, the previously recognized impairment must be reversed. The reversal of impairment losses is restricted to the impairment losses previously recognized for the assets concerned.

Inventories

Inventories are carried at cost. Borrowing costs are not capitalized. Items of inventory are written down at the balance sheet date if their net realizable value is lower than their carrying amount. Similar items of inventory are measured using the weighted average cost method.

Pension and other employee related benefit obligations

Provisions for pensions and other employee benefits are based on obligations to non-civil servants. Provisions for defined benefit plans are measured using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the balance sheet date, but also expected future salary and benefit increases. Any differences between the expected pension obligation calculated and the actual pension obligation (actuarial gains or losses) are recognized at the balance sheet date only to the extent that they fall outside a corridor of 10% of the amount of the defined benefit obligation, in which case they are amortized over the average remaining working life of the eligible employees and recognized as income or expenses starting from the following period. The interest component of the addition to provisions contained in pension expenses is reported in financial income (expense) as interest expense. The return on plan assets is also reported in net financial income (expense). The amounts payable under defined contribution plans are expensed.

For active civil servants and those who have taken leave from civil-servant status and have an employment contract, Deutsche Telekom is obliged to make annual contributions to a special pension fund which makes pension payments. The amounts of these contributions are set out by Postreform II, the legislation by which the former Deutsche Bundespost Telekom was legally transformed into a stock corporation, which came into force in 1995, and are therefore not subject to a separate actuarial calculation. The contributions are expensed in the period in which they are incurred.

For part-time working arrangements for employees approaching retirement based on the block model, the cumulative outstanding settlement amount, which is based on the difference between the employee s remuneration before entering partial retirement (including the employer s social security contributions) and the remuneration for part-time service (including the employer s social security contributions, but excluding top-up payments), and the obligation to make top-up payments plus an additional contribution to the statutory pension scheme, are measured separately. The obligations are recognized at their present value in accordance with actuarial principles.

Whereas the amount of the outstanding settlement is recorded on a pro rata basis during the term of the arrangement, the top-up payments are recognized in full as expense when the obligation arises.

Provisions and other liabilities

Other provisions are recognized upon the occurrence of legal or constructive obligations to third parties on the basis of past transactions or events that will probably require an outflow of resources to settle, and this outflow can be reliably measured. These provisions are carried at their expected settlement amount, taking into account all identifiable risks, and may not be offset against reimbursements. The settlement amount is calculated on the basis of a best estimate; for provisions for a number of events, this is the expected value. Provisions are discounted when the effect of the time value of money is material. Changes in estimates of the amount and timing of payments or changes in the discount rate applied in measuring provisions for decommissioning, restoration, and similar liabilities are recognized in the same amount for the related asset. Where the decrease in the amount of a provision is greater than the carrying amount of the related asset, the excess is recognized immediately in profit or loss.

Contingencies

Contingencies (contingent liabilities and assets) are essentially potential liabilities or assets arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within our control. Contingent liabilities are only recognized if they were assumed in the course of a business combination. Contingent assets may not be recognized. Information on contingent liabilities are disclosed in the notes to the condensed consolidated financial statements, unless the possibility of an outflow of economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and primary (non-derivative) financial assets held for trading.

Financial liabilities generally relate to claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, promissory notes and derivative financial liabilities.

Financial assets are measured at fair value on initial recognition. For regular way purchases and sales of all categories of financial assets, the date of initial recognition in the balance sheet or of derecognition is the settlement date, i.e., the date that the financial asset is delivered. The fair values recognized in the balance sheet are the market prices of the financial assets. If these are not immediately available, they are calculated using standard valuation models on the basis of current market parameters.

Cash and cash equivalents consist of balances and short-term investments with original maturities of three months or less. They are recognized at their nominal amount.

Trade and other current receivables are measured at cost less any valuation allowances. Valuation allowances take adequate account of the expected credit risk; concrete cases of default lead to the derecognition of the respective receivables. Other receivables are measured at amortized cost using the effective interest method.

Financial assets held for trading are measured at fair value. Any gains or losses arising from subsequent measurement are recognized in the income statement. Financial instruments are only classified as held for trading if this is prescribed by IAS 39. Derivative financial instruments must be classified as held for trading if it is not possible to designate them as a hedge. These instruments are measured at fair value; changes in fair value are recognized in profit or loss.

Certain types of investment are intended and expected to be held to maturity with reasonable economic certainty. These financial assets are measured at amortized cost, using the effective interest method.

Other financial assets are classified as available for sale and generally measured at fair value. The gains and losses arising from fair value measurement are taken directly to equity unless they relate to lasting impairment; impairment losses are recognized in profit or loss. The cumulative gains and losses arising from fair value measurement are only recognized in profit or loss on disposal of the related financial assets. If the fair value of non-exchange traded equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost.

The Company has not exercised the option available since December 2003 to designate financial assets and financial liabilities as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss upon initial recognition.

At least annually, the carrying amounts of financial assets not measured at fair value through profit or loss are tested for impairment. Any resulting impairment loss is recognized in the income statement. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed to income in the appropriate amount. Impairment losses on non-exchange traded equity instruments that are classified as available for sale and recognized at cost may not be reversed.

Financial liabilities are recognized initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade and other payables generally have short-term maturities and are measured at cost. Other primary financial liabilities are measured at amortized cost using the effective interest method.

The liability and equity components of compound financial instruments are reported separately. The liability component is recognized at the amount that would have been generated from the issue of the equivalent debt instrument without the equity component based on the market conditions at the issue date. Accordingly, the amount recognized in equity - including deferred taxes - is equal to the market value of the conversion rights or options at the issue date, and hence the difference to the proceeds of the original issuance. The equity component is included in capital reserves at a constant amount.

The Company applies hedge accounting to hedge balance sheet items and future cash flows, thus reducing income statement volatility. Fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation are employed depending on the nature of the hedged item. Fair value hedges are used to hedge the fair values of assets and liabilities recognized. Any change in the fair value of the derivative designated as the hedging instrument is recognized in profit or loss; the hedged item is also recorded at fair value through profit or loss to the extent of the hedged risk. Cash flow hedges are used to hedge against fluctuations in future cash flows from assets and liabilities recognized in the balance sheet or from highly probable forecast transactions or firm commitments not yet recognized in the balance sheet. If a cash flow hedge is employed, the effective portion of the change in the fair value of the derivative financial instrument is recognized in equity (hedging reserve) until the gain or loss on the hedged item affects the profit and loss statement; the ineffective portion of the derivative is recognized in profit or loss immediately. If hedges of a net investment in a foreign operation are employed, all changes in the fair value of the effective portion of the hedging instrument, together with any gains or losses on the foreign currency translation of the hedged investment, are taken directly to equity (hedging reserve). The changes in fair value and the gains and losses on foreign currency translation are only recognized in profit or loss on disposal of the investment.

Share-based compensation

Stock options (equity-settled, share-based payment transactions) are measured at fair value on the grant date. The fair value is recognized as personnel costs over the period until the options are vested. Obligations arising from cash-settled, share-based payment transactions are measured at fair value at the balance sheet date. The expenses arising from these obligations are deferred and amortized over the term of the obligation. For both cash-settled and equity-settled share-based payment transactions, the fair value is determined using internationally accepted valuation techniques.

Revenue recognition

Net revenues contain all revenues from the ordinary business activities typical for Deutsche Telekom. For example, these include revenues from the rendering of services and the sale of goods and products that are typical for Deutsche Telekom. Net revenues are recorded net of value added tax (VAT) and sales-related reductions. They are recognized in the accounting period concerned in accordance with the realization principle. Up-front fees and related costs are deferred and amortized over the estimated average period of customer retention. For multiple element arrangements, revenue recognition for each of the elements identified must be determined separately. Net revenues for the individual elements are generally measured on the basis of the relative fair value of the elements as a proportion of the total goods and services provided.

Revenue from construction contracts are accounted for using the percentage-of-completion method. The stage of completion is determined on the basis of the costs incurred to date as a proportion of the estimated total costs. Receivables from construction contracts are reported in the balance sheet item Trade and other receivables. Receivables from construction contracts are calculated as the balance of the costs incurred and the profits recognized, less any discounts and recognized losses on the contract; if the balance for a contract is negative, this amount is reported in liabilities from construction contracts.

Income taxes

Income tax expense includes current income taxes payable as well as deferred taxes. Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated balance sheet and the tax base, as well as for tax loss carryforwards that are expected to reduce tax expense in future periods. Currently enacted tax laws and tax laws that have been substantively enacted as of the balance sheet date are used as the basis for measuring deferred taxes. A blended tax rate of approximately 39% is applied to the calculation of deferred taxes in Germany.

Note (2) Changes within the consolidated Group

In the past year, the Company has acquired interests in various companies that were not, or were only partially, included in the consolidated financial statements as of June 30, 2004. These were the Scout24 group at Broadband/Fixed Network, T-Mobile Slovensko (formerly EuroTel) at Mobile Communications, and Software Daten Service Gesellschaft mbH at Business Customers. In the first quarter of 2005, Magyar Telekom acquired a majority interest in the Telekom Montenegro group, and Business Customers sold T-Systems DSS in the second quarter of 2005.

The following table shows the effect of these acquisitions and disposals on the individual line items of the condensed consolidated income statement for the first six months of 2005.

	Broadband/ Fixed Network	**Mobile Communications**	**Business Customers**	**Total**
		(millions of)		
Net revenue	22	166	(4)	184
Cost of sales	(14)	(100)	3	(111)
Gross profit	**8**	**66**	**(1)**	**73**
Selling expenses	(8)	(21)	0	(29)
General and administrative expenses	(4)	(6)	0	(10)
Other operating income	0	0	(1)	(1)
Other operating expense	0	(2)	0	(2)
Profit (loss) from operations	**(4)**	**37**	**(2)**	**31**
Finance costs				
Interest income	0	0	0	0

Interest expense	0	(2)	0	(2)
Share of profit (loss) of equity-accounted Investments	0	(14)	0	(14)
Other financial income (expense)	0	0	0	0
Financial income (expense), net	0	(16)	0	(16)
Profit (loss) before income taxes	**(4)**	**21**	**(2)**	**15**
Income tax (expense) benefit	(1)	(6)	0	(7)
Profit after (loss) income taxes	**(5)**	**15**	**(2)**	**8**
Profit (loss) attributable to minority interests	(1)	6	0	5
Net profit (loss)	**(4)**	**9**	**(2)**	**3**

Note (3) Financial income (expense), net (amended)

Financial income (expense), net consists of the following:

	For the three months ended June 30, 2005	For the three months ended June 30, 2004	For the six months ended June 30, 2005	For the six months ended June 30, 2004	For the year ended December 31, 2004
	(millions of , except where indicated)				
Finance costs					
Interest income	36	91	135	221	377
Interest expenses	(500)	(978)	(1,306)	(1,934)	(3,657)
	(464)	(887)	(1,171)	(1,713)	(3,280)
Share of profit of associates and joint ventures accounted for using the equity method	41	79	77	26	945
Other financial income (expense)	(29)	127	(73)	(203)	(361)
Financial expense, net	**(452)**	**(681)**	**(1,167)**	**(1,890)**	**(2,696)**

Net financial expense decreased by EUR 723 million compared to the first half of 2004. This development was due primarily to the reduction in interest expense as a result of lower financial liabilities. In addition, the first quarter of 2004 included expenses for Toll Collect, which impacted the share of profit/loss of associates and joint ventures accounted for using the equity method. No such expenses were recorded in the first half of 2005. The positive effects from foreign currency translations also impacted other financial income/expense.

Note (4) Personnel

	For the three months ended June 30, 2005	For the three months ended June 30, 2004	For the six months ended June 30, 2005	For the six months ended June 30, 2004	For the year ended December 31, 2004
Personnel costs	(3,367)	(3,384)	(6,709)	(6,718)	(13,342)

Personnel costs for the second quarter and first half of 2005 remained essentially unchanged as compared to the respective periods in the prior year. Lower expenses as a result of the reduction in the number of employees, both at the balance sheet date and on average in the reporting period (particularly at T-Com s Central and Eastern European subsidiaries within the Broadband/Fixed Network strategic business area and at Vivento at Group Headquarters & Shared Services) were largely offset by increases in collectively agreed wages and salaries in Germany and staff expansion at T-Mobile USA.

The personnel cost ratio (personnel costs divided by net revenue) for the first half of 2005 amounted to approximately 23.1 %, representing a reduction of approximately 0.7 percentage points year-on-year.

Average number of employees

	For the six months ended June 30, 2005	2004	Change	% Change	For the year ended December 31, 2004
Civil servants	46,786	49,407	(2,621)	(5.3)	48,536
Non-civil servants	197,452	198,666	(1,214)	(0.6)	199,023
Deutsche Telekom Group	**244,238**	**248,073**	**(3,835)**	**(1.5)**	**247,559**
Trainees and student interns	10,390	9,838	552	5.6	10,146

Number of employees as of the balance sheet date

	As of June 30, 2005	2004	Change	% Change	As of December 31, 2004
Civil servants	46,633	47,964	(1,331)	(2.8)	47,163
Non-civil servants	197,644	199,866	(2,222)	(1.1)	197,482
Deutsche Telekom Group	**244,277**	**247,830**	**(3,553)**	**(1.4)**	**244,645**
Trainees and student interns	9,374	9,035	339	3.8	11,693

Note (5) Depreciation, amortization and impairment losses (amended)

The components of depreciation and amortization for the three months and six months ended June 30, 2005 and 2004 and December 31, 2004 are as follows:

	For the three months ended June 30, 2005	2004	For the six months ended June 30, 2005	2004	For the year ended December 31, 2004
	(millions of	, except where indicated)			
Amortization and impairment of intangible assets	(624)	(1,744)	(1,237)	(2,048)	(5,461)
of which: UMTS licenses	(215)	(88)	(428)	(90)	(519)
of which: U.S. mobile communications licenses		(1,342)	(23)	(1,342)	(1,250)
of which: goodwill					(2,434)
Depreciation and impairment of property, plant and equipment	(1,986)	(1,958)	(3,907)	(3,845)	(7,666)
Total depreciation, amortization and impairment losses	**(2,610)**	**(3,702)**	**(5,144)**	**(5,893)**	**(13,127)**

The decrease in depreciation, amortization and impairment losses relates mainly to the non-recurrence of the impairment loss on U.S. mobile communications licenses of approximately EUR 1.3 billion charged in the previous year due to the winding up of the network joint venture between T-Mobile USA and Cingular Wireless. This decrease was partially offset by increases in the amortization of UMTS licenses by around EUR 0.3 billion year-on-year, as amortization on the UMTS licenses in Germany and the United Kingdom commenced when they were put into commercial operation during the second and third quarters of 2004, respectively.

Note (6) Noncurrent assets (amended)

The components of noncurrent assets as of June 30, 2005 and 2004 and December 31, 2004 are as follows:

	As of		
	June 30, 2005	June 30, 2004 (millions of)	December 31, 2004
Intangible assets	54,636	55,478	50,745
of which: goodwill	20,322	21,693	18,705
of which: UMTS licenses	14,165	14,904	14,315
of which: U.S. mobile communications licenses	16,729	16,164	14,501
Property, plant and equipment	48,376	47,876	46,294
Financial assets	3,843	3,794	4,303
Deferred tax assets	4,509	5,360	4,724
Other noncurrent assets	342	293	360
Total noncurrent assets	**111,706**	**112,801**	**106,426**

The increase in intangible assets is mainly due to exchange rate effects amounting to approximately EUR 3.1 billion, as well as to the increase in goodwill from the acquisition of additional interests in T-Online International AG prior to completion of the merger of T-Online International AG into Deutsche Telekom AG, and to the wholesale agreement with Cingular Wireless in the United States. The increase in property, plant and equipment is mainly due to exchange rate effects of approximately EUR 1.0 billion, and to the purchase of networks in California, Nevada and New York.

The additions to non current assets for the six months ended June 30, 2005 and 2004 and December 31, 2004 are as follows:

	For the six months ended June 30, 2005	For the six months ended June 30, 2004	For the year ended December 31, 2004
		(millions of)	
Intangible assets	1,944	469	1,325
Property, plant and equipment	4,280	2,241	5,254
Total additions to non current assets	**6,224**	**2,710**	**6,579**

The increased spending on intangible assets in the first half of 2005 is primarily due to goodwill of EUR 0.8 billion from the acquisition of additional interests in T-Online International AG, while the addition to property, plant and equipment is largely attributable to the acquisition of networks in California, Nevada and New York.

Note (7) Total financial liabilities (amended)

The components of total financial liabilities (which includes current and noncurrent financial liabilities) as of June 30, 2005 and 2004 and December 31, 2004 are as follows:

	As of June 30, 2005	As of June 30, 2004	As of December 31, 2004
		(millions of)	
Bonds	40,746	46,983	39,820
Liabilities to banks	3,530	3,192	3,082
Liabilities to non-banks from promissory notes	653	755	651
Liabilities from derivatives	745	947	1,159
Lease liabilities	2,473	2,340	2,487
Liabilities arising from ABS transactions	1,384	1,195	1,563
Other financial liabilities	2,565	3,191	2,328
Total financial liabilities	**52,096**	**58,603**	**51,090**

Note (8) Contingencies and other financial obligations

Contingencies and other financial obligations increased by EUR 3.6 billion to EUR 30.4 billion compared with December 31, 2004. This was primarily due to the winding up of the U.S. mobile communications joint venture, which resulted in an increase in the rental and lease obligations of T-Mobile USA in conjunction with the network sharing joint venture in California, Nevada and New York. The change in the U.S. dollar exchange rate since the end of 2004 also contributed to this increase.

Purported purchasers of Deutsche Telekom shares sold pursuant to prospectuses dated May 28, 1999 and May 26, 2000 have filed approximately 2,200 lawsuits (with approximately 14,500 plaintiffs) in Germany. The plaintiffs predominantly allege that the book values the Company recorded for its real property portfolio were improperly established and maintained under German GAAP. In a number of these lawsuits, claims have also been made with respect to the VoiceStream transaction analogous to those made in the purported U.S. class action lawsuits described above. In the most recent series of lawsuits, which were mainly filed in May 2003, many plaintiffs assert more allegations. They allege, among other things, that the purchase price for the U.K. cellular phone carrier One2One was unreasonably high and the prospectus did not provide information about necessary write offs to goodwill, that the internal mid-term financial plan for 2000-2004 was inaccurate, that the prospectus did not properly inform investors about the general risks of the international expansion, relations with Company s major shareholder, the Federal Republic of Germany and the risks of the liberalization of the German telecommunication market. Further, they allege that the business prospects were described too positively and that the prospectus did not properly inform investors about the price to be paid for a UMTS license to be bought in an auction in August 2000.

These lawsuits are pending before the District Court in Frankfurt am Main, where a first oral hearing took place on November 23, 2004. In the hearing the presiding judge issued a statement describing his preliminary view that he doubted whether the valuation method the Company used in determining the book values recorded for real property portfolio were compliant with the applicable legal standards. Therefore, he continued, it might be necessary to take evidence by obtaining an expert opinion with respect to the value of the Company s real property portfolio. However, the presiding judge also stated that the court, in its preliminary opinion, and subject to additional briefing by the parties, regarded the claims not related to the valuation of the real property portfolio as unfounded. The next oral hearing is scheduled for October 25, 2005. The aggregate euro amount of all shareholders claims filed in Germany in these lawsuits is approximately EUR 80 million.

Many shareholders have also initiated conciliation proceedings with a state institution in Hamburg (Öffentliche Rechtsauskunfts- und Antragsstelle der Freien und Hansestadt Hamburg , or ÖRA), mainly to stay the statute of limitations. According to information the Company has received orally from the OeRA, approximately 15,000 shareholders have instituted conciliation proceedings. Participation in these conciliation proceedings is voluntary, and Deutsche Telekom has declined to participate. The Company expects the claims made in these conciliation proceedings to be analogous to those made in the purported prospectus liability lawsuits described above.

The Company is contesting each of the aforementioned lawsuits vigorously, however it is not in a position to predict the outcome or impact of the lawsuits or of the conciliation proceedings.

The Company has been informed that the Bonn public prosecutor has ended without action his investigations regarding the book values recorded for the Company s real property portfolio, the acquisition of Voicestream and Powertel and the liability risks in connection with the June 2000 global offering by KfW of the Company s shares.

In the first quarter of 2000, AOL Bertelsmann brought preliminary injunction proceedings and filed a complaint against T-Online and the Company before the Hamburg District Court (Landgericht Hamburg) claiming that T-Online had engaged in an anti-competitive practice by bundling its By-Call Internet access charge with the Company s ISDN telephone access. The Hamburg District Court decided in the favor of the Company in both proceedings. AOL Bertelsmann s appeal to the Hamburg Court of Appeals was rejected. AOL Bertelsmann lodged an appeal with the Federal Court of Justice (Bundesgerichtshof). In March 2004, the Federal Court of Justice has remanded the case to the Hamburg Court of Appeals for further proceedings in connection with certain factual determinations that may have a significant influence on the outcome of the appellate proceeding. The Company believes that these additional proceedings will not be concluded in the near term and that a determination with respect to a likely outcome cannot be made at this time.

In September 1998, Deutsche Post AG commenced an arbitration proceeding seeking contributions from the Company relating to the cost of employee housing for former Deutsche Bundespost employees, including a number of its employees. In 1995, responsibility for the housing of former employees of Deutsche Bundespost was assigned to Deutsche Post AG. The parties have different views as to the amount the Company is obliged to pay as cost reimbursement for the use of such employee housing for its employees. Deutsche Post AG currently is seeking payment in the amount of EUR 139.7 million from the Company, although the Company expects that Deutsche Post AG may claim further amounts in the event that its initial claim is successful. In March 2000, the Company raised counterclaims in the amount of EUR 62.6 million reclaiming down payments from 1995 and 1996. The outcome of the arbitration proceeding is uncertain.

Media reports have suggested that radio frequency emissions from wireless handsets and cell sites may raise various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing. Whether or not such research or studies conclude there is a link between radio frequency emissions and health, these concerns over radio frequency emissions may discourage the use of wireless handsets and may result in significant restrictions on the location and operation of cell sites, either or both of which could have a material adverse effect on the Company s or on T-Mobile USA s results of operations. T-Mobile USA is subject to current, and potentially future, litigation relating to these health concerns. Several amended class action lawsuits have been filed against T-Mobile USA and several other wireless service operators and wireless phone manufacturers, asserting products liability, breach of warranty and other claims relating to radio frequency transmissions to and from wireless handsets. The complaints seek substantial money damages as well as injunctive relief. The Company may be required to pay significant awards or settlement and may incur significant expenses in defending these lawsuits.

In April 2001, QPSX Europe GmbH filed suit for a permanent injunction with the District Court in Munich (Landgericht München) against the Company and Siemens AG, alleging that the companies are both infringing on the plaintiff s patent by providing services using Asynchronous Transfer Mode (ATM) technology. Because ATM technology is used in a number of products and services which the Company offers, e.g. T-DSL and T-ATM, an adverse outcome in this proceeding could have a substantial adverse effect on its business.

In December 2004 and January/February 2005, a number of telephone directory service providers who receive data relating to subscribers to voice telephony services from the Company for the purpose of establishing own directory services filed suits with the District Court of Cologne (Landgericht Köln), or applied for payment orders in the aggregate amount of approximately EUR 550 million plus interest, claiming reimbursement for payments made to the Company since 1999 as well as corresponding damages. The plaintiffs, referring to a decision by the European Court of Justice (C-109/03; KPN vs. Onafhankelijke Post en Telecommunicatie Autoriteit) allege that the Company overcharged the remuneration for the provision of this data.

On May 3, 1999, Western Wireless Corporation (referred to herein as Western Wireless), distributed its entire 80.1% interest in T-Mobile USA s (formerly VoiceStream) common shares to its stockholders. Prior to this spin-off, Western Wireless obtained a favorable ruling from the IRS indicating that the spin-off would not result in the recognition of a gain or taxable income to Western Wireless or its stockholders. However, Western Wireless could still recognize a gain upon the spin-off, notwithstanding the favorable IRS ruling, if it is determined that the spin-off was part of a prohibited plan , that is, a plan or series of related transactions in which one or more persons acquire, directly or indirectly, 50% or more of T-Mobile USA s stock. Acquisitions of 50% or more of T-Mobile USA s stock occurring during the four-year period beginning two years before the spin-off could give rise to a rebuttable presumption that the spin-off was part of a prohibited plan. Although it is not assured, T-Mobile USA believes that the spin-off, subsequent mergers, including the T-Mobile merger in 2001, and certain investments by Hutchison Telecommunications PCS (USA) Limited and Sonera Corporation in 2000 were not pursuant to a prohibited plan. T-Mobile USA has agreed to indemnify Western Wireless on an after-tax basis for any taxes, penalties, interest and various other expenses incurred by Western Wireless if it is required to recognize such a gain. The amount of such gain that Western Wireless would recognize would be equal to the difference between the fair market value of T-Mobile USA common shares at the time of the spin-off and Western Wireless adjusted tax basis in such shares at the time. The estimated range of possible liability, not including interest and penalties, if any, is from zero to USD 400 million.

As part of the arbitration proceedings between the members of the Toll Collect consortium, the consortium itself and the Federal Republic of Germany addressing disputes relating to the truck toll collection system, we received the statement of claim of the Federal Republic on August 2, 2005, increasing the claim by approximately EUR 0.6 billion, compared with the written statement of the case dated September 8, 2004, to approximately EUR 5.2 billion. This increase in the claim is attributed to further alleged breaches of the operating agreement and the increase in time-based contractual penalties. The Company continues to maintain that it considers the claims of the Federal Republic to be unsustainable and intends to contest the Federal Republic s claims vigorously.

On April 29, 2005 the annual general meeting of T-Online International AG (T-Online) shareholders has passed a resolution approving a merger with Deutsche Telekom. The merger will become effective upon its registration in the commercial registers of the companies involved. Some shareholders of T-Online have filed contestation suits against such resolution. The entry of the merger in the commercial registers may only take place once the competent court decides in an accelerated proceeding that the lawsuits do not prevent the entry of the merger in the commercial registers such proceedings have been initiated or if the court does reject the lawsuits, or if such lawsuits are withdrawn. Such contestation suits currently still prevent the registration of the merger in the commercial register.

In 2002, Deutsche Telekom applied to the US tax authorities (the IRS) for a determination regarding the exemption from US withholding tax with respect to certain payments made between subsidiaries of Deutsche Telekom. The Company understands that the IRS is currently discussing whether to modify the requirements and conditions for granting such determinations and whether any such modification will impact the pending application. To date, the Company has not received any decision in writing from the IRS (or any definitive or final oral comments on this matter). Accordingly, the Company does not at this time have any definitive information on the likely outcome of the current discussions within the IRS. However, the Company believes that it is more likely than not that a favorable determination will ultimately be granted. Accordingly, the amount of withholding taxes involved is not contained in the financial statements. Such amount is estimated to be approximately USD 400 million.

Note (9) Segment information (amended)

The segment information presented for the period ending June 30, 2005 complies with IAS 14, Segment Reporting . It has been prepared in accordance with the IFRSs that, according to current information, must be applied to the first consolidated IFRS financial statements for the period ending December 31, 2005. The primary segment reporting format pursuant to IFRS has been restructured to reflect the Group s realignment according to strategic business areas. The prior-year comparative presentation has been recast to reflect the new structure and accounting standards.

The Company evaluates the segments performance based on their profit (loss) from operations (EBIT). Share of profit (loss) from equity-accounted investments is reported separately. Depreciation and amortization also are shown separately, as well as impairment losses.

The following tables give an overall summary of our segments for the full 2004 financial year as well as for the second quarter and first half of 2005 and recast comparative for 2004. In addition to the details of the segments, there is also a reconciliation line.

For the year ended December 31, 2004	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Share of profit (loss) from equity method investments	Depreciation and amortization	Impairment losses
				(millions of)			
Broadband / Fixed Network	22,397	4,615	27,012	5,551	25	(4,199)	(200)
Mobile Communications	25,450	1,077	26,527	1,524	1,177	(3,379)	(3,564)
Business Customers	9,246	3,716	12,962	554	(298)	(953)	(2)
Group Headquarters & Shared Services	260	3,266	3,526	(1,441)	27	(784)	(101)
Reconciliation		(12,674)	(12,674)	77	14	56	(1)
Group	**57,353**		**57,353**	**6,265**	**945**	**(9,259)**	**(3,868)**

For the three months ended June 30, 2005	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Share of profit (loss) from equity method investments	Depreciation and amortization	Impairment losses
				(millions of)			
Broadband / Fixed Network	5,420	1,049	6,469	1,409	6	(1,011)	(1)
Mobile Communications	6,962	235	7,197	1,225	35	(1,179)	(1)
Business Customers	2,295	924	3,219	195	1	(223)	0
Group Headquarters & Shared Services	66	817	883	(232)	(1)	(175)	(37)
Reconciliation		(3,025)	(3,025)	(25)	0	17	0
Group	**14,743**		**14,743**	**2,572**	**41**	**(2,571)**	**(39)**

For the three months ended June 30, 2004	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Share of profit (loss) from equity method investments	Depreciation and amortization	Impairment losses
				(millions of)			
Broadband / Fixed Network	5,611	1,201	6,812	1,459	7	(1,116)	(3)
Mobile Communications	6,372	277	6,649	50	67	(800)	(1,355)
Business Customers	2,327	945	3,272	138	7	(245)	0
Group Headquarters & Shared Services	69	813	882	(318)	(1)	(188)	(8)
Reconciliation		(3,236)	(3,236)	(30)	(1)	14	(1)
Group	**14,379**		**14,379**	**1,299**	**79**	**(2,335)**	**(1,367)**

For the six months ended June 30, 2005	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Share of profit (loss) from equity method investments	Depreciation and amortization	Impairment losses
				(millions of)			
Broadband / Fixed Network	10,878	2,146	13,024	2,843	9	(2,021)	(1)
Mobile Communications	13,493	450	13,943	2,191	65	(2,291)	(25)
Business Customers	4,529	1,796	6,325	369	2	(440)	0
Group Headquarters & Shared Services	131	1,605	1,736	(499)	(1)	(336)	(60)
Reconciliation		(5,997)	(5,997)	(45)	2	31	(1)
Group	29,031		29,031	4,859	77	(5,057)	(87)

For the six months ended June 30, 2004	Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Share of profit (loss) from equity method investments	Depreciation and amortization	Impairment losses
				(millions of)			
Broadband / Fixed Network	11,268	2,489	13,757	2,941	15	(2,194)	(5)
Mobile Communications	12,338	583	12,921	1,191	153	(1,485)	(1,355)
Business Customers	4,536	1,811	6,347	295	(141)	(479)	0
Group Headquarters & Shared Services	131	1,617	1,748	(642)	(1)	(369)	(31)
Reconciliation		(6,500)	(6,500)	(58)	0	25	0
Group	28,273		28,273	3,727	26	(4,502)	(1,391)

Note (10) Earnings per share (amended)

	For the three months ended June 30, 2005	2004	For the six months ended June 30, 2005	2004	For the year ended December 31, 2004	2003
Net profit (millions of)	1,169	536	2,153	1,250	1,593	2,063
Adjustment for interest expense and debt fee amortization of mandatory convertible bond (net of tax)	24	24	49	48	95	81
Adjusted net profit basic and diluted (millions of)	1,193	560	2,202	1,298	1,688	2,144
Weighted average shares outstanding (in millions)	4,171	4,167	4,170	4,166	4,167	4,164
Effect from the potential conversion of the mandatory convertible bonds	156	161	156	161	156	138
Weighted average shares outstanding - basic (in millions)	4,327	4,328	4,326	4,327	4,323	4,302
Diluted effect of options and warrants (in millions)	1		4	6	5	5
Weighted average shares outstanding diluted (in millions)	4,328	4,328	4,330	4,333	4,328	4,307
Earnings per share (in)						
Basic earnings per share under IFRS	0.28	0.13	0.51	0.30	0.39	0.50
Diluted earnings per share under IFRS	0.28	0.13	0.51	0.30	0.39	0.50

Note (11) Material effects of the transition from German GAAP to IFRS (amended)

Material effects on the net assets, financial position and results of operations as a consequence of the transition from German GAAP (the German Commercial Code (Handelsgesetzbuch-HGB)) to IFRS are presented in the following reconciliation. In addition, certain disclosure have been provided based on IFRS for areas that differ significantly from the presentation under German GAAP for the financial year 2004.

Reconciliation of consolidated shareholders equity

		December 31,	June 30, 2004	As of March 31,	December 31, 2003	January 1,
				(millions of)		
Shareholders equity under German GAAP		37,941	36,753	34,999	33,811	35,416
Goodwill	(a)	(3,070)	(2,408)	(3,027)	(3,508)	(5,953)
Mobile communications licenses	(a)	9,773	10,922	13,835	13,134	13,973

Software	(b)	583	545	576	608	623
Borrowing costs	(c)	(477)	(527)	(549)	(574)	(774)
Available for sale financial assets	(d)	856	96	197	270	283
Leases	(e)	(641)	(564)	(498)	(456)	(189)
Provisions	(f)	1,550	1,973	1,456	1,587	1,093
Pension provisions		381	277	260	279	(167)
Other provisions		1,169	1,696	1,196	1,308	1,260
Deferred revenue	(g)	(1,023)	(966)	(987)	(944)	(923)
Other IFRS adjustments	(h)	294	582	619	60	101
Deferred taxes	(i)	17	(195)	(963)	(250)	1,314
Deferred tax assets		2,854	3,257	2,798	4,008	7,008
Deferred tax liabilities		(2,837)	(3,452)	(3,761)	(4,258)	(5,694)
Shareholders equity under IFRS		45,803	46,211	45,658	43,738	44,964

Reconciliation of profit after income taxes

		For the three months ended March 31, 2004	June 30, 2004	For the six months ended June 30, 2004	For the year ended December 31, 2004	December 31, 2003
				(millions of)		
Profit after income taxes under German GAAP		266	1,748	2,014	4,933	1,623
Goodwill	(a)	636	649	1,285	115	1,584
Mobile communications licenses	(a)	265	(2,972)	(2,707)	(3,083)	1,113
Software	(b)	(34)	(34)	(68)	(24)	(6)
Borrowing costs	(c)	31	26	57	94	184
Available for sale financial assets	(d)	(18)	7	(11)	(13)	(7)
Leases	(e)	(38)	(67)	(105)	(191)	(271)
Provisions	(f)	(129)	528	399	30	500
Pension provisions		(23)	20	(3)	105	439
Other provisions		(106)	508	402	(75)	61
Deferred revenue	(g)	(43)	19	(24)	(83)	(24)
Other IFRS adjustments	(h)	130	(20)	110	67	(118)
Deferred taxes	(i)	(222)	773	551	172	(2,061)
Profit after income taxes under IFRS		844	657	1,501	2,017	2,517

Explanatory notes on the reconciliation of shareholders equity and profit after income taxes under IFRS:

(a) Goodwill and mobile communications licenses

FCC licenses have indefinite useful lives because of their independence from future technological developments and they are renewable indefinitely at little cost. Therefore, in contrast to German GAAP, under IFRS, U.S. mobile communications licenses are not amortized but instead are reviewed for impairment once a year (impairment-only approach). As a result, the amortization and impairment of the U.S. mobile communications licenses charged in accordance with German GAAP as of January 1, 2003 were reversed. This reversal increased the carrying amount of the U.S. mobile communications licenses at January 1, 2003 by EUR 9.9 billion as compared to German GAAP.

In contrast to German GAAP, goodwill is not amortized under IFRS due to its indefinite useful life. Instead, goodwill is allocated to the Group s cash-generating units (CGUs) and tested for impairment once a year and, if a triggering event exists, during the year. The recoverable amount of a CGU is determined based on its fair value less cost to sell. These discounted cash flow calculations use projections based on financial budgets approved by management covering a ten-year-period. Cash flows beyond the ten-year period are extrapolated using appropriate growth rates. Key assumptions on which management has based its determination of fair value less cost to sell include ARPU, subscriber acquisition and retention costs, churn rates, CAPEX and market share.

Goodwill is allocated to the Group s cash-generating units (CGUs) as follows:

	As of December 31, 2004 (millions of)
T-Mobile UK	4,655
T-Systems International Enterprise Services	4,188
T-Mobile USA	3,755
T-Mobile Netherlands	1,144
Other	4,963
Total	18,705

The impairment test performed in accordance with IFRS resulted in an impairment charge at T-Mobile USA of EUR 5.0 billion as of January 1, 2003 and of EUR 0.8 billion as of December 31, 2003, which was recognized as a reduction in the goodwill carrying amount. In 2004 as part of the winding up of the U.S. mobile communications joint venture with Cingular Wireless and the ensuing transfer of mobile communications licenses, the licenses were impaired by EUR 1.4 billion. Further, we reversed the write up of the previous recorded impairment charges of U.S. mobile communication licenses under German GAAP in the amount of EUR 2.4 billion in 2004.

The impairment test of the T-Mobile UK cash-generating unit, which is part of T-Mobile, resulted in an impairment under IFRS of EUR 0.6 billion as of January 1, 2003 and EUR 2.2 billion as of December 31, 2004 which reduced the goodwill carrying amount accordingly.

The main causes of the 2004 impairment at T-Mobile UK were primarily the following:

expected increase in competition due to the entrance of new competitors,

OFCOM (the independent regulator and competition authority for the UK communications industries) regulation effects on call termination charges.

The impairment test of the T-Mobile Netherlands cash-generating unit, which is part of T-Mobile, resulted in an impairment under IFRS as of January 1, 2003 which was recognized through a reduction of EUR 0.1 billion in the goodwill carrying amount.

The impairment test of the MATÁV cash-generating unit, which is part of T-Com, resulted in an impairment under IFRS of EUR 0.3 billion as of January 1, 2003 and of EUR 0.2 billion as of December 31, 2003; the impairment test of the Slovak Telecom cash-generating unit, which is part of T-Com, resulted in impairment under IFRS of EUR 0.2 billion as of December 31, 2004. These impairments were recognized through a reduction in the goodwill carrying amount.

UMTS licenses must be amortized under IFRS due to their finite useful lives. Under IFRS, however, they may only be amortized from the time the UMTS network is put into operation, rather than from the time of their acquisition. In Austria the UMTS network was put into operation in December 2003, in Germany in the second quarter of 2004 and in the United Kingdom in the third quarter of 2004. The UMTS networks have not yet been put into operation in the Netherlands and the Czech Republic. The amortization and impairments charged under German GAAP as of January 1, 2003 have therefore been reversed. This reversal resulted in an increase of EUR 4.1 billion in the carrying amounts of the UMTS licenses as of January 1, 2003. The UMTS licenses in Germany and the U.K. were put into operation in 2004; as a result, the UMTS licenses were amortized under IFRS for the first time by EUR 0.5 billion in the 2004 financial year.

(b) Software

Costs incurred to develop software and other development costs are expensed as incurred under German GAAP. However, IFRS requires the capitalization of certain costs incurred to develop software, which are then amortized over the software s useful life. Recognizing internally generated software, which is not permissible under German GAAP, increases shareholders equity under IFRS in all of the periods presented. Profit after income taxes under IFRS in the periods presented remains largely unaffected due to capitalization and resulting amortization expense.

(c) Borrowing costs

Borrowing (finance) costs incurred during construction periods are capitalized under German GAAP, whereas capitalization is optional under IFRS. We have elected to expense all finance costs under IFRS. Expensing borrowing costs reduces shareholders equity under IFRS in all periods. The lower amortization than under German GAAP increases profit after income taxes.

For the year ended December 31, 2004 intangible assets have developed as follows:

		Acquired intangible assets						
(millions of)	**Inter-nally deve-loped intangible assets**	**Concessions, industrial rights and assets and licenses**	**Communication licenses**	**Other acquired intangible assets**	**Total**	**Goodwill**	**Advance payments**	**Total intangible assets**