

DEUTSCHE TELEKOM AG
Form 6-K
November 14, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of November 2005

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 Form 40-F

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b)(7):

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

Yes No

This report is deemed submitted and not filed pursuant to the rules and regulations of the Securities and Exchange Commission.

Deutsche Telekom at a glance.(1)

(a) For detailed information and calculations, please refer to Reconciliation of pro forma figures, page 43 et seq.

(1) All figures are shown according to IFRS. For further information, please refer to Transition to IFRS, page 74 et seq.

Deutsche Telekom at a glance.

At a glance

	Third quarter of 2005			First three quarters of 2005			
	Q3 2005 millions of	Q3 2004 millions of	Change %	Q1 2005 millions of	Q3 2004 millions of	Change %	2004 millions of
Net revenue	15,043	14,353	4.8	44,167	42,620	3.6	57,360
Domestic	8,385	8,564	(2.1)	25,506	25,750	(0.9)	34,748
International	6,658	5,789	15.0	18,661	16,870	10.6	22,612
EBIT (Profit from operations)	2,776	343	n.a.	7,725	4,043	91.1	6,261
Special factors affecting EBIT(a)	(121)	(2,528)	95.2	(147)	(3,875)	96.2	(3,937)
Adjusted profit from operations (EBIT)(a)	2,897	2,871	0.9	7,872	7,918	(0.6)	10,198
Adjusted EBIT margin(a) (%)	19.3	20.0		17.8	18.6		17.8
Financial income (expense), net	361	(1,024)	n.a.	(1,142)	(2,944)	61.2	(2,743)
Profit (loss) before income taxes	3,137	(681)	n.a.	6,583	1,099	n.a.	3,518
Depreciation, amortization and impairment losses of property, plant and equipment	(2,590)	(4,850)	46.6	(7,758)	(10,754)	27.9	(13,128)
of intangible assets	(1,982)	(1,917)	(3.4)	(5,913)	(5,763)	(2.6)	(7,656)
EBITDA(b)	5,366	5,193	3.3	15,483	14,797	4.6	19,389
Special factors affecting EBITDA(a),(b)	(121)	(100)	(21.0)	(147)	(94)	(56.4)	(228)
Adjusted EBITDA(a),(b)	5,487	5,293	3.7	15,630	14,891	5.0	19,617
Adjusted EBITDA margin(a),(b) (%)	36.5	36.9		35.4	34.9		34.2
Net profit (loss)	2,415	(1,359)	n.a.	4,368	(150)	n.a.	1,564
Special factors(a)	952	(2,511)	n.a.	954	(3,215)	n.a.	(2,093)
Adjusted net profit(a)	1,463	1,152	27.0	3,414	3,065	11.4	3,657
Basic earnings per share()	0.56	(0.31)	n.a.	1.03	(0.02)	n.a.	0.38
Diluted earnings per share()	0.56	(0.31)	n.a.	1.02	(0.02)	n.a.	0.38
Cash capex(c)	(1,686)	(1,480)	(13.9)	(6,601)	(4,408)	(49.8)	(6,410)
Net cash from operating activities	4,267	3,919	8.9	10,082	11,123	(9.4)	16,720
Free cash flow (before dividend payments)(d)	2,581	2,439	5.8	3,481	6,715	(48.2)	10,310
Equity ratio (%)				38.6	33.8		34.6
Net debt(d)				40,798	44,596	(8.5)	39,543

Number of employees at balance sheet date

Number of fixed-network and mobile customers

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

	Sept. 30, 2005	June 30, 2005	Change Sept. 30, 2005/ June 30, 2005 %	Dec. 31, 2004	Change Sept. 30, 2005/ Dec. 31, 2004 %	Sept. 30, 2004	Change Sept. 30, 2005/ Sept. 30, 2004 %	
Deutsche Telekom Group	243,418	244,277	(0.4)	244,645	(0.5)	247,891	(1.8)	
Non-civil servants	197,118	197,644	(0.3)	197,482	(0.2)	200,120	(1.5)	
Civil servants	46,300	46,633	(0.7)	47,163	(1.8)	47,771	(3.1)	
Telephone lines(e) (in operation)(e)	(millions) (millions)	55.5 7.7	56.1 7.1	(1.1) 8.5	57.2 6.1	(3.0) 26.2	57.4 5.4	(3.3) 42.6
Broadband lines (in operation)(e)	(millions)	7.7	7.1	8.5	6.1	26.2	5.4	42.6
Mobile customers(f)	(millions)	83.1	80.9	2.7	77.6	7.1	75.4	10.2

(a) For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, adjusted EBITDA margin as well as special factors affecting profit/loss and the adjusted net profit, please refer to Reconciliation of pro forma figures, page 43 et seq. For detailed information and calculations of the figures for 2004, please refer to the reconciliation report Historical figures according to IFRS. New Group organization.

(b) Deutsche Telekom defines EBITDA as profit/loss from operations excluding depreciation, amortization and impairment losses.

(c) Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

(d) For detailed information, please refer to Reconciliation of pro forma figures, page 43 et seq.

(e) Telephone lines of the Group (including ISDN channels), including for internal use. Includes Telekom Montenegro from the second quarter of 2005 onwards; prior-quarter and prior-year comparatives have not been adjusted.

(f) Number of customers of the fully consolidated mobile communications companies of the Mobile Communications business area. MONET (Telekom Montenegro Group) customers included for the first time as of June 30, 2005. Prior-period comparatives have been adjusted.

Excellence.

A three-year transformation program known as the Excellence Program, which serves to implement the Group strategy, was launched at the beginning of 2005. It supports the realization of the growth potential that emerged following the strategic realignment of the Group towards three growth areas: Broadband/Fixed Network, Mobile Communications and Business Customers. In addition, the program generates opportunities arising from the integration of the Group's organization in areas such as convergent services, marketing and purchasing. The key to achieving sustained growth is to orient the Group consistently to the needs of the customer and increase customer satisfaction.

The Excellence Program has three key elements, which, when successfully implemented, will help Deutsche Telekom achieve its corporate goals:

Growth programs of the three business areas.

Group-wide initiatives to exploit further potential.

Measures to bring about a lasting change in corporate culture.

Growth programs.

Broadband/Fixed Network plans to make comprehensive investments in a new high-speed network with a bandwidth of up to 50 Mbit/s as part of Re-Invent. The broadband campaign is being pushed further towards triple play. That means super-fast Internet access, entertainment and communications services.

The Mobile Communications business area is expected to achieve the intended savings with Save for Growth as scheduled and thus make a sustained contribution to the success of the Group. Besides launching new rates, T-Mobile has also further expanded its target group-specific product range. The launch of the Sidekick and web n walk products marked the introduction of open, easy-to-use mobile Internet access. Furthermore, T-Mobile plans to introduce an attractive rate plan for using mobile phones in the home environment.

Under the Focus on Growth program, the Business Customers was able to win back customers and defend its market shares in the fiercely contested basic services business. T-Systems was also successful in tapping IT market potential, especially among small to medium-sized enterprises. T-Systems was successful in marketing full business process outsourcing solutions to major customers in Germany and abroad.

Group-wide initiatives.

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

The Group-wide initiatives encompass projects aimed at harvesting the advantages of an integrated telecommunications provider through close cooperation among the strategic business areas. The goal of these Group-wide initiatives is to focus our solutions on the needs of our customers and the realization of efficiency gains in the Group. Process quality improvements are being implemented throughout the Group and the development of the next generation of network infrastructure is well underway. Measures taken by the Finance department lead to a potential for savings in 2005.

Corporate culture.

Successful realization of the strategic goals of the Excellence Program depends on bringing about a change in corporate culture throughout the Group. Thus, all the business areas of Deutsche Telekom are pursuing cultural change projects. For example, all top executives are to spend at least five days a year in direct contact with customers. As part of the "Use what you sell" project, additional measures are being developed for 2006 to strengthen the customer orientation of top management and broaden their range of vision to include the entire Deutsche Telekom product world. A new "start-up program" ensures that from the beginning of 2006, every new employee joining the Group will have to spend time with the customer.

Outlook for 2006.

Important successes were achieved in all three key components of the Excellence Program in the first nine months of 2005. In the fourth quarter of 2005, the Excellence Program will be further developed based on the new Group strategy for the years 2006 and 2007, while keeping the same structure, and target values will be defined. There will be more measures aimed at improving service quality and expanding the range of broadband and entertainment products for consumers. The same applies to the development of convergent services and products. The measures to be implemented in the business customers sector are aimed at securing our market position in the telecommunications business and opening up new growth opportunities in the out-sourcing business. The Excellence Program will place even greater emphasis on cultural change and human resources development.

Contents.

Developments in the Group

Highlights

Business developments

Overview

Strategic business areas

Broadband/Fixed Network

Mobile Communications

Business Customers

Group Headquarters & Shared Services

Outlook

Highlights after the balance sheet date (September 30, 2005)

Development of revenue and profit

Development of results 2006 – 2007

Personnel developments 2006 – 2008

Risk situation

Reconciliation of pro forma figures

EBITDA and EBITDA adjusted for special factors

Special factors

Free cash flow

Gross and net debt

T-Share price performance

Corporate governance

Consolidated financial statements

Selected notes to the consolidated income statement

Other disclosures

Selected notes to the consolidated balance sheet

Selected notes to the consolidated cash flow statement

Segment reporting

Accounting in accordance with IFRS

Explanation of transition to IFRS

Investor Relations calendar

Developments in the Group.

Net revenue increased by 3.6 percent, from EUR 42.6 billion in the first nine months of 2004, to EUR 44.2 billion in the first nine months of 2005.

Group EBITDA(2) increased by 4.6 percent year-on-year from EUR 14.8 billion to EUR 15.5 billion; adjusted for special factors, it increased by 5.0 percent from EUR 14.9 billion to EUR 15.6 billion.

Profit before income taxes increased year-on-year from EUR 1.1 billion to EUR 6.6 billion. In a comparison of the third quarters, a profit of EUR 3.1 billion was recorded in 2005 following a loss of EUR 0.7 billion in 2004.

Net profit of EUR 4.4 billion recorded in the first nine months of 2005, after a loss of EUR 0.2 billion in the prior-year period; EUR 2.4 billion in the third quarter of 2005 alone; adjusted for special factors, net profit increased by 11.4 percent from EUR 3.1 billion to EUR 3.4 billion.

Free cash flow(3) before dividend payments decreased year-on-year from EUR 6.7 billion to EUR 3.5 billion in the first nine months of 2005 due to increased investment volume and higher tax payments. In a comparison of the third quarters, it increased 5.8 percent from EUR 2.4 billion to EUR 2.6 billion.

Net debt(4) decreased from EUR 44.6 billion as of September 30, 2004 to EUR 40.8 billion as of September 30, 2005. As against December 31, 2004, net debt increased by around EUR 1.3 billion.

Continued strong customer growth in the third quarter of 2005:

The number of mobile customers increased by 2.2 million; of these net additions, T-Mobile USA alone accounted for 1.1 million.

Further growth in broadband lines, aided in part by resale marketing, to 7.7 million DSL lines; increase of 0.6 million, of which 0.4 million in Germany from resale to third parties.

The level of orders received by Business Customers in the first nine months of 2005 increased by 1.0 percent year-on-year to EUR 9.8 billion.

-
- (2) For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, adjusted EBITDA margin as well as special factors affecting net profit/loss after income taxes and the adjusted net profit, please refer to Reconciliation of pro forma figures, page 43 et seq.
- (3) Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill). For calculation of free cash flow, please refer to Reconciliation of pro forma figures, page 43 et seq.
- (4) For detailed information, please refer to Reconciliation of pro forma figures, page 43 et seq.

Highlights.

Events in the third quarter of 2005.

Group

MTS shares sold in full.

Deutsche Telekom AG has sold its remaining stake in the Russian mobile network operator OJSC Mobile TeleSystems (MTS), which represented about 10 percent of its share capital. The proceeds from this transaction were about USD 1.5 billion, or about EUR 1.2 billion. Altogether, the sale of the financial investment in the Russian MTS brought in proceeds of about EUR 3 billion.

Bilateral lines of credit replace syndicated loan.

In August 2005, Deutsche Telekom AG restructured its liquidity reserves. The syndicated loan and short-term bilateral credit lines were replaced by standardized bilateral loan agreements totaling EUR 16.8 billion. In doing so, Deutsche Telekom has now arranged for a comfortable liquidity reserve with numerous highly reputable banks. After varying initial maturities, the bilateral loan agreements will have a maturity of 36 months each that can be extended after 12 months. Whereas the maturities of the syndicated loan were all concentrated on the same point in time, the new structure spreads the maturities, thus diversifying the extension risk. The quality of the liquidity reserve has increased, since the bilateral loan agreements do not include any financial covenants or Material Adverse Change (MAC) clauses.

Acquisition of tele.ring.

With the acquisition of tele.ring, bringing its total number of customers to over 3 million, T-Mobile Austria strengthened its position as the No. 2 in the Austrian mobile communications market. This equates to a market share of 37 percent. tele.ring Telekom Service GmbH was acquired for a purchase price of around EUR 1.3 billion. The transaction is subject to approval by the Austrian telecommunications regulator as well as the European Commission.

Trainee ratio remains high.

Effective September 1, 2005, Deutsche Telekom again sent an important signal to the labor market by offering another 4,000 vocational training contracts to young people looking to start their careers. This makes Deutsche Telekom one of the largest providers of vocational training programs in all of Germany. The Company added a new course of vocational training, retail sales assistant, this year. Trainees pursuing this course will receive most of their practical training at T-Punkt Vertriebsgesellschaft. Overall, Deutsche Telekom offers vocational training programs for five commercial vocations, four IT vocations, and one industrial-technical vocation. Students who have passed the general college entrance examination and graduated from secondary school with a final grade of very good or good qualify for participation in two nationwide and three regional dual study programs, under which their university studies are combined with hands-on vocational training, leading to a bachelor's degree.

Deutsche Telekom prevails in arbitration proceedings against Celcom.

In ICC arbitration proceedings between DeTeAsia Holding GmbH, a fully-owned subsidiary of Deutsche Telekom AG as the plaintiff against Celcom (Malaysia) Berhad, the court of arbitration upheld the action in all points in its verdict of August 2, 2005. Celcom (Malaysia) Berhad was ordered to pay the sum of USD 177.2 million plus interest and costs to DeTeAsia Holding GmbH. The amount to be paid by Celcom in accordance with the verdict is currently around USD 230 million.

DeTeAsia Holding had brought the action before the arbitral court in March 2003 in response to Celcom (Malaysia) Berhad's refusal, after Telekom Malaysia became the new majority shareholder in 2002, to recognize the contractually agreed rights of DeTeAsia Holding as the sole strategic shareholder to date. DeTeAsia Holding's stake in Celcom was sold to Telekom Malaysia, which now holds all shares in Celcom, in 2002.

Broadband/ Fixed Network:

T-Com

Innovation drive for infrastructure, products and services presented at IFA.

T-Com launched an innovation campaign for infrastructure, products and services by introducing a number of customer-driven innovations at the IFA consumer electronics fair. In the area of infrastructure, a new phase of broadband development in Germany has been ushered in with plans at T-Com for the construction of a modern, high-speed fiber-optic network. This large-scale capital investment program worth EUR 3 billion, which aims to provide especially high-speed broadband access based on fiber-optic technology to customers in 50 large cities, will form the basis for innovative multimedia offerings, including new services and applications. Apart from broadband, future innovations will be focused more and more on the convergence between the fixed-line network and the mobile communications network. Besides the launch of the T-Box (single answering service for calls to the fixed-line number and the mobile number), T-Com has announced the upcoming introduction, in the second quarter of 2006, of a convergent product known as dual phone, which uses both WLAN and GSM technology.

Introduction of innovative new products.

T-Com announced new innovative products in September 2005. Effective October 5, 2005, customers using the new calling plan XXL Fulltime can place low-price calls to T-Com's fixed-line network everywhere in Germany, 24 hours a day. Also effective October 5, 2005, T-Com and T-Mobile together are offering the Local/Local combination package, consisting of T-Com's voice calling plan XXL Local and T-Mobile's calling plan option Relax Local. Initially, the new calling plan will be made available in 10 selected cities⁵. Through these new calling plans, which are

tailored specifically to customers' needs, Deutsche Telekom will be able to tap additional market potential.

(5) The offer is initially available in the following cities: Munich, Berlin, Dortmund, Düsseldorf, Essen, Frankfurt/Main, Hamburg, Hanover, Cologne and Stuttgart.

Broadband/ Fixed Network:

T-Online

Launch of new online marketplace.

In mid-September 2005, T-Online announced the launch of its new online marketplace ElectronicScout24. The focus of this new trading platform is on consumer electronics and telecommunications products as well as computers and household devices. With ElectronicScout24, T-Online is tapping further attractive business potential in the e-commerce sector.

Mobile Communications

T-Mobile USA crosses the 20 million customer mark.

In the course of the third quarter, T-Mobile USA passed the 20 million customer mark. One main factor in this success is delivering on the "Get more" promise to customers. T-Mobile's promise to offer more minutes, higher performance, and better service has been enthusiastically received by customers. Since welcoming its 10 millionth customer in the first quarter of 2003, T-Mobile USA managed to double its customer base within a period of only two and a half years. T-Mobile USA also put the EDGE network for mobile data traffic into operation in the third quarter of 2005. EDGE allows considerably higher data transmission rates than GPRS.

HSDPA: Sales kick-off for HSDPA data cards.

T-Mobile began selling the Mobile DSL Card 1800 on September 26, 2005, making it one of the first mobile network operators in Germany to sell HSDPA (High Speed Downlink Packet Access) data cards. HSDPA provides greater speed and convenience to consumers and business customers for all their mobile applications, whether surfing, e-mail or downloads, and is expected to be available from CeBIT 2006 onwards. The decisive advantage of HSDPA is that it increases the maximum bandwidth in the UMTS network from the current level of up to 384 kbit/s to up to 1.8 Mbit/s.

Business Customers

Thomas Cook outsources its telephone infrastructure in the UK and Ireland to T-Systems.

Thomas Cook UK & Ireland has signed a five-year contract with T-Systems for communications services. The Deutsche Telekom subsidiary will upgrade and operate the travel operator's telecommunications system in the UK and Ireland.

T-Systems to help bring digital television to Mecklenburg-Western Pomerania.

T-Systems has signed an agreement with its project partners NDR, ZDF and Landesrundfunkzentrale (LRZ) for the distribution of digital terrestrial television, DVB-T (Digital Video Broadcasting - Terrestrial), in the German state of Mecklenburg-Western Pomerania. Under the terms of the contract, DVB-T will be broadcast in large parts of Mecklenburg-Western Pomerania as of December 6, 2005. T-Systems' part in the project will be to build a new distribution network and to convert seven transmitter sites to the new TV standard. Viewers will be able to receive eight channels of the state-owned TV broadcasters right from the start.

Business developments.**Overview.****Net revenue**

Net revenue at the Deutsche Telekom Group rose to around EUR 44.2 billion in the first nine months of 2005. Compared to the same period of last year, this represents an increase of 3.6 percent. This positive trend in net revenue is also reflected in the quarterly comparison: In the third quarter of 2005, the Deutsche Telekom Group recorded growth in net revenue of 4.8 percent over the same quarter of 2004 to around EUR 15 billion.

The decisive factor was once again the favorable development of the Mobile Communications strategic business area. The 8.9-percent increase in revenues in the nine-month comparison, and the quarter-to-quarter growth of 10.6 percent are primarily due in addition to the first-time consolidation of the Slovak mobile communications investment to customer growth at T-Mobile USA.

Revenue in the Business Customers strategic business area remained at approximately the same level as last year, both in the nine-month and in the quarterly comparison. Revenue gains in the Enterprise Services business unit, in which positive developments in the Computing & Desktop Services area were a primary factor, were offset by a decline in revenues in the Business Services unit.

The total revenue of Broadband/Fixed Network decreased by 3.8 percent year-on-year in the first nine months of 2005. Within this total, revenue growth at T-Online was more than offset by a decrease in revenue at T-Com. T-Online achieved revenue gains, especially by continued expansion in the broadband market. In the third quarter of 2005, however, revenue only decreased by 2.3 percent year-on-year. T-Com managed to slow the decline in revenue: Whereas T-Com's revenue decreased by 4.9 percent in the first half of 2005, the drop in a comparison of the first nine months of 2005 was 4 percent. The year-on-year decline in revenue in the third quarter of 2005 was only 2 percent. Positive factors contributing to this include revenue increases in the areas of broadband and wholesale services, particularly from DSL resale with third parties and subscriber lines, as well as international carrier services and solutions.

Revenue growth in the Group was affected by consolidation and exchange rate effects. Positive effects from changes to the consolidated group totaling about EUR 0.3 billion especially at T-Mobile Slovensko and Telekom Montenegro were offset by negative exchange rate effects in the amount of EUR 0.2 billion. These were primarily the result of U.S. dollar (USD) exchange rate effects.

	Third quarter of 2005			Change %	First three quarters of 2005			Change %	2004 millions of
	Q1 2005 millions of	Q2 2005 millions of	Q3 2005 millions of		Q3 2004 millions of	Q1 2005 millions of	Q3 2004 millions of		
Net revenue	14,376	14,748	15,043	4.8	44,167	42,620	3.6	57,360	
Broadband/Fixed Network(a)	6,638	6,489	6,455	(2.3)	19,582	20,359	(3.8)	27,010	

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

Mobile										
Communications(a)	6,746	7,197	7,648	6,914	10.6	21,591	19,835	8.9	26,527	
Business Customers(a)	3,124	3,206	3,143	3,169	(0.8)	9,473	9,516	(0.5)	12,957	
Group Headquarters & Shared Services(a)	853	883	867	887	(2.3)	2,603	2,635	(1.2)	3,526	
Inter-segment revenue(b)	(2,985)	(3,027)	(3,070)	(3,226)	4.8	(9,082)	(9,725)	6.6	(12,660)	

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

(b) Elimination of revenue between strategic business areas.

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

	Q1 2005 millions of	Q3 2005 millions of	Proportion of net revenue of the Group millions %	Q1 2004 millions of	Q3 2004 millions of	Proportion of net revenue of the Group %	Change millions of	Change %	2004 millions of
Net revenue	44,167		100.0	42,620		100.0	1,547	3.6	57,360
Broadband/Fixed Network	16,353		37.0	16,695		39.2	(342)	(2.0)	22,409
Mobile Communications	20,901		47.3	19,001		44.6	1,900	10.0	25,450
Business Customers	6,713		15.2	6,736		15.8	(23)	(0.3)	9,241
Group Headquarters & Shared Services	200		0.5	188		0.4	12	6.4	260

The Mobile Communications strategic business area made the largest contribution to the net revenue of the Group, with a share of around 47 percent. The percentage of revenue generated by the Broadband/ Fixed Network and Business Customers strategic business areas declined to approximately 37 percent and 15 percent respectively.

Revenue generated outside Germany

The proportion of revenue generated outside Germany continues to show a positive trend. In the first nine months of the current financial year, this figure increased by 3 percentage points over the same period last year to more than 42 percent. This growth is even more evident in the year-on-year comparison of quarters: For the third quarter of 2005, the proportion of revenue generated outside Germany was in excess of 44 percent, or 4 percentage points higher than in the same quarter of the prior year. The key factor underlying this trend is the sustained positive development of revenue at T-Mobile USA.

In the year-on-year comparison of the first nine months, domestic revenue remained slightly below the level of the previous year. The quarter-on-quarter comparison reflected a further decrease.

	Third quarter of 2005					First three quarters of 2005				2004 millions of	
	Q1 2005 millions of	Q2 2005 millions of	Q3 2005 millions of	Q3 2004 millions of	Change %	Q1 2005 millions of	Q3 2005 millions of	Q1 2004 millions of	Q3 2004 millions of		Change %
Net revenue	14,376	14,748	15,043	14,353	4.8	44,167		42,620		3.6	57,360
Domestic	8,599	8,522	8,385	8,564	(2.1)	25,506		25,750		(0.9)	34,748
International	5,777	6,226	6,658	5,789	15.0	18,661		16,870		10.6	22,612
Proportion generated internationally (%)	40.2	42.2	44.3	40.3		42.3		39.6			39.4
Europe (excluding Germany)	3,115	3,310	3,439	3,236	6.3	9,864		9,751		1.2	12,952
North America	2,592	2,852	3,128	2,450	27.7	8,572		6,841		25.3	9,301
Other	70	64	91	103	(11.7)	225		278		(19.1)	359

Profit/loss before income taxes

Profit before income taxes in the first nine months of 2005 amounted to approximately EUR 6.6 billion. This represents an increase over the same period last year of about EUR 5.5 billion. The primary source of this increase is the improvement in profit from operations. The positive effect was created predominantly by the non-recurrence of factors that had depressed profits in the prior year: In addition to impairment losses on the FCC mobile communications licenses of T-Mobile

USA in the amount of approximately EUR 1.4 billion, goodwill impairments totaling about EUR 2.4 billion for T-Mobile UK and Slovak Telecom were recognized last year.

Net financial income/expense also developed positively. The main reasons for this were the successful sale of the interest in MTS, yielding about EUR 1 billion, as well as improvements in finance costs.

Net profit

Net profit of the Group rose to approximately EUR 4.4 billion. In the same period of the prior year, the Group reported a net loss of EUR 0.2 billion. The underlying factor in this gain was the positive development in profit before income taxes. Countering this development is the fact that in the reporting period, income taxes totaled approximately EUR 1.8 billion, compared with around EUR 0.9 billion in the prior year.

Special factors recorded in the first nine months of 2005 amounted to EUR 1 billion, mainly relating to the sale of the remaining interest in MTS. By comparison, the negative special factors recorded in the same period of the prior year totaled about EUR 3.2 billion. These related mainly to impairment losses on FCC mobile communications licenses in the United States as well as goodwill impairment losses for T-Mobile UK and Slovak Telecom. Adjusted for special factors, net profit in the first nine months of 2005 totaled about EUR 3.4 billion. Compared with the same period in the prior year, this represents an improvement of EUR 0.3 billion or approximately 11 percent; in a comparison of the third quarters, the increase was 27 percent.

EBIT

	Third quarter of 2005					First three quarters of 2005			
	Q1 2005 millions of	Q2 2005 millions of	Q3 2005 millions of	Q3 2004 millions of	Change %	Q1 2005 millions of	Q3 2004 millions of	Change %	2004 millions of
EBIT(a) in the Group	2,340	2,609	2,776	343	n.a.	7,725	4,043	91.1	6,261
Broadband/Fixed									
Network	1,506	1,417	1,386	1,296	6.9	4,309	4,228	1.9	5,545
Mobile									
Communications	966	1,263	1,540	(846)	n.a.	3,769	331	n.a.	1,510
Business Customers	180	184	199	214	(7.0)	563	513	9.7	570

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

Group Headquarters & Shared Services	(292)	(231)	(342)	(238)	(43.7)	(865)	(880)	1.7	(1,432)
Reconciliation	(20)	(24)	(7)	(83)	91.6	(51)	(149)	65.8	68

(a) EBIT is profit/loss from operations as shown in the income statement.

Group EBIT nearly doubled in a year-on-year comparison of the first nine months, with a gain of about EUR 3.7 billion to approximately EUR 7.7 billion. All strategic business areas as well as Group Headquarters & Shared Services contributed to this result. The Mobile Communications business area contributed the largest proportion. In this area, the non-recurrence of impairment losses recognized on U.S. mobile communications licenses and on goodwill, especially for T-Mobile UK, generated a positive effect.

EBIT in the third quarter of 2005 rose year-on-year by around EUR 2.4 billion to approximately EUR 2.8 billion. While the strategic business areas Broadband/Fixed Networks and Mobile Communications recorded increases in EBIT, the EBIT figures for Business Customers and Group Headquarters & Shared Services showed a decline.

EBITDA

EBITDA in the first nine months of 2005 amounted to approximately EUR 15.5 billion. This corresponds to an increase of EUR 0.7 billion, or 4.6 percent over the prior-year period. The Mobile Communications business area was the main source of EBITDA growth.

Business Customers and Group Headquarters & Shared Services also recorded an increase. EBITDA in the Broadband/Fixed Network business area decreased.

Adjusted EBITDA

EBITDA in the first nine months of 2005 was affected by negative special factors totaling EUR 147 million. This was the result of opposing effects: Negative special factors primarily severance and voluntary redundancy payments and restructuring costs were partially offset by positive special factors, primarily from insurance refunds.

In the prior year, negative special factors totaling EUR 94 million were recorded, mainly relating to severance and voluntary redundancy payments. Retroactive proceeds from the sale of Virgin Mobile had a positive effect.

Adjusted for the aforementioned special factors, EBITDA for the first nine months of 2005 amounted to EUR 15.6 billion compared with EUR 14.9 billion in the prior year. This represents an increase of EUR 0.7 billion or 5 percent. This gain was due to favorable developments in the Mobile Communications business area, and mainly the result of revenue gains due to customer growth. Headcount reductions and the accompanying decrease in personnel costs improved adjusted EBITDA at Group Headquarters & Shared Services. In the Business Customers business area, adjusted EBITDA was almost at the same level as in the prior year. Positive revenue trends at the Enterprise Services business unit could not fully offset the downturn in the Business Services business unit that resulted from pricing incentives aimed at winning back customers. In the Broadband/Fixed Network business area, adjusted EBITDA declined primarily due to a decrease in revenue. Cost reduction measures had a favorable effect.

Adjusted EBITDA in the third quarter of 2005 improved over the prior-year period by EUR 0.2 billion to EUR 5.5 billion. EBITDA reductions in the business areas Broadband/Fixed Network and Business Customers as well as at Group Headquarters & Shared Services were more than

offset by increases in EBITDA in the Mobile Communications business area.

	Q1 2005 millions of	Q2 2005 millions of	Third quarter of 2005			Change %	First three quarters of 2005			2004 millions of
			Q3 2005 millions of	Q3 2004 millions of	Q1 Q3 2005 millions of		Q1 Q3 2004 millions of	Change %		
Adjusted EBITDA(a)	4,918	5,225	5,487	5,293	3.7	15,630	14,891	5.0	19,617	
Broadband/Fixed Network	2,517	2,440	2,424	2,495	(2.8)	7,381	7,664	(3.7)	10,173	
Mobile Communications	2,111	2,481	2,730	2,374	15.0	7,322	6,327	15.7	8,395	
Business Customers	396	410	446	453	(1.5)	1,252	1,273	(1.6)	1,638	
Group Headquarters & Shared Services	(72)	(66)	(95)	(22)	n.a.	(233)	(274)	15.0	(548)	
Reconciliation	(34)	(40)	(18)	(7)	n.a.	(92)	(99)	7.1	(41)	

(a) Deutsche Telekom defines EBITDA as profit/loss from operations excluding depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to Reconciliation of pro forma figures, page 43 et seq.

Free cash flow

	Q1 2005 millions of	Q2 2005 millions of	Third quarter of 2005			Change %	First three quarters of 2005			2004 millions of
			Q3 2005 millions of	Q3 2004 millions of	Q1 Q3 2005 millions of		Q1 Q3 2004 millions of	Change %		
Cash generated from operations	2,576	4,843	5,112	4,904	4.2	12,531	13,963	(10.3)	20,462	
Interest paid	(400)	(1,204)	(845)	(985)	14.2	(2,449)	(2,840)	13.8	(3,742)	
Net cash from operating activities(a)	2,176	3,639	4,267	3,919	8.9	10,082	11,123	(9.4)	16,720	
Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill)	(3,091)	(1,824)	(1,686)	(1,480)	(13.9)	(6,601)	(4,408)	(49.8)	(6,410)	
Free cash flow before dividend payments(a)	(915)	1,815	2,581	2,439	5.8	3,481	6,715	(48.2)	10,310	

(a) For detailed information and calculations, please refer to Reconciliation of pro forma figures, page 43 et seq.

Free cash flow in the third quarter of 2005 improved by 5.8 percent year-on-year to around EUR 2.6 billion. Besides lower interest payments, this improvement is primarily attributable to the increase in cash generated from operations. Increased cash outflows for investments had an offsetting effect.

In the first nine months of 2005, free cash flow declined by EUR 3.2 billion year-on-year from EUR 6.7 billion to EUR 3.5 billion. Apart from the changes in working capital, this is due in particular to considerably higher tax payments and increased investments, mainly as a result of the acquisition of networks at T-Mobile USA relating to the winding up of the U.S. mobile communications joint venture.

Net debt

Net debt increased by approximately EUR 1.3 billion to EUR 40.8 billion compared with December 31, 2004. Following an increase of approximately EUR 5 billion in the first six months of 2005, the Group succeeded in achieving a clear reduction of around EUR 3.7 billion in the third quarter.

The increase in net debt in the first half of 2005 resulted mainly from the acquisition of network infrastructure and spectrum at T-Mobile USA and the purchase of additional shares in T-Online totaling approximately EUR 3.9 billion in aggregate, as well as dividend payments in the amount of about EUR 2.7 billion. This was partially reduced by the effect of the positive cash flow.

The clear reduction in net debt in the third quarter of 2005 is primarily attributable to the positive development of free cash flow. This was augmented by inflows from the sale of the interest in MTS and the sale of the shares in comdirect bank for a total amount of about EUR 1.4 billion.

In a year-on-year comparison, the net debt of the Deutsche Telekom Group decreased by approximately EUR 3.8 billion.

	Sept. 30, 2005 millions of	June 30, 2005 millions of	Change Sept. 30, 2005/ June 30, 2005 %	Dec. 31, 2004 millions of	Change Sept. 30, 2005/ Dec. 31, 2004 %	Sept. 30, 2004 millions of	Change Sept. 30, 2005/ Sept. 30, 2004 %
Bonds	37,651	40,732	(7.6)	39,458	(4.6)	43,347	(13.1)
Liabilities to banks	2,366	3,528	(32.9)	3,074	(23.0)	3,153	(25.0)
Liabilities to non-banks from promissory notes	648	653	(0.8)	651	(0.5)	718	(9.7)
Liabilities from derivatives	817	745	9.7	1,159	(29.5)	999	(18.2)
Lease liabilities	2,427	2,473	(1.9)	2,487	(2.4)	2,294	5.8
Liabilities arising from ABS transactions	1,354	1,384	(2.2)	1,563	(13.4)	1,190	13.8
Other financial liabilities	147	122	20.5	79	86.1	76	93.4
Gross debt	45,410	49,637	(8.5)	48,471	(6.3)	51,777	(12.3)
Cash and cash equivalents	3,371	3,910	(13.8)	8,005	(57.9)	5,812	(42.0)
Available-for-sale/held-for-trading financial assets	102	114	(10.5)	120	(15.0)	636	(84.0)
Derivatives	566	673	(15.9)	396	42.9	354	59.9
Other financial assets	573	407	40.8	407	40.8	379	51.2
Net debt(a)	40,798	44,533	(8.4)	39,543	3.2	44,596	(8.5)

(a) For detailed information and calculations, please refer to Reconciliation of pro forma figures, page 43 et seq.

Strategic business areas.

Since the beginning of 2005, Deutsche Telekom has been pursuing its growth strategy under a new Group structure. Through its three strategic business areas Broadband/Fixed Network, Mobile Communications and Business Customers, the Group is focusing on the main growth sectors of the industry, while at the same time sharpening its focus on specific customer segments. The realignment has set the stage for a culture of strict customer focus, which Deutsche Telekom has established as a standard for the entire Group, throughout the world, under a slogan of customer centrality. The goal is to create clear added value for customers while ensuring profitable growth for the Company. Deutsche Telekom has thus laid the groundwork for positioning itself as the leading service provider in the industry and the fastest-growing telecommunications company in Europe.

The financial figures of the Group have been presented under the format of the three strategic business areas since the first quarter of 2005. At the same time, the Group's financial statements have been presented in accordance with IFRS (International Financial Reporting Standards). A detailed description of the new structure of the Group, along with explanations on IFRS reporting, can be found in the Interim Report for the first quarter of 2005 and the reconciliation report Historical Figures according to IFRS. New Group organization.

Broadband/Fixed Network.

	Mar. 31, 2005 millions	June 30, 2005 millions	Sept. 30, 2005 millions	Change Sept. 30, 2005/ June 30, 2005 %	Sept. 30, 2004 Millions	Change Sept. 30, 2005/ 2004 %	Dec. 31, 2004 Millions
Broadband(a)							
Broadband lines (total)(b)	6.7	7.1	7.7	8.5	5.4	42.6	6.1
Germany(c)	6.4	6.7	7.3	9.0	5.2	40.4	5.8
Of which: resale(d)	0.5	0.7	1.1	57.1	0.1	n.a.	0.2
Central and Eastern Europe (CEE)	0.3	0.4	0.4	0.0	0.2	100.0	0.3
Broadband rates (Germany and Western Europe)(e)	3.9	4.2	4.6	9.5	3.2	43.8	3.6
of which: Germany	3.5	3.7	4.0	8.1	2.9	37.9	3.2
Narrowband(a)							
Narrowband lines (total)(f)	42.4	42.1	41.7	(1.0)	43.0	(3.0)	42.8
Germany(g)	36.4	36.0	35.6	(1.1)	37.0	(3.8)	36.8
Standard analog lines	26.1	25.9	25.7	(0.8)	26.5	(3.0)	26.4
ISDN lines	10.3	10.1	9.9	(2.0)	10.5	(5.7)	10.4
Central and Eastern Europe (CEE)	6.0	6.2	6.1	(1.6)	6.1	0.0	6.1
Magyar Telekom(h)	3.1	3.3	3.2	(3.0)	3.2	0.0	3.2
Slovak Telecom	1.2	1.2	1.2	0.0	1.2	0.0	1.2
T-Hrvatski Telekom	1.7	1.7	1.7	0.0	1.7	0.0	1.7
Narrowband rates (Germany and Western Europe)(e)	4.9	4.7	4.5	(4.3)	5.4	(16.7)	5.2
Of which: Germany	4.7	4.5	4.3	(4.4)	5.1	(15.7)	5.0
Internet customers with a billing relationship (total)(i) (Germany and Western Europe)(e)	13.6	13.6	13.8	1.5	13.4	3.0	13.5
PAYG(j), broadband/narrowband < 30 days (Germany and Western Europe)(e)	0.8	0.7	0.7	0.0	0.9	(22.2)	0.9
of which: Germany	0.7	0.7	0.6	(14.3)	0.8	(25.0)	0.7

Broadband and narrowband lines (Germany and Central and Eastern Europe) are the responsibility of the T-Com business unit. The T-Online business unit has also been marketing broadband lines (in Germany) since January 31, 2005.

Customers with broadband and narrowband rates, all Internet customers with a billing relationship as well as PAYG < 30 days (broadband/narrowband) in Germany and Western Europe are the responsibility of the T-Online business unit.

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

(b) Lines in operation.

- (c) Since January 31, 2005, broadband lines based on DSL technology for consumers have been marketed by T-Online, broadband lines excluding internal use. Prior-year comparatives have been adjusted.
- (d) Definition of resale: sale of broadband lines based on DSL technology to alternative providers outside the Deutsche Telekom Group.
- (e) Customers with a billing relationship. Western Europe includes: Ya.com and T-Online France.
- (f) The number of narrowband lines rather than channels has been reported since the first quarter of 2005. Prior-year comparatives have been adjusted.
- (g) Telephone lines excluding internal use and public telecommunications, including wholesale services. Prior-year comparatives have been adjusted.
- (h) Subscriber-line figures are recorded including Magyar Telekom's subsidiary, Maktel, and Telekom Montenegro. Prior-year comparatives have not been adjusted. The rebranding of MATÁV as Magyar Telekom took place at the beginning of May 2005.
- (i) Total calculated on the basis of customers (broadband and narrowband rates) with a billing relationship and PAYG < 30 days and PAYG > 30 days.
- (j) PAYG: Pay as you go.

The Broadband/Fixed Network strategic business area consists of the business units T-Com and T-Online International AG, and serves consumers and smaller business customers of the Deutsche Telekom Group.

The business area also conducts wholesale (including resale) and international carrier services business, also providing wholesale services for other business areas.

T-Com:

Customer development and selected KPIs

The dynamic growth of the broadband market continued in the third quarter of 2005. The consistent marketing strategy pursued boosted the number of broadband lines provided by T-Com by 599,000 to 7.7 million in the third quarter of 2005. In Germany, approximately 7.3 million DSL lines provided by T-Com were in operation at the end of September 2005, representing an increase of 525,000 DSL lines in the third quarter. Falling prices on the ISP market and packages offered by competitors have further accelerated broadband growth. T-Com is participating in this market growth, particularly through DSL resale to third parties, which is attributable in part to the continuing shift of T-Com's business focus from retail to resale customers. Overall, the Broadband/Fixed Network strategic business area put approximately 147,000 new lines of its own and 379,000 resale new lines of third parties in operation in the third quarter.

T-Com is driving the development of broadband in Germany. Since July 1, 2005, T-Com has been providing T-DSL lines with transmission rates of up to 6 Mbit/s. This has boosted T-Com's competitiveness and made broadband Internet even more attractive. At the IFA consumer electronics fair, T-Com announced that it was taking an important step towards increasing broadband penetration in the long term: By developing ADSL2+ technology with bandwidths of up to 20 Mbit/s and using fiber optic-based VDSL2 technology(6) with bandwidths of up to 50 Mbit/s, T-Com will make particularly high bit rate lines available to a wider public. In addition to increasing its transmission rates, T-Com is continuing to focus on expanding its broadband infrastructure by developing areas with no coverage up to now and increasing the use of outdoor DSLAM technology(7). T-Com is also testing the new wireless technology WiMAX in a pilot project with around 100 customers in the Bonn area. The project is scheduled to be completed in March 2006. The future use of WiMAX technology to increase the availability of broadband Internet access in areas where there was previously no coverage will depend on the findings of the project relating to customer acceptance, technology, and overall profitability. Another important element of T-Com's broadband strategy is the wireless LAN technology, which T-Com is providing together with T-Mobile. By the end of September 2005, the number of T-Com's public HotSpots in operation had increased to more than 4,300.

(6) VDSL Very High Speed Digital Subscriber Line.

(7) DSLAM Digital Subscriber Line Access Multiplexer; fiber optic-based DSLAM technology in the distribution box to increase the range of DSL.

The positive development in the broadband market at T-Com's subsidiaries in Central and Eastern Europe also continued in the third quarter of 2005. In total, the subsidiaries in this region increased their number of DSL lines by around 125 percent year-on-year to 439,000 and by 73,000 quarter-on-quarter. Magyar Telekom was very successful in driving its broadband growth: Year-on year, the Hungarian subsidiary doubled its net additions in the third quarter, thanks to its focused DSL marketing campaigns. All in all, the DSL customer base rose in the third quarter of 2005 from 248,000 to 288,000. The Croatian subsidiary T-Hrvatski Telekom had 71,000 DSL lines in operation at the end of September 2005, an eight-fold increase over the third quarter in 2004 and about one third more than in the second quarter of 2005. The value of pursuing a consistent broadband strategy was also demonstrated in Slovakia: Slovak Telecom posted a quarter-on-quarter increase of around 13,000 to approximately 81,000 DSL lines in operation at the end of the third quarter of 2005. To strengthen its position in the online business, Slovak Telecom bought Zoznam s.r.o., one of the leading portals in Slovakia.

In the narrowband sector, T-Com recorded a further decrease in the number of lines in Germany as a result of customer churn and, in part, fixed-mobile substitution effects. Compared with the prior-year quarter, the number of T-Com narrowband lines decreased by 3.8 percent to 35.6 million. At 9.9 million, the total number of T-ISDN lines decreased by a disproportionately large amount, 5.7 percent compared with the end of the third quarter of 2004. This trend can be attributed to the discontinuation of the price advantage of combining T-DSL with T-ISDN (as compared with T-DSL combined with T-Net). The growing saturation of the market and the new integrated voice and Internet products offered by competitors also had a negative impact.

The volume of call minutes generated by end customers continued to decline. This is mainly attributable to the reduction in the number of lines operated by T-Com as a result of leased subscriber lines and to competitors rolling out their own infrastructure. In addition, call-by-call and preselection are contributing to the negative trend in call minutes, though the decline slowed further in the third quarter, following on from the first half of 2005. This can be principally attributed to the success of the Wünsch Dir Was (make a wish)(8) calling plan that was successfully introduced on March 1, 2005. This plan has enabled T-Com to further stabilize its market shares(9) for local, national, and fixed-to-mobile calls. At the end of the third quarter of 2005, the customer base for the Wünsch Dir Was calling plan had already grown to more than 10.4 million customers. Customers have been especially attracted by the ability to add optional features such as the international rate option CountrySelect, already selected by 450,000 customers. This option allows customers to select three countries they can call at especially low rates. T-Com is continuing to develop its range of rate options step-by-step in line with customer needs in order to remain successful in competition in the future.

(8) Since March 1, 2005 T-Com has been offering a highly simplified rate portfolio with four rate variants (Call Plus, Call Time, XXL and XXL Free-time) and two optional rates (XXL Local und CountrySelect) that can be added to these variants. Since March 1, 2005, the following service features have been included as standard with all lines with Call Plus, Call Time, XXL or XXL Freetime: calling line identification, call waiting, call completion on busy, consultation call, switching between lines, three-way conferencing, call forwarding and calling line identification restriction. In the case of Call Plus/T-Net, however, the service has only included the T-Net Box since August 1, 2005. Furthermore, to-the-minute billing is available for all rates that are currently offered, including those for City calls.

(9) Ratio of call minutes realized on T-Com's own lines to the total number of minutes in T-Com's network.

In the third quarter of 2005, Broadband/Fixed Network continued to implement its Re-Invent growth program as part of Deutsche Telekom's Excellence Program. The three strategic elements of Re-Invent are innovation and growth, quality and efficiency, and customer focus. For this purpose, T-Com has identified and launched a series of short-term and medium-term campaigns. One of the main goals is to increase innovation. T-Com underscored this strategic goal when it established the new Innovations T-Com board department on October 1, 2005, to be headed by Bernd Kolb. At the beginning of July 2005, the new Innovation Center commenced its activities to drive the development of T-Com with new products, solutions and business models. The Innovation Center will be managed by T-Com's new Innovations board department. As part of its quality and efficiency drive, T-Com has started radically streamlining its product portfolio to make it simpler and leaner.

Under the umbrella of Re-Invent, T-Com has also launched Simplicity, a program that is designed to enhance efficiency. A large number of individual measures such as the automation of sales and technology processes, the upgrade of the technical infrastructure, and the streamlining of the product portfolio are intended to reduce personnel requirements.

T-Online:

Customer development and selected KPIs

In the first nine months of 2005, T-Online continued to pursue its strategic focus on maintaining an innovative, sustainable position on the dynamic broadband market.

By marketing full-service packages comprising a DSL line, Internet access and hardware components, T-Online has been making its mark in Germany as a full-service DSL provider since January 31, 2005. This repositioning and the further development of the DSL rate portfolio in July 2005 have enabled T-Online to expand its DSL rate customer base. Since the beginning of the year, a total of 0.8 million German customers have opted for a DSL rate plan, more than 95 percent of whom were won over by the DSL full-package marketing drive. Compared with September 30, 2004, the DSL rate customer base has grown by 37.9 percent to around 4.0 million. The overall DSL rate customer base rose in the same period from 3.2 million to 4.6 million customers. In the third quarter of 2005, T-Online attracted 342,000 new DSL rate customers in Germany. Nevertheless, T-Online's competitive environment intensified further in the third quarter of 2005.

In its Voice over IP business, T-Online made DSL telephony more attractive in the third quarter of the year. T-Online's DSL telephony has been rounded off by a video component since mid-August 2005.

An important element for benefiting from the positive development of the broadband market is the expansion of entertainment services. For example, T-Online gained yet another well-known partner from the U.S. film industry for its video-on-demand (VoD) service: Warner Bros. International Television Distribution Studios. As a result, T-Online now has contractual relationships with six major Hollywood studios. At present, T-Online's video-on-demand service comprises over 1,000 titles from all genres, documentaries, and own productions by ProSiebenSat.1 Media AG, with which T-Online has been collaborating since March this year. The success of this service is demonstrated by the high demand for videos by customers: At the end of the quarter, the number of videos viewed averaged 80,000 per month.

Musicload gives T-Online a leading position on the German online music market. By the end of September 2005, more than 9.5 million titles had been downloaded from Musicload, exceeding the number of downloads in the full-year 2004. With Gamesload, T-Online has established its third digital distribution platform following video on demand and Musicload for entertainment on the Net. In the rapidly growing PC games market, T-Online was one of the first major German providers to unveil a proprietary digital purchase platform for full versions of PC games at the Games Convention (adventure fair for interactive entertainment) in mid-August 2005. In a practical comparison carried out by PC Games magazine (Nov. 2005 issue), Gamesload was voted the best among seven providers of legal game downloads.

In France, T-Online is setting the scene for setting up its own end-to-end IT-based, high-bandwidth network. This will enable the company to offer customers Internet access, entertainment and broadband communication services with high bandwidth and the required quality. The first step was to sign agreements for the use of optical fiber capacity. Then, T-Online started unbundling the central offices. By the end of September 2005, around 100 central offices had been unbundled, on schedule for the building of T-Online's own network infrastructure.

T-Online France also continued to position itself as a provider with aggressive prices during the third quarter of 2005: With its offer of unlimited Internet access over a three-month introductory period as well as the possibility of calling fixed lines in France with no time limit using Voice over IP, T-Online France is complying with customers' wishes for an attractive package comprising Internet access and telephony. The success of such offers increased the French subsidiary's DSL customer base further in the third quarter of 2005, expanding its market share yet again. T-Online France also posted strong growth in the number of Voice over IP customers. In the third quarter of 2005, more than 50 percent of new customers opted for a Voice over IP offer from T-Online France.

In Spain, T-Online was largely able to complete the announced integration of the newly acquired carrier Albura in the third quarter. To expand its share of the ADSL consumer market in the long term, T-Online is driving ahead the establishment of a network operation of its own with top priority. According to Ya.com planning, 220 central offices should be ready for operation by the end of 2005. Alcatel, a partner in a strategic alliance since the end of September 2005, will supply a turnkey triple-play solution for the network. T-Online has also made further investments to pave the way for launching a product portfolio based on ADSL2+ with rates of up to 20 Mbit/s.

**Broadband/Fixed Network:
Development of Operations**

	Third quarter of 2005					First three quarters of 2005				2004 millions of
	Q1 2005 millions of	Q2 2005 millions of	Q3 2005 millions of	Q3 2004 millions of	Change %	Q1 2005 millions of	Q3 2005 millions of	Q1 2004 millions of	Q3 2004 millions of	
Total revenue	6,638	6,489	6,455	6,609	(2.3)	19,582	20,359	(3.8)	27,010	
T-Com(a)	6,304	6,119	6,130	6,254	(2.0)	18,553	19,323	(4.0)	25,601	
T-Online(a)	509	522	506	486	4.1	1,537	1,474	4.3	2,012	
EBIT(b) (profit from operations)	1,506	1,417	1,386	1,296	6.9	4,309	4,228	1.9	5,545	
EBIT margin (%)	22.7	21.8	21.5	19.6		22.0	20.8		20.5	
Depreciation, amortization and impairment losses	(1,011)	(1,015)	(990)	(1,181)	16.2	(3,016)	(3,385)	10.9	(4,408)	
EBITDA(c)	2,517	2,432	2,376	2,477	(4.1)	7,325	7,613	(3.8)	9,953	
Special factors affecting EBITDA(c)	0	(8)	(48)	(18)	n.a.	(56)	(51)	(9.8)	(220)	
Adjusted EBITDA(c)	2,517	2,440	2,424	2,495	(2.8)	7,381	7,664	(3.7)	10,173	
T-Com(a)	2,436	2,375	2,380	2,358	0.9	7,191	7,287	(1.3)	9,722	
T-Online(a)	88	84	73	136	(46.3)	245	383	(36.0)	464	
Adjusted EBITDA margin(c) (%)	37.9	37.6	37.6	37.8		37.7	37.6		37.7	
T-Com(a) (%)	38.6	38.8	38.8	37.7		38.8	37.7		38.0	
T-Online(a) (%)	17.3	16.1	14.4	28.0		15.9	26.0		23.1	
Cash capex(d)	(396)	(540)	(600)	(499)	(20.2)	(1,536)	(1,347)	14.0	(2,122)	
Number of employees(e)	112,871	113,515	112,893	116,549	(3.1)	113,092	115,386	(2.0)	115,292	
T-Com	109,787	110,351	109,581	113,568	(3.5)	109,906	112,438	(2.3)	112,329	
T-Online	3,084	3,164	3,312	2,981	11.1	3,186	2,948	8.1	2,963	

(a) T-Com's prior-year results were adjusted according to the Group's realignment into three strategic business areas and according to IFRS. T-Online's prior-year results have been adjusted in line with the transition to IFRS.

(b) EBIT is profit/loss from operations as shown in the income statement.

(c) Deutsche Telekom defines EBITDA as profit/loss from operations excluding depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to Reconciliation of pro forma figures, page 43 et seq. For detailed information and calculations of the figures for 2004, please refer to the reconciliation report Historical figures according to IFRS. New Group organization.

(d) Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

(e) Average number of employees.

**Broadband/
Fixed Network:
Total revenue**

Total revenue of the Broadband/Fixed Network strategic business area for the first nine months of 2005 was down 3.8 percent to EUR 19.6 billion, a smaller decrease than was recorded for figures for the first half of 2005 compared with the same period in 2004. This development was principally due to the slower decline in revenue at T-Com. Whereas T-Com's revenue shortfall was still 4.9 percent in the first half of the year, revenue in the third quarter slipped only 2 percent year-on-year to EUR 6.1 billion. T-Online boosted its revenue by 4.3 percent to EUR 1.5 billion in the first nine months of 2005.

T-Com:

Total revenue

T-Com's total revenue in the first nine months of 2005 decreased by 4 percent year-on-year to EUR 18.6 billion, due to an almost equal decline in inter-segment revenue and net revenue. This decrease is mainly attributable to lower call revenues, the change in the settlement system for mobile handsets at T-Punkt shops since May 1, 2004, and the focus on higher-margin international carrier business in the second half of 2004. A decrease in prices and volumes as well as the transfer of parts of the value chain to T-Systems, particularly in the area of data communications, also had a negative impact on revenue. Successful marketing of broadband lines based on DSL technology, both in retail and resale, was only able to partly compensate for this downturn.

In Germany, total revenue for the first three quarters of 2005 was EUR 16.7 billion, as compared with EUR 17.4 billion in the same period last year.

Revenue in the field of network communications fell by 3.6 percent to EUR 10.4 billion. In total, the positive development of access revenue (including DSL retail) was unable to offset the negative development in call revenues in full. The reduction in revenue from call minutes is the result of price effects caused by the higher number of calling plans sold and by decreases in volumes, partly due to substitution by mobile communications. Call revenues were further reduced as a result of the lower rates for fixed to mobile calls to end customers that took effect on December 15, 2004. Access revenues are now only growing slightly as the decrease in the number of narrowband lines was only slightly overcompensated by the growth in DSL retail lines and the increased marketing of rate options. It should be noted with regard to the revenue development for DSL retail lines that the focus of marketing has been on T-Online DSL package offers since January 31, 2005. Revenue growth in the broadband business is therefore mainly visible in the resale sector, which is included in wholesale revenues.

Revenues from terminal equipment declined by 18 percent to EUR 0.3 billion in the first nine months of the year. This was caused by the continued weak demand for rented and purchased equipment. The improvement in revenue compared with prior quarters is partly due to the 10 Years of Deutsche Telekom sale, but also to the change in the business model of subsidizing terminal equipment for DSL customers. T-Online is responsible for the marketing of the T-DSL package offers described above. T-Com bills T-Online in full for the terminal equipment as a wholesale service.

In the area of value-added services, the year-on-year revenue decrease of EUR 0.1 billion to EUR 0.8 billion in the first nine months of 2005 was mainly caused by the reduced market for the Premium Rate Services product and a migration of traffic from services billed online to services billed offline.

Revenue from data communications stabilized in the third quarter of 2005 compared with the prior quarter as a result of project billing relating to other periods, but, on a cumulative basis, was around 11 percent lower than in the same period in 2004, at EUR 0.9 billion. This was caused by price and volume reductions as well as the increased procurement of products on a low value-added level by the Business Customers business area.

At EUR 3.6 billion, revenue from wholesale products remained almost constant on the prior-year period. The volume growth in subscriber lines resulted in a year-on-year increase in revenue from these products, despite the 9.8 percent rate reduction that was imposed by German regulatory authorities and took effect on April 1, 2005. In addition, revenue from interconnection calls and lines, as well as volume-related revenue from DSL resale products showed positive development. Price adjustments for wholesale products, however, resulted in a reduction in revenue from Internet service providers. The decline in prices and volumes in the International Carrier Services and Solutions (ICCS) business also

contributed to a revenue decline.

Revenue from fixed network business in Central and Eastern Europe in the first nine months of 2005 remained almost constant at prior-year levels at EUR 1.9 billion due to the positive development in exchange rates. The decline in revenue in the traditional fixed-network business was only partially offset by growth in broadband and data communications. The growing number of market players who are increasingly offering call-by-call and, more recently, also preselection for consumers stiffened competition, especially in Hungary, which also experienced substitution by mobile communications. Revenues at Magyar Telekom therefore declined by 3.5 percent in local currency. While in Croatia revenue in local currency largely stabilized despite the issue of additional fixed-network licenses, revenue at Slovak Telecom decreased in both local currency and in euros due to the increase in fixed-mobile substitution.

**T-Com:
Net revenue**

T-Com was able to slow down the year-on-year decline in net revenue from 3.2 percent in the first half of 2005 to 2.5 percent in the first nine months of the year. Net revenue now amounts to EUR 15.0 billion. The decrease can be attributed to lower call revenues caused by the continued loss of market share to fixed-network competitors and the loss of minutes to mobile communications. This decline in revenue was only partly compensated by growing broadband revenue and revenue from wholesale services for competitors, especially in the area of subscriber lines.

**T Online:
Total revenue**

T-Online generated total revenue of EUR 1.5 billion in the reporting period, an increase of 4.3 percent compared with the first nine months of 2004. At EUR 0.5 billion, revenue in the third quarter of 2005 was 4.1 percent higher than in the prior-year period. The expansion of the broadband business is reflected both in the growing customer base and in the height-ened acceptance of content and services. On the other hand, the reduced DSL rates introduced at the beginning of July 2005 and the reimbursement of activation charges had a negative effect on revenue. The waiving of subscription fees as part of the broadband campaign that was launched in 2004 and continued into the first half of 2005 also impacted revenue. Overall, T-Online is increasingly competing with alternative providers for a share in the growth of the entire broadband market.

**Broadband/Fixed Network:
EBITDA, adjusted EBITDA**

In the first three quarters of 2005, the Broadband/Fixed Network strategic business area generated EBITDA of approximately EUR 7.3 billion. This figure is around 3.8 percent lower than the corresponding figure for the prior-year period. Adjusted EBITDA decreased to a similar extent to just below EUR 7.4 billion.

**T-Com:
EBITDA, adjusted EBITDA**

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

T-Com's adjusted EBITDA was EUR 7.2 billion in the first nine months of 2005. Adjusted EBITDA fell only EUR 0.1 billion, or 1.3 percent, a considerably lower rate than the decline in revenue. This effect reflects a number of positive factors, including savings from revenue-related costs, such as interconnection services, merchandise, or raw materials and supplies. T-Com also achieved cost reductions for rentals, including from rented office space and the more efficient use of space, improved procurement conditions in the area of logistics, reduced prices for billing services and process improvements in the field of IT. These savings were partially offset, however, by increased personnel costs, the origin-based allocation of the costs of trainees and social security expenses for civil servants, which was previously reported under Headquarters costs until the end of last year, increased advertising and selling expenses related to the broadband campaign, and increased litigation expenses. The adjusted EBITDA margin increased from 37.7 percent in the first nine months of 2004 to 38.8 percent in the first three quarters of 2005 as a result of the cost savings. In the first three quarters of 2004, negative special factors of EUR 50 million were recorded for restructuring

expenses (severance and voluntary redundancy payments and adjustments to collective agreements in Germany and Central and Eastern Europe). Special factors totaling EUR 56 million were recorded in the first three quarters of 2005, mainly resulting from the severance component from provisions for partial retirement in Germany (Altersteilzeit), severance and voluntary redundancy payments at Magyar Telekom, and the restructuring of the card business at DeTeCard.

T-Com generated adjusted EBITDA of EUR 6.4 billion in Germany in the reporting period. Although adjusted EBITDA declined by EUR 92 million year-on-year, the margin of 37.3 percent in the first three quarters of 2004 increased to 38.5 percent in the corresponding period this year.

The adjusted EBITDA of the subsidiaries in Central and Eastern Europe was EUR 0.8 billion, the same level as the prior-year figure. Positive effects in this respect included workforce reduction, the improvement of cost structures and the outsourcing of non-core business activities. Increased expenses for the broadband marketing campaign had an offsetting effect. The adjusted EBITDA margin of the Eastern European subsidiaries in the first three quarters of 2005 was 41.2 percent.

**T-Online:
EBITDA, adjusted EBITDA**

Although T-Online's revenue increased, adjusted EBITDA decreased from EUR 0.4 billion to EUR 0.2 billion. This decrease was mainly attributable to two factors, the first of which being the higher marketing and sales expenses for the combined DSL and entertainment packages. Secondly, the costs incurred in connection with the aggressively pursued market expansion in France and to a lower extent also in Spain reduced adjusted EBITDA. The considerable success of this approach to marketing is reflected in the customer figures: The DSL customer base in the Rest of Europe segment rose from 310,000 as of September 30, 2004 to 530,000 as of September 30, 2005, an increase of 71 percent.

**Broadband/Fixed Network:
EBIT**

EBIT in the first three quarters of 2005 rose to around EUR 4.3 billion, an increase of approximately 1.9 percent compared with the prior-year period. In contrast to the development of EBITDA, the decrease in depreciation, amortization, and impairment losses resulting from a restrained investment policy in the previous year, the improvement of procurement conditions, as well as the structural effects of the non-recurrence of investments relating to the development program for Eastern Germany all had a positive impact. The non-recurrence of impairment of goodwill for Slovak Telecom recorded in the previous year also contributed to the improvement.

**Broadband/Fixed Network:
Personnel**

At 113,092, the average number of employees in the Broadband/Fixed Network strategic business area in the first nine months of 2005 was 2.0 percent lower than the corresponding prior-year figure.

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

The average number of employees at T-Com was 109,906, representing a decrease of 2,532 year-on-year, while the average number of employees at T-Online was 3,186, an increase of 238. T-Com's workforce in Germany increased 1.6 percent as a result of employees returning from Vivento as part of the employment alliance following the reduction of weekly working hours from 38 to 34, while the number of employees in Central and Eastern Europe decreased by 14.1 percent despite the consolidation of Telekom Montenegro via Magyar Telekom.

Personnel costs at T-Com increased 1.1 percent year-on-year as a result of the collectively agreed wage and salary increase in Germany of 2.7 percent effective January 1, 2005. Other factors included higher additions to provisions, for example for partial retirement, restructuring expenses at Magyar Telekom, and the restructuring of the card business at DeTeCard.

Mobile Communications.

	Mar. 31, 2005 millions	June 30, 2005 millions	Sept. 30, 2005 millions	Change Sept. 30, 2005/ June 30, 2005 %	Sept. 30, 2004 millions	Change Sept. 30, 2005/ 2004 %	Dec. 31, 2004 Millions
Mobile customers (total)(a)	79.0	80.9	83.1	2.7	75.4	10.2	77.6
T-Mobile Deutschland	27.6	28.2	28.7	1.8	27.4	4.7	27.5
T-Mobile USA	18.3	19.2	20.3	5.7	16.3	24.5	17.3
T-Mobile UK(b)	16.1	16.1	16.3	1.2	15.2	7.2	15.7
T-Mobile Netherlands	2.2	2.3	2.3	0	2.3	0	2.3
T-Mobile Austria	2.0	2.0	2.1	5.0	2.0	5.0	2.0
T-Mobile CZ (Czech Republic)	4.4	4.5	4.6	2.2	4.1	12.2	4.4
T-Mobile Hungary	4.1	4.1	4.1	0	4.0	2.5	4.0
T-Mobile Slovensko(c) (Slovakia)	1.9	1.9	1.9	0	1.8	5.6	1.9
T-Mobile Hrvatska (Croatia)	1.6	1.7	1.7	0	1.4	21.4	1.5
Other(d) (Macedonia and Montenegro)	1.0	1.0	1.1	10.0	0.9	22.2	0.9

(a) The total was calculated on the basis of precise figures and rounded to millions. Percentages calculated on the basis of figures shown. To facilitate comparison, the customers from newly consolidated companies have been included in the historical values.

(b) Including Virgin Mobile.

(c) Customers were included for the first time in the fourth quarter of 2004. Prior-year comparatives have been adjusted; rebranding of EuroTel Bratislava as T-Mobile Slovensko at the beginning of May 2005.

(d) Other includes MobiMak (Macedonia) and MONET (Montenegro). MONET is included for the first time in the second quarter of 2005. Prior-year comparatives have been adjusted.

Mobile Communications:**Customer development and selected KPIs**

Growth in the Mobile Communications strategic business area continued unabated, with the T-Mobile companies further increasing customer numbers in the third quarter of 2005. Overall, the customer base grew by 2.2 million in the third quarter of 2005 and thus exceeded the increases recorded in both the second quarter of 2005 and the prior-year quarter. The number of customers with a fixed-term contract rose by 1.1 million in the reporting period. This accounts for over 50 percent of customer growth. The strong development of the Relax calling plans in Western Europe was also very positive: The number of Relax customers increased by almost 25 percent quarter-on-quarter to 4.6 million at the end of the third quarter of 2005. Relax customers now account for 22 percent of all contract customers in Western Europe.

In the past twelve months, the T-Mobile group's customer base increased by around 7.7 million, up by more than 10 percent. T-Mobile USA and T-Mobile Deutschland were again the main growth drivers in the third quarter of 2005.

For the first time, T-Mobile USA now serves more than 20 million customers. The company passed this key milestone in its growth by recording more than 1 million net additions in the third quarter of 2005 and a total of around 4 million additions within the space of a year. At the same time, ARPU(10) increased further to EUR 42 in the third quarter of 2005. The successful marketing of the BlackBerry continued in the third quarter of 2005: T-Mobile USA recorded 68,000 new customers and now provides this future-oriented service to over 662,000 customers. The churn rate remained almost unchanged at 2.9 percent. The churn rate for contract customers decreased from 2.6 percent in the third quarter of 2004 to 2.4 percent in the third quarter of 2005.

T-Mobile Deutschland was able to gain 530,000 new customers in a difficult market environment, despite a slight increase in the churn rate. This primarily reflects the successful launch of the new calling plans and the other Relax products. The number of Relax customers in Germany increased by 500,000 quarter-on-quarter and now totals over 2.4 million. ARPU was stable compared with the prior quarter at EUR 23.

In the United Kingdom, T-Mobile generated customer growth of 259,000 in the third quarter of 2005. The churn rate fell to 3.1 percent. T-Mobile UK also further increased its ARPU by EUR 1 to EUR 29.

All other T-Mobile companies also continued to record positive growth trends. In addition to increasing customer numbers, their ARPU in euros rose or remained stable compared with the second quarter of 2005.

(10) ARPU – average revenue per user – is used to measure monthly revenue from services per customer. ARPU is calculated as follows: revenue generated by customers for services (i.e., voice services, including incoming and outgoing calls, and data services) plus roaming revenue, monthly charges, and revenue from visitor roaming, divided by the average number of customers in the month. Revenue from services excludes the following: revenue from terminal equipment, revenue from customer activation, revenue from virtual network operators, and other revenue not generated directly by T-Mobile customers. Visitor roaming revenues are included in ARPU as of the first quarter of 2005. Deutsche Telekom believes this improves comparability with competitor data calculated in the same manner. Historical data was restated accordingly.

Mobile Communications: Development of operations

	Third quarter of 2005					First three quarters of 2005			2004 millions of
	Q1 2005 millions of	Q2 2005 millions of	Q3 2005 millions of	Q3 2004 millions of	Change %	Q1 - Q3 2005 millions of	Q1 - Q3 2004 millions of	Change %	
Total revenue(a)	6,746	7,197	7,648	6,914	10.6	21,591	19,835	8.9	26,527
of which: T-Mobile D	2,074	2,128	2,212	2,261	(2.2)	6,414	6,560	(2.2)	8,745
of which: T-Mobile USA	2,598	2,858	3,108	2,458	26.4	8,564	6,828	25.4	9,278
of which: T-Mobile UK	988	1,013	1,058	1,106	(4.3)	3,059	3,347	(8.6)	4,344
of which: T-Mobile NL	256	267	264	270	(2.2)	787	787	0.0	1,046
of which: T-Mobile A	222	213	230	221	4.1	665	666	(0.2)	882
of which: T-Mobile CZ	217	229	239	213	12.2	685	602	13.8	827
of which: T-Mobile HU	256	275	285	274	4.0	816	775	5.3	1,049
of which: T-Mobile HT	101	129	157	136	15.4	387	331	16.9	436
of which: T-Mobile Slovensko(b)	86	93	97		n.a.	276		n.a.	
of which: Other(c)	31	45	53	36	47.2	129	101	27.7	135
EBIT (Profit (loss) from operations)	966	1,263	1,540	(846)	n.a.	3,769	331	n.a.	1,510
EBIT margin (%)	14.3	17.5	20.1	(12.2)		17.5	1.7		5.7
Depreciation, amortization and impairment losses	(1,136)	(1,180)	(1,185)	(3,215)	63.1	(3,501)	(6,066)	42.3	(6,953)
EBITDA(d)	2,102	2,443	2,725	2,369	15.0	7,270	6,397	13.6	8,463
Special factors affecting EBITDA(d)	(9)(e)	(38)(f)	(5)(g)		n.a.	(52)(h)	70(i)	n.a.	68(j)
Adjusted EBITDA(d)	2,111	2,481	2,730	2,374	15.0	7,322	6,327	15.7	8,395
Adjusted EBITDA margin(d) (%)	31.3	34.5	35.7	34.3		33.9	31.9		31.6
Cash capex(k)	(2,505)	(1,007)	(827)	(697)	(18.7)	(4,339)	(2,289)	(89.6)	(3,078)
Number of employees(l)	48,914	49,271	49,101	48,111	2.1	49,095	47,285	3.8	47,418

The Mobile Communications strategic business area includes all activities of the fully consolidated mobile communications companies in Germany, the United Kingdom, the United States, the Czech Republic, Austria, the Netherlands, Hungary, Croatia, Slovakia, Macedonia, and Montenegro, as well as minority investments in Poland and, until the end of September 2005, in Russia.

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

- (b) Fully consolidated as of the first quarter of 2005.
- (c) Other includes the revenues generated by MobiMak (Macedonia) and MONET (Montenegro). MONET is fully consolidated as of the second quarter of 2005.
- (d) Deutsche Telekom defines EBITDA as profit/loss from operations excluding depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to Reconciliation of pro forma figures, page 43 et seq. For detailed information and calculations of the figures for 2004, please refer to the reconciliation report Historical figures according to IFRS. New Group organization.
- (e) Expenses at T-Mobile Austria for Save for Growth (EUR 7 million), expenses at T-Mobile Deutschland for Vivento (EUR 2 million).
- (f) Expenses for Save for Growth at T-Mobile Deutschland (EUR 33 million), T-Mobile Netherlands (EUR 2 million), T-Mobile International AG & Co. KG (EUR 2 million), expenses at T-Mobile Deutschland for Vivento (EUR 1 million).
- (g) Expenses for Save for Growth at T-Mobile UK (EUR 4 million), T-Mobile International AG & Co. KG (EUR 1 million).
- (h) Expenses for Save for Growth at T-Mobile Deutschland (EUR 33 million), T-Mobile Austria (EUR 7 million), T-Mobile UK (EUR 4 million), T-Mobile Netherlands (EUR 2 million), T-Mobile International AG & Co. KG (EUR 3 million); expenses at T-Mobile Deutschland for Vivento (EUR 3 million).
- (i) Proceeds from the sale of Virgin Mobile (EUR 75 million) at T-Mobile UK, expenses at T-Mobile Deutschland for Vivento (EUR 5 million).
- (j) Proceeds from the sale of Virgin Mobile (EUR 75 million) at T-Mobile UK, expenses at T-Mobile Deutschland for Vivento (EUR 7 million).
- (k) Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.
- (l) Average number of employees.

Mobile Communications:

Total revenue

In the first nine months of 2005, T-Mobile boosted its revenue by 8.9 percent or EUR 1.8 billion year-on-year. In addition to the first-time consolidation of the Slovakian mobile communications company, this increase was principally attributable to revenue growth of more than 25 percent at T-Mobile USA. The companies in Croatia and the Czech Republic also recorded a substantial increase in revenue with double-digit growth rates. With the exception of T-Mobile UK, all companies profited from an increase in ARPU-related revenue. The decline in revenue in the United Kingdom was due in particular to the cut in termination charges. The revenue losses in Germany resulted mainly from the drop in low-margin revenue from terminal equipment.

Mobile Communications:

EBITDA, adjusted EBITDA

EBITDA in the Mobile Communications strategic business area rose to EUR 7.3 billion in the first three quarters of 2005. This resulted in EBITDA growth of 13.6 percent in the first nine months of the 2005 financial year. At the same time, adjusted EBITDA increased by 15.7 percent to EUR 7.3 billion. The EBITDA margin improved to 33.9 percent. The adjusted EBITDA contributions by T-Mobile USA and T-Mobile Deutschland in the third quarter of 2005 were equal for the first time at EUR 0.9 billion each. The main contributors to adjusted EBITDA in the first nine months of 2005 were again T-Mobile Deutschland with EUR 2.7 billion, followed by T-Mobile USA with EUR 2.4 billion, and T-Mobile UK with approximately EUR 1 billion.

The EBITDA margin in the third quarter was 43 percent in Germany, 30 percent in the United States, and 37 percent in the United Kingdom. T-Mobile UK's EBITDA was lifted by the reversal of a provision for other taxes in the amount of approximately GBP 27 million.

Mobile Communications:

EBIT

EBIT increased by EUR 3.4 billion in the first nine months of 2005 to EUR 3.8 billion. In the prior year, EBIT was affected by exceptional expenses of EUR 3.6 billion arising from the impairment of mobile communications licenses and goodwill. Adjusted for special factors, EBIT declined by EUR 0.1 billion to EUR 3.8 billion. This decrease is essentially attributable to higher amortization of UMTS licenses, which under IFRS can only be recognized from the start of network operations.

Mobile Communications:

Personnel

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

In the first nine months of 2005, the average number of employees in the Mobile Communications strategic business area increased by 1,810 year-on-year to 49,095. This rise relates mainly to staff additions at the fast-growing subsidiary T-Mobile USA and to the newly consolidated operations in Slovakia and Montenegro. In contrast, there were fewer employees at T-Mobile companies in Western Europe.

Business Customers.

		Mar. 31, 2005	June 30, 2005	Sept. 30, 2005	Change Sept. 30, 2005/ June 30, 2005 %	Sept. 30, 2004	Change Sept. 30, 2005/ 2004 %	Dec. 31, 2004
Enterprise Services(a)								
Computing & Desktop Services								
Processor capacity	(MIPS)(b)	130,429	126,656	129,349	2.1	124,448	3.9	130,786
Number of servers managed and serviced	(units)	36,360	38,290	39,223	2.4	34,360	14.2	35,418
Number of workstations managed and serviced	(millions of units)	1.26	1.29	1.34	3.9	1.26	6.3	1.22
Proportion of support activities, Germany	(%)	60.5	61.1	63.3	2.2(p)	60.0	3.3(p)	60.6
Proportion of retail, Germany	(%)	39.5	38.9	36.7	(2.2)(p)	40.0	(3.3)(p)	39.4
Systems Integration								
Hours billed(c)	(millions)	2.8	5.8	8.6		8.7	(1.1)	11.7
Utilization rate(d)	(%)	77.3	78.1	78.3	0.2(p)	77.1	1.2(p)	77.8
Business Services(a)								
Voice revenue(c)	(millions of)	455	946	1,396		1,440	(3.1)	1,933
Data revenue (legacy/IP)(c)	(millions of)	579	1,150	1,735		1,852	(6.3)	2,593
IT revenue(c),(e)	(millions of)	81	185	278		203	36.9	314

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

(b) Million instructions per second.

(c) Cumulative figures at the balance sheet date.

(d) Ratio of average number of hours billed to maximum possible hours billed per period.

(e) The definition of IT revenue was broadened due to the extension of the IT strategy as part of the Focus on Growth program. Prior-period comparatives have been adjusted accordingly.

Business Customers:**Selected KPIs**

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

The Business Customers strategic business area contributed to the further improvement of the Group's profit situation in the third quarter of 2005. This clearly reflects the success of the "Focus on Growth" program, which is enabling T-Systems to further strengthen its customer relationships and develop new growth potential.

By expanding or acquiring new customer projects in the third quarter, for example, Computing & Desktop Services increased the number of servers managed and serviced by 14.2 percent year-on-year. The number of IT workstations managed and serviced also rose by 6.3 percent in the same period. At Systems Integration, the systematic implementation of the growth program was reflected in another increase in capacity utilization. The utilization rate rose by 1.2 percentage points compared with the prior-year quarter.

T-Systems generated substantial growth in IT revenue from key accounts and small and medium-sized enterprises (SMEs). This enabled Business Services to partially offset the decline in revenue affecting the voice and data (legacy) business as a result of ongoing price and competitive pressure.

Business Customers:**Development of operations**

	Third quarter of 2005					First three quarters of 2005				2004 millions of	
	Q1 2005 millions of	Q2 2005 millions of	Q3 2005 millions of	Q3 2004 millions of	Change %	Q1 2005 millions of	Q3 2004 millions of	Q1 2005 millions of	Q3 2004 millions of		Change %
Total revenue	3,124	3,206	3,143	3,169	(0.8)	9,473		9,516		(0.5)	12,957
EBIT (profit from operations)	180	184	199	214	(7.0)	563		513		9.7	570
Special factors affecting EBIT	(1)	(5)	(34)	(5)	n.a.	(40)		(51)		21.6	(121)
Adjusted EBIT	181	189	233	219	6.4	603		564		6.9	691
Adjusted EBIT margin (%)	5.8	5.9	7.4	6.9		6.4		5.9			5.3
Depreciation, amortization and impairment losses	(215)	(221)	(213)	(234)	9.0	(649)		(709)		8.5	(947)
EBITDA(a)	395	405	412	448	(8.0)	1,212		1,222		(0.8)	1,517
Special factors affecting EBITDA(a)	(1)	(5)	(34)	(5)	n.a.	(40)		(51)		21.6	(121)
Adjusted EBITDA(a)	396	410	446	453	(1.5)	1,252		1,273		(1.6)	1,638
Adjusted EBITDA margin(a) (%)	12.7	12.8	14.2	14.3		13.2		13.4			12.6
Cash capex(b)	(132)	(168)	(162)	(193)	16.1	(462)		(528)		12.5	(757)
Number of employees(c)	51,314	51,727	51,897	51,593	0.6	51,646		52,227		(1.1)	51,978

(a) Deutsche Telekom defines EBITDA as profit/loss from operations excluding depreciation, amortization and impairment losses. For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, and the adjusted EBITDA margin, please refer to Reconciliation of pro forma figures, page 43 et seq. For detailed information and calculations of the figures for 2004, please refer to the reconciliation report Historical figures according to IFRS. New Group organization.

(b) Investments in property, plant and equipment, and intangible assets (excluding goodwill) as shown in the cash flow statement.

(c) Average number of employees.

Business Customers:**Total revenue**

At approximately EUR 9.5 billion, the total revenue of the Business Customers strategic business area was slightly lower than the prior-year level. The Enterprise Services business unit increased its revenue by 1.9 percent year-on-year, which allowed T-Systems to largely offset the decline in revenue at Business Services of 4.6 percent compared with the prior-year period.

In the reporting period, Systems Integration underpinned the continued positive development of the Enterprise Services business unit, lifting revenue by 3.7 percent by systematically implementing the Focus on Growth measures. This resulted in significant growth of 5.7 percent over the prior-year quarter.

Computing & Desktop Services also continued to record positive revenue development. T-Systems revenue from computing center services, and from IT workstations managed and serviced, increased by 1.6 percent compared with the first nine months of the previous year. The measures initiated under the Focus on Growth program, including business process out-sourcing programs, made a key contribution to developing new growth potential.

At 4.6 percent, the decline in revenue at Business Services slowed in the third quarter of 2005. The IT initiative for SMEs launched in March 2005 had a sustained positive effect on revenue.

Business Customers:

Net revenue

At EUR 6.7 billion, the volume of business conducted with companies outside the Deutsche Telekom Group remained at the prior-year level. The main contributors to net revenue were the Enterprise Services business unit with approximately EUR 3.6 billion, and the Business Services unit with approximately EUR 3.1 billion.

Systems Integration recorded an extremely encouraging development, halting the negative trend in the first two quarters with year-on-year revenue growth of 11.3 percent in the third quarter 2005.

Computing & Desktop Services maintained its strong position in a highly competitive market. External revenue increased by 1.3 percent compared with the first nine months of 2004.

External revenue generated by Business Services was down 2.8 percent year-on-year. The successful implementation of the unit's IT strategy for SMEs and the reacquisition of customers for telecommunications services could not fully offset the ongoing price and competitive pressure.

Business Customers:

EBITDA, adjusted EBITDA

In the first three quarters of 2005, T-Systems generated adjusted EBITDA of approximately EUR 1.3 billion. The Enterprise Services business unit contributed to this with an increase of 3.1 percent, the positive development recorded by Computing & Desktop Services being a key factor with growth of 9.6 percent. However, this did not allow T-Systems to fully offset the decline in EBITDA at the Business Services unit, which is primarily due to strategic pricing measures to reacquire telecommunications customers.

At approximately EUR 1.2 billion, EBITDA is at the same level as the prior-year figure.

Business Customers:

EBIT, adjusted EBIT

Edgar Filing: DEUTSCHE TELEKOM AG - Form 6-K

T-Systems increased EBIT in the reporting period by 9.7 percent year-on-year. This is mainly due to lower depreciation, amortization and impairment losses.

Adjusted EBIT increased by 6.9 percent compared with the prior-year period.

Business Customers:

Personnel

The average headcount for the Business Customers strategic business area decreased by 581 as compared with the first nine months of 2004 to 51,646 employees.

Group Headquarters & Shared Services.

- (a) Group Headquarters primarily includes subsidiaries such as Deutsche Telekom International Finance B.V., Deutsche Telekom Holding B.V. and T-Venture Holding GmbH.
- (b) Real Estate Services (GuG) = Deutsche Telekom Immobilien und Service GmbH (DeTeImmobilien), DFMG Deutsche Funkturm GmbH, GMG Generalmietgesellschaft mbH (GMG), Sireo Real Estate Asset Management GmbH (Sireo), Power and Air Condition Solution Management GmbH & Co. KG (PASM), and TELIT Szolgáltató Részvénytársaság.
- (c) Including Vivento Customer Services GmbH (VCS) and Vivento Technical Services GmbH (VTS).
- (d) Primarily: DeTeAssekuranz - Deutsche Telekom Assekuranzvermittlungsgesellschaft mbH, Deutsche Telekom Training GmbH, Leipzig University of Applied Sciences, Human Resources Management, Accounting & Controlling.
- (e) The former shared service Billing & Collection has been part of the Business Customers strategic business area since the beginning of 2005.

Group Headquarters & Shared Services performs strategic and cross-divisional management functions for the Group, as well as those operating activities that are not directly related to the core business of the units. The Shared Services unit includes in particular Vivento, Real Estate Services, and DeTeFleetServices GmbH – the full-service provider of fleet management and mobility services. Since January 1, 2005, the former shared service Billing & Collection has been managed within the Business Customers strategic business area under the T-Systems brand name.

Real Estate Services, the shared service responsible for managing and servicing Deutsche Telekom AG's real estate assets primarily in Germany, was expanded at the beginning of 2005 to include PASM Power and Air Condition Solution Management GmbH & Co. KG. The real estate group has been represented outside Germany for the first time since the first quarter of 2005 with the Hungarian-based TELIT Szolgáltató Részvénytársaság. This subsidiary, which was established by Deutsche Telekom Immobilien und Service GmbH in collaboration with a local partner, provides facility management services for Magyar Telekom and also offers these services to other companies in the Hungarian market.

In the third quarter of 2005, Vivento continued successfully placing employees in jobs and creating employment prospects. Through the interplay of four strategic pillars – driving external workforce reduction, filling internal positions with Vivento employees, migrating additional staff to the Vivento business lines, and driving forward internal projects – approximately 4,900 employees left Vivento in the first three quarters of 2005. Vivento's main goal is to reduce the Group's workforce in the long term and to provide employees with new, lasting prospects both inside and outside the Group. Approximately 17,700 employees have found jobs outside Vivento since its formation. In the first nine months of 2005, Vivento took over around 1,900 employees from the Deutsche Telekom Group. This increased the number of transferred staff to some 33,700 since Vivento was established. Approximately 750 of the around 16,000-strong workforce are Vivento's own employees/members of management, over 7,000 work in either of the two Vivento business lines, and around 8,250 are transferees. Approximately 5,300 of these transferees were engaged on a contract or temporary basis. In total, 83 percent of all Vivento employees were in employment or training as of September 30, 2005.

Vivento was particularly successful in placing employees externally over the past few months. This situation and the utilization of all the statutory possibilities for placing employees with civil servant status increased the percentage of civil servants at Vivento. Not including the business lines, civil servants made up around 50 percent of Vivento's workforce in September 2004 and approximately 70 percent at the end of September 2005. Given these high percentages, Vivento intends to focus more heavily on securing employment opportunities for civil servants in the future. Its main project continues to be the successful cooperation with the Federal Employment Agency (Bundesagentur für Arbeit) and municipal governments in connection with the Federal Government's Hartz IV program. In this project, Vivento employees assist the Agency with support and job placements for the long-term unemployed.

Employment at Vivento Customer Services GmbH (VCS) and Vivento Technical Services GmbH (VTS) continued to develop positively up to the third quarter of 2005. VCS with its 18 sites increased its workforce to approximately 2,900 by September 30, 2005. In addition, around 450 employees worked on a contract or temporary basis at VCS as of this date. The number of permanent employees at VTS increased during the reporting period to around 1,700. In addition, this entity also had around 500 contract and temporary staff.

Following the Business Finder competition in 2004, Vivento successfully launched two new employment projects this year: Digital Services from Vivento and Vertixx. The services offered by Digital Services from Vivento include automated invoicing, digitization of incoming mail, and digitization and filing of records and invoices. Vertixx provides all services relating to online sales for companies with used goods, stock, or residual items that have been written off. Now that they have started operations, Digital Services from Vivento and Vertixx offer good employment prospects for transferees.

Group Headquarters & Shared Services:

Development of operations

	Q1 2005 millions of	Q2 2005 millions of	Third quarter of 2005			Change %	First three quarters of 2005			2004 millions of
			Q3 2005 millions of	Q3 2004 millions of	Q1 Q3 2005 millions of		Q1 Q3 2004 millions of	Change %		
Total revenue	853	883	867	887	(2.3)	2,603	2,635	(1.2)	3,526	
EBIT (loss from operations)	(292)	(231)	(342)	(238)	(43.7)	(865)	(880)	1.7	(1,432)	
EBIT margin (%)	(34.2)	(26.2)	(39.4)	(26.8)		(33.2)	(33.4)		(40.6)	
Depreciation, amortization and impairment losses	(209)	(211)	(213)	(237)	10.1	(633)	(637)	0.6	(876)	
EBITDA(a)	(83)	(20)	(129)	(1)	n.a.	(232)	(243)	4.5	(556)	
Special factors affecting EBITDA(a)	(11)	46	(34)	21	n.a.	1	31	(96.8)	(8)	
Adjusted EBITDA(a)	(72)	(66)	(95)	(22)	n.a.	(233)	(274)			