

DEUTSCHE TELEKOM
INTERIM GROUP REPORT
JANUARY 1 TO MARCH 31, 2017



LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

	Q1 2017	Q1 2016	Change %	FY 2016
REVENUE AND EARNINGS				
Net revenue	18,646	17,630	5.8%	73,095
Of which: domestic	32.7	34.5		33.7
Of which: international	67.3	65.5		66.3
Profit from operations (EBIT)	2,771	4,525	(38.8)%	9,164
Net profit (loss)	747	3,125	(76.1)%	2,675
Net profit (loss) (adjusted for special factors)	939	1,047	(10.3)%	4,114
EBITDA	5,963	7,667	(22.2)%	22,544
EBITDA (adjusted for special factors)	5,550	5,163	7.5%	21,420
EBITDA margin (adjusted for special factors)	29.8	29.3		29.3
Earnings per share basic/diluted	0.16	0.68	(76.5)%	0.58
STATEMENT OF FINANCIAL POSITION				
Total assets	148,624	143,605	3.5%	148,485
Shareholders' equity	39,818	38,444	3.6%	38,845
Equity ratio	26.8	26.8		26.2
Net debt	49,963	47,603	5.0%	49,959
CASH FLOWS				
Net cash from operating activities	4,355	3,496	24.6%	15,533
Cash capex	(3,280)	(3,896)	15.8%	(13,640)
Free cash flow (before dividend payments and spectrum investment)	1,228	822	49.4%	4,939
Net cash used in investing activities	(3,491)	(3,738)	6.6%	(13,608)
Net cash from (used in) financing activities	980	828	18.4%	(1,322)

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS

millions

	Mar. 31, 2017	Dec. 31, 2016	Change Mar. 31, 2017/ Dec. 31, 2016 %	Mar. 31, 2016	Change Mar. 31, 2017/ Mar. 31, 2016 %
Mobile customers	165.8	165.0	0.5%	158.4	4.7%
Fixed-network lines	28.3	28.5	(0.7)%	28.8	(1.7)%
Broadband lines ^a	18.6	18.5	0.5%	18.0	3.3%

^a Excluding wholesale.

The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" (2016 Annual Report, page 31 et seq.).

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

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TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

NET REVENUE

- Growth trend continued: Net revenue grew by EUR 1.0 billion to EUR 18.6 billion – increase of 5.8 percent.
- Our United States operating segment remained the Group's growth driver with revenue increasing by 14.9 percent.
- Revenue also increased slightly, by 0.7 percent, in our Europe operating segment, while our Germany operating segment saw revenue remain stable with an increase of 0.2 percent. In our Systems Solutions operating segment, revenue decreased by 8.3 percent.
- On a comparable basis, i.e., excluding exchange rate effects and effects from changes in the composition of the Group, net revenue increased by 3.9 percent.

ADJUSTED EBITDA

- Adjusted EBITDA grew by 7.5 percent to EUR 5.6 billion.
- Due to the ongoing success of T-Mobile US, we generated an increase in adjusted EBITDA of 25.1 percent in the United States operating segment.
- Adjusted EBITDA in our Germany operating segment grew slightly, whereas our Systems Solutions and Europe operating segments recorded a decline.
- At 29.8 percent, the Group's adjusted EBITDA margin increased slightly against the prior-year level of 29.3 percent. The EBITDA margin was 38.4 percent in Germany and 32.0 percent in Europe.

EBIT

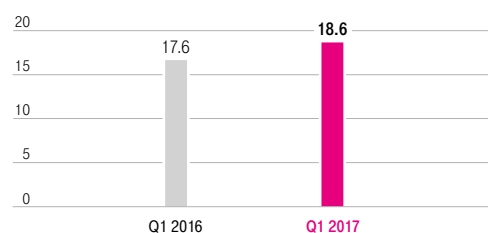
- EBIT decreased from EUR 4.5 billion to EUR 2.8 billion.
- In the reporting period, EBIT included positive net special factors of EUR 0.4 billion, mainly attributable to the sale of Strato (EUR 0.5 billion). The prior-year period had profited from higher positive special factors, primarily from the sale of our stake in the EE joint venture (EUR 2.5 billion) and from transactions for the exchange of spectrum licenses in the United States (EUR 0.4 billion).
- Depreciation, amortization and impairment losses amounted to EUR 3.2 billion, slightly above the figure in the prior-year period, largely due to the ongoing 4G/LTE network build-out at T-Mobile US.

NET PROFIT

- Net profit decreased by EUR 2.4 billion to EUR 0.7 billion as a result of the aforementioned effects.
- Our loss from financial activities increased by EUR 1.8 billion, primarily as a result of negative remeasurement effects from the exercise and subsequent measurement of embedded derivatives in T-Mobile US bonds and the EUR 0.7 billion impairment of our financial stake in BT, which was recognized in profit and loss.
- The tax benefit amounted to EUR 0.1 billion, while in the prior-year period there had been a tax expense of EUR 0.9 billion. Profit attributable to non-controlling interests decreased by EUR 0.2 billion.

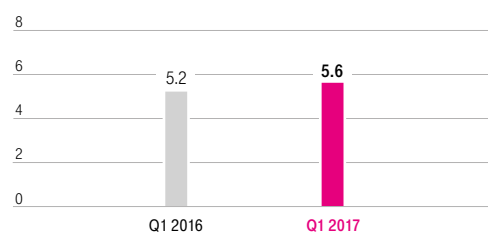
Net revenue

billions of €



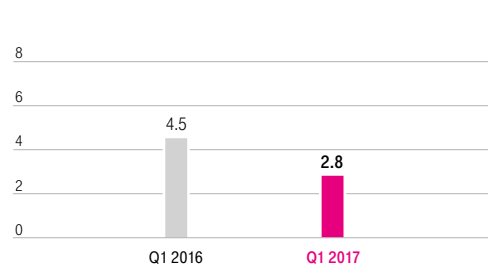
Adjusted EBITDA

billions of €



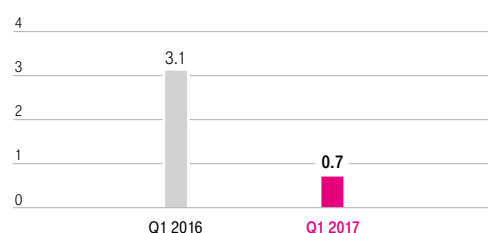
EBIT

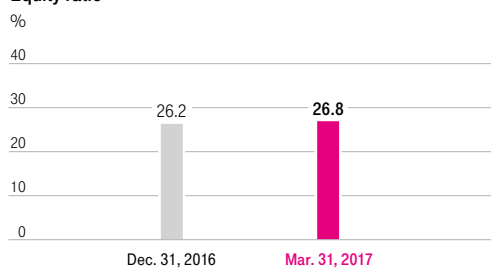
billions of €



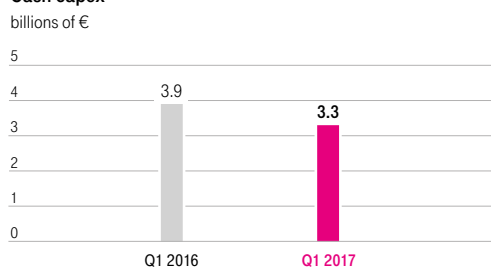
Net profit

billions of €

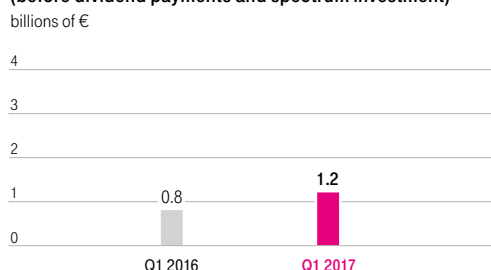


Equity ratio**EQUITY RATIO**

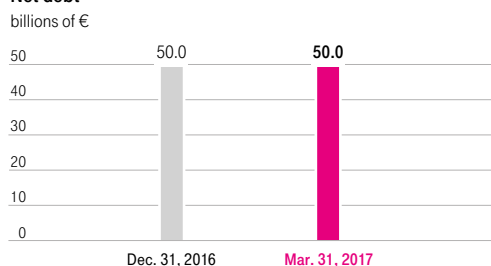
- The equity ratio increased by 0.6 percentage points to 26.8 percent.
- Total assets grew by a marginal EUR 0.1 billion compared with the end of 2016.
- Shareholders' equity increased by EUR 1.0 billion compared with December 31, 2016 to EUR 39.8 billion. Profit after taxes of EUR 0.8 billion had an increasing effect.

Cash capex**CASH CAPEX**

- Cash capex (including spectrum investment) decreased by EUR 0.6 billion to EUR 3.3 billion.
- In the prior-year period, mobile spectrum licenses were acquired for a total of EUR 1.1 billion, primarily in the United States and Europe operating segments.
- Excluding the effects of spectrum acquisitions, cash capex increased by EUR 0.4 billion primarily in the United States and Germany operating segments. In both cases, this was due to investments we have made in the build-out and modernization of our networks.

Free cash flow**(before dividend payments and spectrum investment)****FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)**

- Free cash flow was up by EUR 0.4 billion to EUR 1.2 billion.
- The year-on-year increase of EUR 0.9 billion in net cash from operating activities, which profited mainly from the positive business development of the United States operating segment, had an increasing effect.
- The year-on-year increase of EUR 0.4 billion in cash capex (before spectrum investment) reduced free cash flow.

Net debt**NET DEBT**

- Net debt remained stable compared with the end of 2016.
- The positive effect of free cash flow (EUR 1.2 billion) was partially offset by effects from embedded derivatives at T-Mobile US and the increase in liabilities from finance leases.

HIGHLIGHTS IN THE FIRST QUARTER OF 2017

BOARD OF MANAGEMENT

As of January 1, 2017, the Deutsche Telekom AG Group Board of Management was extended to include the additional Board department Technology and Innovation, headed by Claudia Nemat. Srinivasan (Srini) Gopalan joined the Board of Management as of January 1, 2017 as the member responsible for Europe. The Supervisory Board of Deutsche Telekom AG approved this decision in its meeting on June 30, 2016. The number of Board of Management members has thus been increased from seven to eight.

CORPORATE TRANSACTIONS

We completed the sale of our hosting service provider **Strato** to United Internet for a purchase price of EUR 0.6 billion effective midnight March 31, 2017, following approval from the responsible authorities.

BOND ISSUANCES

At the start of January 2017, we issued U.S. dollar bonds with a total volume of USD 3.5 billion. We also placed euro bonds of EUR 3.5 billion in January 2017 under our debt issuance program. All bonds were issued by Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG.

In March 2017, T-Mobile US placed high-yield notes with a total volume of USD 1.5 billion in a public offering.

The issuances form part of our general corporate financing and did not increase the level of our net debt.

FINANCING RELATIONSHIP WITH T-MOBILE US

In order to optimize the financing terms and conditions for our subsidiary T-Mobile US and thus also those for the Group, on January 25, 2017 we provided T-Mobile US with secured loans totaling USD 4 billion, which were paid out to T-Mobile US on January 31, 2017. T-Mobile US used around USD 2 billion of this to repay a secured loan prematurely to third parties.

In March 2017, T-Mobile US contracted intragroup bonds with Deutsche Telekom AG for a total of USD 3.5 billion. Of this amount, USD 2.5 billion was used for early repayment of bonds held by Deutsche Telekom AG. The intragroup bonds were paid out in the amount of USD 3.0 billion in April; the remainder will be paid out in September.

In the first quarter of 2017, T-Mobile US prematurely canceled USD 8.25 billion in senior notes held by external investors. USD 1.5 billion was repaid by the beginning of March, and the remainder was repaid by the end of April.

INVESTMENTS IN NETWORKS

Project launch of "LTE everywhere." In March 2017, we launched a further step in the network build-out with the large-scale roll-out of LTE 900 in Germany. This frequency range is especially suited to carrying the mobile signal deeper into buildings and homes. At the same time, this frequency will enable us to offer LTE by the end of 2019 everywhere where mobile telephony is already possible today. In addition, we are fitting out every cell site in Germany with RAN (Single Radio Access Network) technology. The conversion of the technology and the use of LTE 900 are additional elements with which we are preparing our network for 5G, the communications standard of the future.

Network build-out for Narrowband IoT in eight countries. In moving towards 5G, we have cleared the way for the Internet of Things with narrowband radio technology (Narrowband IoT). The network is being upgraded to support sensors used for various purposes, for instance, to display vacant parking spaces or to indicate how full the local trash cans are. We will be starting to roll out the network technology required for these narrowband applications in the next few weeks in Germany and the Netherlands. In Greece, Poland, Hungary, Austria, Slovakia and Croatia, we plan to extend the already existing Narrowband IoT network coverage to more cities over the course of the coming year.

Fiber-optic build-out campaign for 100 business parks. We will be launching a special program in Germany to support business parks in the first half of 2017. In an initial step, 100 business parks in Germany will be connected to the fiber-optic network, giving SMEs in these business parks access to high-speed broadband connections. In technological terms, the upgrade will be implemented either using vectoring and FTTC or FTTH.

PARTNERSHIPS

Partnership between BT and T-Systems improves global reach for international customers. At the start of March, BT and T-Systems announced a partnership that will enable T-Systems to access countless BT network services in the future to connect the sites of their customers around the world. Going forward, T-Systems and BT will be able to connect their networks with each other to even better meet the needs of individual customers. T-Systems will thus increase its international reach in the future by more than 60 percent and be able to offer its international customers around the world seamless connectivity of global network services such as MPLS (Multi Protocol Label Switching).

NEW PRODUCTS, RATE PLANS, AND SERVICES

“Feel connected all over Europe” was our motto at the 2017 Mobile World Congress in Barcelona. This year, our trade fair booth focused on the future communications standard 5G. We demonstrated augmented reality and robotic applications to show that 5G is much more than just high-speed Internet. In addition, we provided a glimpse of the connected Europe of the future, showcasing augmented reality and position tracking using a Carrera model racecourse, including smart parking and predictive maintenance solutions for the Internet of Things, and giving a hands-on experience of the secure Europe-wide Pan-Net.

At CeBIT, we set the tone with “Digitization. Simply. Make it happen.” At our trade fair booth, we demonstrated specific success stories and solutions for new digital business models and secure networks centering around the key trends, i.e., the Internet of Things (IoT), drones, 5G, cloud services, virtual reality, smart city, and everything from the new world of artificial intelligence. In addition, we unveiled new IoT starter kits for companies and demonstrated the opportunities of Narrowband IoT, the new network for IoT mass applications, which will go live in Germany in the second quarter of 2017.

IoT solution – Maintenance 2.0. We are bringing to market new IoT bundles for easy entry to the Internet of Things. The new bundles offer predictive

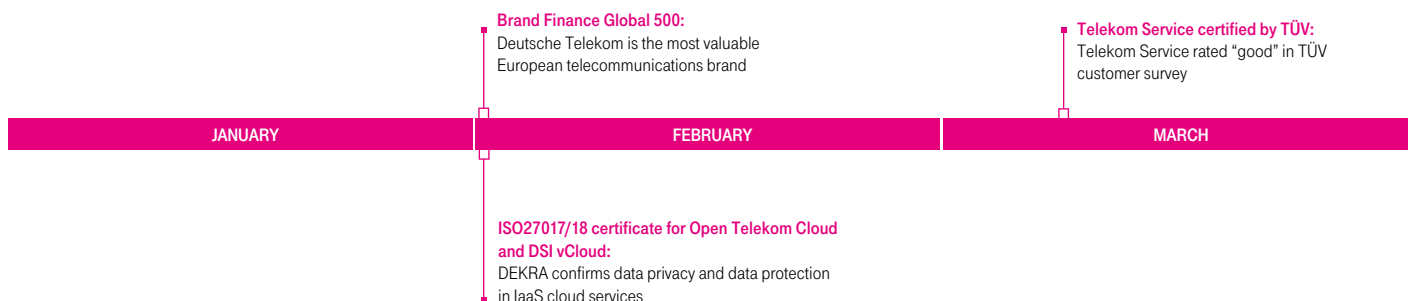
maintenance with 360° service. They let companies put their own predictive maintenance packages together for their specific needs. In addition to the hardware, these end-to-end solutions also include connectivity over the mobile network. Data is stored, processed, analyzed and graphically edited in a highly-secure German data center. The individual IoT bundles support automated maintenance processes, from analysis of damage and wear and tear to initiating a visit by a service technician.

In January 2017, T-Mobile US introduced **Un-carrier Next**, where monthly wireless service fees and sales taxes are included in the advertised monthly recurring charge for T-Mobile ONE. T-Mobile US also unveiled Kickback on T-Mobile ONE, where participating customers who use 2 GB or less of data in a month, will get up to a USD 10 credit on their next month’s bill per qualifying line. In addition, the Un-contract for T-Mobile ONE with the first-ever price guarantee on an unlimited 4G LTE plan was introduced which allows current T-Mobile ONE customers to keep their price for service until they decide to change it.

AWARDS

The illustration below shows the main awards received in the first quarter of 2017. For details on more awards, please go to www.telekom.com/media.

Major awards in the first quarter of 2017



INTERIM GROUP MANAGEMENT REPORT

GROUP STRUCTURE, STRATEGY, AND MANAGEMENT

With regard to our **Group structure, strategy, and management**, please refer to the notes in the 2016 combined management report (2016 Annual Report, page 26 et seq.). The following changes were recorded as of the start of the year from the Group's point of view:

We have created the new Board of Management department **Technology and Innovation**, in which we have pooled our Group's overarching network, innovation, and IT tasks. This resulted in the following organizational changes: The Innovations, Telekom IT, and Technology units of our Germany, Europe, and Systems Solutions operating segments have been transferred into a separate Board department within the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively.

Since January 1, 2017, we have reported on the new **Group Development** operating segment. Group Development actively manages and increases the value of selected subsidiaries and equity investments of the Group. The following units and subsidiaries have been included: T-Mobile Netherlands (previously in the Europe operating segment), Deutsche Funkturm (DFMG, previously in the Germany operating segment), as well as Deutsche Telekom Capital Partners (DTCP) and the stakes in BT plc, Scout24 AG, Ströer SE & Co. KGaA, and Strato AG, which was sold as of March 31, 2017, (previously in the Group Headquarters & Group Services segment). The Group functions of Mergers & Acquisitions and Strategic Portfolio Management have also been assigned to Group Development. Comparative figures have been adjusted retrospectively.

For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41.

THE ECONOMIC ENVIRONMENT

This section provides additional information on and explains recent changes to the economic situation as described in the combined management report for the 2016 financial year, focusing on macroeconomic developments in the first three months of 2017, the outlook, the currently prevailing economic risks, the telecommunications market, and the regulatory environment. The overall economic outlook is subject to the precondition that there are no major unexpected occurrences in the forecast period.

MACROECONOMIC DEVELOPMENT

The global economy continued its recovery in the first quarter of 2017. In its April 2017 forecast, the International Monetary Fund (IMF) estimates that in 2017 gross domestic product (GDP) will increase by 4.5 percent in the emerging and developing countries and by 2.0 percent in the industrialized countries. Economic growth rates in our business areas remained largely positive in the first quarter of 2017. The economies continued to profit from rising domestic consumption and stable exports. The Greek economy is still undergoing major changes, with the development of GDP remaining very volatile.

OUTLOOK

As market conditions currently stand, we expect economic development in our core markets to remain stable.

OVERALL ECONOMIC RISKS

It is clear from the economic and political developments of the last few months that uncertainties have grown for the development of the global economy and for our footprint countries. Forecasts of future economic development have become uncertain and currently vary very widely. Upcoming elections in Europe and/or nationalist trends could cause further countries to try and exit the European Union. Increasing levels of protectionist measures that could have long-term detrimental effects on global trade cannot be ruled out. Furthermore, political crises nationally or regionally could also have a negative impact on the economies of the countries in which we operate.

REGULATION

Federal Network Agency consultation on the FTTH/B roll-out. On March 14, 2017, the Federal Network Agency began a public consultation process on proposals for how regulatory support could be provided to accelerate the roll-out of fiber-optic networks (FTTH/B). The purpose of the consultation is to involve the market players in the discussion about the regulatory approach to the fiber-optic networks to be rolled out at an early stage. All market players have been asked to respond to the consultation paper by April 26, 2017. Once the requested feedback has been collected, the next step will be to develop a target-oriented procedure.

Further vectoring roll-out agreed. The Federal Network Agency is currently reviewing the specific conditions required for nearshore vectoring by way of a reference offer procedure. This review is expected to be concluded by mid-2017. A parallel rate approval process has also been underway at the Federal Network Agency since the end of March 2017 to set the rates for a nearshore ULL substitute product. This process is also expected to be concluded by mid-2017. For more information, please refer to the notes in the 2016 combined management report (2016 Annual Report, page 35 et seq.).

Regulation of termination rates. The EU Commission has expressed doubts about the draft decision of the Federal Network Agency, such that a final rate ruling is not expected until mid-2017. For more information, please refer to the notes in the 2016 combined management report (2016 Annual Report, page 35 et seq.).

AWARDING OF FREQUENCIES

The following table provides an overview of the main spectrum awards and auctions as well as license extensions at our international subsidiaries. It also indicates spectrum to be awarded in the near future in various countries.

Main spectrum awards

	Start of award procedure	End of award procedure	Frequency ranges (MHz)	Award process	Acquired spectrum (MHz)	Spectrum investment
Albania	Q3 2017	Q4 2017	800	Sealed bid ^a or auction	tbd	tbd
Greece	Q3 2017	Q4 2017	1,800/2,100	Details tbd	tbd	tbd
Macedonia	Q2 2017	Q3 2017	900/1,800	Sealed bid ^a or auction	tbd	tbd
Austria	Q3 2017	Q4 2017	3,500/3,700	Auction (CCA ^b) (expected)	tbd	tbd
Poland	Q2 2017	Q3 2017	3,700	Sealed bid	tbd	tbd
Slovakia	Q2 2017	Q3 2017	1,800/3,700	Auction (SMRA ^c)	tbd	tbd
Czech Republic	Q2 2017	Q3 2017	3,700	Auction (SMRA ^c)	tbd	tbd
Czech Republic	Q3 2017	Q4 2017	900/1,800	Extension of licenses (expected)	tbd	tbd
United States	Q3 2016	Q2 2017 ^e	600	Incentive auction ^d	Regional licenses; mostly 2x20 MHz ^e	USD 7.99 billion ^e

^a Submission of an individual bid in a sealed envelope, in some cases sequential, in several awards.

^b Combinatorial Clock Auction, three-stage, multi-round auction for spectrum from all frequency ranges.

^c Simultaneous electronic multi-round auction with ascending, parallel bids for all ranges.

^d Quantity and prices of spectrum to be traded depends on spectrum surrendered by radio broadcasters.

^e Results announced on April 13, 2017. For more information, please refer to the "Events after the reporting period" in the interim consolidated financial statements, page 48.

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first three months of the 2017 financial year, we generated net revenue of EUR 18.6 billion, a substantial increase of EUR 1.0 billion or 5.8 percent compared with the same period in the prior year. The business development of our United States operating segment contributed substantially to this positive trend: T-Mobile US' successful Un-carrier initiatives gave a strong boost to the number of new customers and thus also to service revenues. Terminal equipment revenue also grew. On the one hand, this was due to an increase in the number of devices sold. On the other hand, it was attributable to higher average revenue per handset sold as a result of the focus on offering terminal equipment under an installment plan. In our German home market, revenue was stable. This development was mainly positively influenced by non-contract terminal equipment revenue in the mobile business. The revenue trend in the fixed-network business had a reducing effect. In our Europe operating segment, revenue was up slightly by 0.7 percent compared with the first quarter of 2016. Revenue development in our strategic growth areas and an increase in terminal equipment revenue had a positive effect. By contrast, lower roaming charges in most of the countries in which the national compa-

nies of our operating segment operate and ongoing intense competition in the telecommunications footprint markets put further pressure on revenue. In the Systems Solutions operating segment, revenue decreased by 8.3 percent against the prior-year period. This decline was primarily attributable to the completion in the first quarter of 2016 of the set-up phase for the toll collection system in Belgium. In general, the downward price trend in ICT business had a negative effect on net revenue. Revenue in our Group Development operating segment grew by 3.5 percent in the first quarter of 2017 compared with the prior-year quarter, a trend resulting from the positive revenue development at T-Mobile Netherlands.

Excluding the positive exchange rate effects of EUR 0.3 billion in total – in particular from the translation of U.S. dollars into euros – revenue increased by EUR 0.7 billion or 3.9 percent. For details on the revenue trends in our Germany, United States, Europe, Systems Solutions, and Group Development operating segments as well as in the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments," page 15 et seq.

Contribution of the segments to net revenue

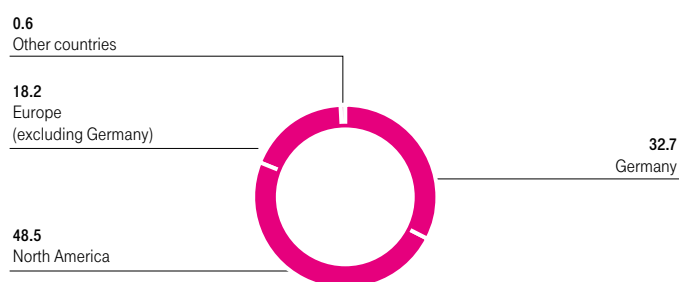
millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
NET REVENUE	18,646	17,630	1,016	5.8%	73,095
Germany ^a	5,397	5,385	12	0.2%	21,774
United States	8,982	7,816	1,166	14.9%	33,738
Europe ^a	2,781	2,763	18	0.7%	11,454
Systems Solutions ^a	1,704	1,859	(155)	(8.3)%	6,993
Group Development ^a	595	575	20	3.5%	2,347
Group Headquarters & Group Services ^a	737	781	(44)	(5.6)%	3,467
Intersegment revenue	(1,549)	(1,549)	0	0.0%	(6,678)

^a Since January 1, 2017, we have reported on the Group Development operating segment and within the Group Headquarters & Group Services segment on the Board of Management department Technology and Innovation. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41.

Breakdown of revenue by regions

%



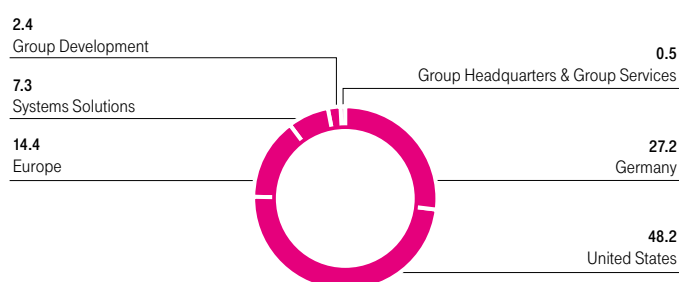
At 48.2 percent, our United States operating segment again provided the largest contribution to net revenue of the Group. This was an increase of 3.9 percentage points compared with the prior-year period, due in particular to ongoing strong customer additions. The proportion of net revenue generated internationally increased year-on-year, from 65.5 percent to 67.3 percent.

EBITDA, ADJUSTED EBITDA

Excluding special factors, adjusted EBITDA increased year-on-year by EUR 0.4 billion or 7.5 percent to EUR 5.6 billion in the first quarter of 2017. This development was primarily driven by our United States operating segment, which recorded an increase in its adjusted EBITDA contribution of EUR 0.5 billion, mainly as a result of the continued success of the Un-carrier initiatives. In the first quarter of 2017, EBITDA adjusted for special factors in our Germany operating segment increased slightly, driven mainly by efficiency enhancement in all functions while the revenue trend remained stable. Adjusted EBITDA in our Europe operating segment decreased due to factors including higher direct costs resulting from a rise in interconnection costs and increased market investment expenditure. Adjusted EBITDA in our Systems Solutions operating segment was also down. In the previous year, this segment had benefited from a positive one-time effect. The positive revenue development at T-Mobile Netherlands increased the adjusted EBITDA of our Group Development operating segment. Excluding the positive exchange rate effects totaling EUR 0.1 billion – in particular from the translation of U.S. dollars into euros – adjusted EBITDA increased by EUR 0.3 billion or 6.1 percent.

Contribution of the segments to net revenue ^a

%



^a For more information on net revenue, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41.

Our EBITDA decreased year-on-year by EUR 1.7 billion to EUR 6.0 billion. The decline was mainly due to the positive special factor included in the prior-period figure, i.e., the income from the sale in early 2016 of our stake in the EE joint venture amounting to EUR 2.5 billion. In addition, income of EUR 0.4 billion was generated from an exchange of spectrum licenses between T-Mobile US and a competitor in March 2016. Positive net special factors amounted to EUR 0.4 billion in the first quarter of 2017. These primarily related to income from divestitures of EUR 0.5 billion in connection with

the sale of Strato completed effective midnight March 31, 2017. Expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses amounted to EUR 0.1 billion, EUR 0.2 billion lower than the expenses reported in the prior-year period. For detailed information on the development of EBITDA/adjusted EBITDA in our segments, please refer to the section "Development of business in the operating segments," page 15 et seq.

Contribution of the segments to adjusted Group EBITDA

millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	5,550	5,163	387	7.5%	21,420
Germany ^a	2,070	2,052	18	0.9%	8,237
United States	2,386	1,908	478	25.1%	8,561
Europe ^a	889	931	(42)	(4.5)%	3,866
Systems Solutions ^a	96	196	(100)	(51.0)%	530
Group Development ^a	238	223	15	6.7%	943
Group Headquarters & Group Services ^a	(128)	(147)	19	12.9%	(670)
Reconciliation	(1)	-	(1)	n. a.	(47)

^a Since January 1, 2017, we have reported on the Group Development operating segment and within the Group Headquarters & Group Services segment on the Board of Management department Technology and Innovation. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41.

EBIT

Group EBIT stood at EUR 2.8 billion, down EUR 1.8 billion against the prior-year period. This change is mainly due to the effects described under EBITDA. Depreciation, amortization and impairment losses were slightly higher than in the prior-year period and related primarily to the continued build-out of the 4G/LTE network in our United States operating segment. Depreciation in connection with the terminal equipment leased as part of the JUMP! On Demand program was lower.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased substantially year-on-year by EUR 3.6 billion to EUR 0.7 billion. In addition to the aforementioned effects, the loss from financial activities increased by EUR 1.8 billion. This development was attributable in particular to negative remeasurement effects from the exercise and subsequent measurement of embedded derivatives in T-Mobile US bonds – mainly relating to the early repayment of external financial liabilities – and the EUR 0.7 billion impairment of our financial stake in BT, which was recognized in profit and loss as of March 31, 2017. In the prior-year period, other financial income/expense included a final dividend totaling EUR 0.2 billion in connection with the sale of our stake in the EE joint venture.

NET PROFIT

Net profit decreased year-on-year by EUR 2.4 billion to EUR 0.7 billion. In the first quarter of 2017, we reported a tax benefit of EUR 0.1 billion after a tax expense amounting to EUR 0.9 billion the prior-year period. For further information, please refer to the interim consolidated financial statements, page 39. Profit attributable to non-controlling interests declined compared with the prior-year period by EUR 0.2 billion. In our United States operating segment, the decrease in profit attributable to non-controlling interests was driven in particular by the aforementioned remeasurement effect in profit/loss from financial activities.

Number of employees (at the reporting date)

	Mar. 31, 2017	Dec. 31, 2016
Germany ^a	64,973	65,452
United States	42,925	44,820
Europe ^a	47,378	46,808
Systems Solutions ^a	37,839	37,472
Group Development ^a	2,549	2,572
Group Headquarters & Group Services ^a	20,884	21,216
NUMBER OF EMPLOYEES IN THE GROUP	216,548	218,341
Of which: civil servants (in Germany, with an active service relationship)	15,871	15,999

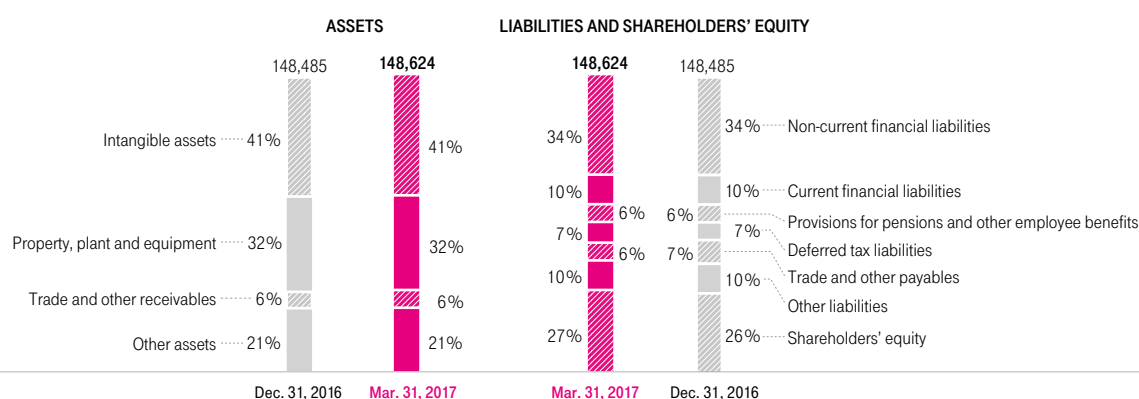
^a Since January 1, 2017, we have reported on the Group Development operating segment and within the Group Headquarters & Group Services segment on the Board of Management department Technology and Innovation. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41.

The Group's headcount decreased by 0.8 percent compared with the end of 2016. Measures to enhance efficiency, a slowdown in recruitment in the operating units, and the use of socially responsible instruments reduced the headcount in the Germany operating segment by 0.7 percent in the first quarter. The total number of employees in our United States operating segment decreased by 4.2 percent at March 31, 2017 compared to December 31, 2016, due to a decrease in customer acquisition and customer support employees. In our Europe operating segment, the number of employees increased by 1.2 percent, with the largest increases in Slovakia and Greece. Headcount in our Systems Solutions operating segment rose by 1.0 percent, largely due to the integration of Telekom Security staff. The number of employees in the Group Development segment decreased by 0.9 percent. This decrease was mainly driven by a successful and ongoing cost-cutting program at T-Mobile Netherlands. The number of employees in the Group Headquarters & Group Services segment was down 1.6 percent compared with the end of 2016, mainly due to the Group-wide bundling of the Telekom Security unit under our Systems Solutions operating segment. In the wake of the reorganization, this decrease was offset by the headcount increase in our Board of Management department Technology and Innovation.

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position

millions of €



Total assets amounted to EUR 148.6 billion, up only slightly against December 31, 2016.

The total carrying amounts of **intangible assets** and **property, plant and equipment** were slightly lower than in the prior year. Additions in the first quarter of 2017 were mainly for investments in network modernization in the United States operating segment, and in broadband/fiber-optic build-out in the Germany operating segment, while depreciation and amortization were slightly higher than in the prior-year period. In the **other assets** item, the main decrease relative to December 31, 2016 was in other financial assets. The main factor in this decline was the impairment of EUR 0.7 billion of our stock exchange-traded financial stake in BT recognized in profit and loss as of March 31, 2017. The exercise in the first quarter of 2017 of our right of premature cancellation of bonds issued by T-Mobile US also reduced the carrying amount of assets. The purchase price receivable from completion of the sale of Strato effective midnight March 31, 2017 increased other financial assets. The rise in cash and cash equivalents increased other assets.

There was an overall increase of EUR 0.6 billion in current and non-current **financial liabilities** compared with the end of 2016. This was mainly attributable to the following transactions: At the start of January 2017, we issued U.S. dollar bonds with a total volume of USD 3.5 billion. We also placed euro bonds of EUR 3.5 billion in January 2017 under our debt issuance program.

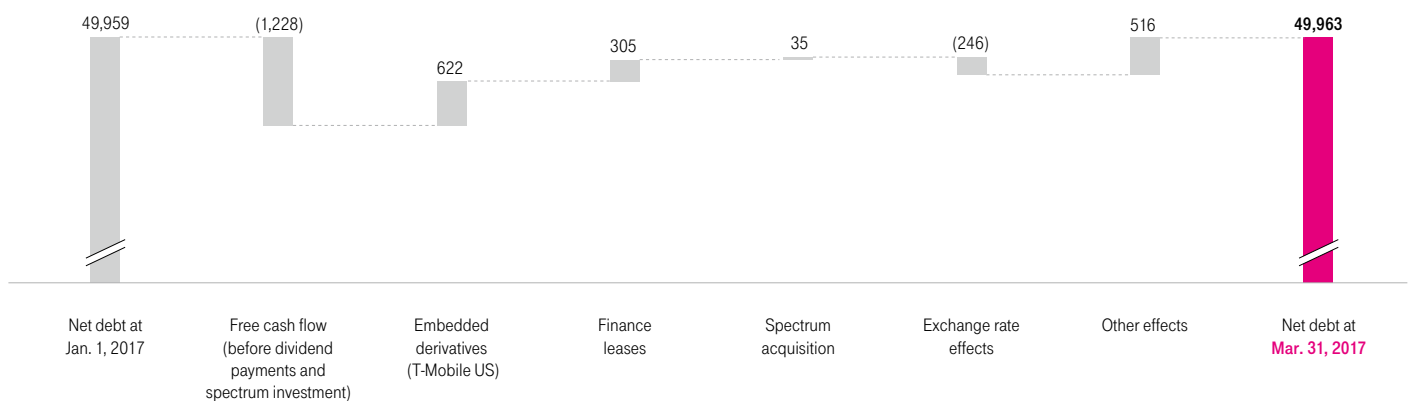
Both bonds were issued by Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG. In March 2017, T-Mobile US placed high-yield notes with a total volume of USD 1.5 billion in a public offering. In the first quarter of 2017, T-Mobile US prematurely canceled senior notes with a total volume of USD 8.25 billion; USD 1.5 billion was repaid by the beginning of March 2017, and the remainder by the end of April 2017. Further, T-Mobile US prematurely repaid a secured loan in the amount of USD 2 billion in February 2017. **Provisions for pensions and other employee benefits** decreased by EUR 0.2 billion, mainly due to interest rate adjustments that resulted in an actuarial gain of EUR 0.1 billion recognized under other comprehensive income. **Trade and other payables** decreased by EUR 1.5 billion, the main factor being the reduction in liabilities in our United States, Europe, and Germany operating segments.

Shareholders' equity increased by EUR 1.0 billion compared with December 31, 2016. The key factors in this increase were the profit of EUR 0.8 billion, the gain of EUR 0.1 billion from the measurement of hedging instruments that was recognized directly in equity, and the gain of EUR 0.1 billion from the remeasurement of defined benefit plans. Currency translation effects of EUR 0.1 billion had a decreasing effect.

For further information on the statement of financial position, please refer to the interim consolidated financial statements, page 36 et seq.

Changes in net debt

millions of €



Other effects of EUR 0.5 billion include, among other factors, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process, and liabilities for the acquisition of broadcasting rights. For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information," page 51 et seq.

Free cash flow (before dividend payments and spectrum investment)

millions of €

	Q1 2017	Q1 2016	Change	Change %	FY 2016
CASH GENERATED FROM OPERATIONS	5,280	4,497	783	17.4%	18,116
Interest received (paid)	(926)	(1,001)	75	7.5%	(2,583)
NET CASH FROM OPERATING ACTIVITIES	4,355	3,496	859	24.6%	15,533
Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(3,245)	(2,831)	(414)	(14.6)%	(10,958)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	118	157	(39)	(24.8)%	364
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	1,228	822	406	49.4%	4,939

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment increased by EUR 0.4 billion against the prior-year period to EUR 1.2 billion. Net cash from operating activities increased by EUR 0.9 billion. Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment also increased by EUR 0.4 billion.

The increase in net cash from operating activities was mainly attributable to the positive business development of the United States operating segment. The positive effects of factoring agreements on net cash from operating activities were EUR 0.3 billion lower than in the prior-year period. This mainly relates to factoring agreements in the Germany and Systems Solutions operating segments. The dividend payment received from BT amounted to EUR 0.1 billion, while in the prior-year period, the EE joint venture remitted a dividend payment totaling EUR 0.2 billion. Both a year-on-year decrease of EUR 0.1 billion in cash outflows for income taxes and a reduction of EUR 0.1 billion in net interest payments had a positive impact.

The EUR 0.4 billion increase in cash capex compared with the prior-year -period primarily related to the United States and Germany operating segments. In each case, the cash outflows were for investments in network build-out and network modernization.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, pages 39 and 40.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

For information on changes in the organizational structure, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41. Comparative figures have been adjusted retrospectively.

CUSTOMER DEVELOPMENT

thousands

	Mar. 31, 2017	Dec. 31, 2016	Change Mar. 31, 2017/ Dec. 31, 2016 %	Mar. 31, 2016	Change Mar. 31, 2017/ Mar. 31, 2016 %
TOTAL					
Mobile customers ^a	42,114	41,849	0.6%	40,643	3.6%
Contract customers	25,270	25,219	0.2%	23,940	5.6%
Prepay customers	16,844	16,630	1.3%	16,703	0.8%
Fixed-network lines	19,648	19,786	(0.7)%	20,093	(2.2)%
Of which: retail IP-based	9,801	9,042	8.4%	7,470	31.2%
Broadband lines	12,989	12,922	0.5%	12,706	2.2%
Of which: optical fiber	4,693	4,250	10.4%	3,286	42.8%
Television (IPTV, satellite)	2,955	2,879	2.6%	2,736	8.0%
Unbundled local loop lines (ULLs)	6,952	7,195	(3.4)%	7,867	(11.6)%
Wholesale unbundled lines	4,554	4,212	8.1%	3,319	37.2%
Of which: optical fiber	2,887	2,555	13.0%	1,741	65.8%
Wholesale bundled lines	148	165	(10.3)%	206	(28.2)%
OF WHICH: CONSUMERS					
Mobile customers	28,937	29,225	(1.0)%	28,856	0.3%
Contract customers	18,474	18,476	0.0%	17,453	5.8%
Prepay customers	10,463	10,749	(2.7)%	11,403	(8.2)%
Fixed-network lines	15,466	15,550	(0.5)%	15,790	(2.1)%
Of which: retail IP-based	8,320	7,722	7.7%	6,521	27.6%
Broadband lines	10,497	10,438	0.6%	10,257	2.3%
Of which: optical fiber	4,023	3,657	10.0%	2,841	41.6%
Television (IPTV, satellite)	2,756	2,686	2.6%	2,546	8.2%
OF WHICH: BUSINESS CUSTOMERS					
Mobile customers ^a	13,177	12,624	4.4%	11,787	11.8%
Contract customers	6,796	6,744	0.8%	6,487	4.8%
Prepay customers (M2M)	6,381	5,880	8.5%	5,300	20.4%
Fixed-network lines	3,210	3,255	(1.4)%	3,311	(3.1)%
Of which: retail IP-based	1,381	1,234	11.9%	897	54.0%
Broadband lines	2,105	2,101	0.2%	2,093	0.6%
Of which: optical fiber	648	575	12.7%	435	49.0%
Television (IPTV, satellite)	199	192	3.6%	189	5.3%

^a As of January 1, 2017, reporting of contract customers in business customer operations excludes test cards (minus 41 thousand). In addition, there was a one-time effect in business customer operations from a change in the way prepay customers were reported (plus 180 thousand). Prior-year figures have not been adjusted.

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. So far, we have won 3.2 million customers for our integrated product, MagentaEins, comprising fixed-network and mobile components.

In mobile communications, we won another 126 thousand customers overall in the first quarter of 2017. The vast majority of this growth was in prepay. Thanks to strong demand for mobile rate plans with integrated data volumes, contract customer business also increased slightly.

By the end of the first quarter of 2017, we had already migrated 14.0 million retail and wholesale lines to IP, which corresponds to a migration rate of 57 percent.

We continue to see strong demand for our fiber-optic products. As of the end of the first quarter of 2017, the number of lines had increased to 7.6 million overall. In other words, we connected 775 thousand households to our fiber-optic network in Germany over the last three months. With the progress in fiber-optic roll-out and innovative vectoring technology, we also successfully drove forward the marketing of higher bandwidths. With our contingent model, we create incentives for the migration from traditional wholesale products – such as bundled wholesale lines or unbundled local loop lines (ULLs) – to higher-quality fiber-optic wholesale lines.

Mobile communications

Since the end of 2016, we have won a total of 92 thousand new contract customers. In our branded contract customer business, we recorded 148 thousand customer additions under the “Telekom” and “congstar” brands. At Telekom Deutschland Multibrand GmbH and the contract customer reseller business, we recorded an overall decrease of 57 thousand customers. The number of prepay customers increased by 34 thousand.

Fixed network

Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing focusing on integrated offers and on TV and fiber-optic lines. As a result, the number of broadband lines increased by 67 thousand in the first quarter of 2017 compared with the end of 2016 and the number of TV customers by 76 thousand. In the traditional fixed network, the number of lines decreased by 138 thousand.

Our MagentaZuhause rate plans offer a comprehensive product portfolio for the fixed network based on IP technology and rate plan-specific bandwidths. MagentaZuhause Hybrid bundles fixed-network and mobile technology in a single router. To date, 320 thousand customers – primarily in rural areas – have selected this innovative rate plan.

We have also connected a total of 183 thousand apartments to our network through our partnerships in the housing sector.

Consumers

The number of mobile customers at the end of the first quarter of 2017 totaled 28.9 million; a decrease of 1.0 percent compared with the end of 2016. This decline was driven by the 2.7-percent decrease in the number of prepay customers, since a number of customers switched to our mobile contracts, such as the cost-effective congstar rate plans. Accordingly, we recorded customer growth of 4.4 percent under the congstar brand, while the trend for branded contract customers remained stable.

In the fixed-network market, competition remains intense. We migrated 0.6 million fixed-network customers to IP-based lines and won another 70 thousand TV customers in the first quarter of 2017. Of the 10.5 million broadband lines, 4.0 million customers use fiber-optic lines, an increase of 10 percent in the first quarter alone.

Business customers

The positive trend in business customer operations continued: Since the beginning of 2017, we have recorded 414 thousand mobile customer additions; 321 thousand of these in the M2M segment due to increased use of SIM cards, in particular in the automotive and logistics industries. In mobile Internet, customers are increasingly opting for plans with more bandwidth, in conjunction with higher-quality terminal equipment. As a result, we recorded an increase of 93 thousand high-value contract customers. The number of customers with fixed-network lines declined by 1.4 percent compared with the end of 2016. The number of broadband lines remained stable at 2.1 million, with the number of fiber-optic lines increasing by 12.7 percent compared with the end of 2016.

There was also a positive trend in demand for cloud products, where we recorded year-on-year revenue growth of 12.5 percent. This growth was primarily attributable to IT-based cloud solutions, while the trend for our DeutschlandLAN product range remained stable.

Wholesale

At the end of the first quarter of 2017, fiber-optic lines accounted for 24.8 percent of all lines – 2.7 percentage points higher than at year-end. The strong growth in our wholesale unbundled lines by 342 thousand or 8.1 percent compared with the end of 2016 was primarily attributable to the strong demand for our contingent model. By contrast, the number of bundled wholesale lines decreased slightly by 17 thousand. This trend is likely to continue for the next few years due to the fact that our competitors are switching from bundled to unbundled wholesale products with more bandwidth, or to their own infrastructure. The number of unbundled local loop lines decreased by 243 thousand or 3.4 percent compared with the end of the prior year. This is due first to the move to higher-quality fiber-optic wholesale lines, and second to retail customers switching to cable operators. In addition, wholesale customers are migrating their retail customers to their own fiber-optic lines. The total number of wholesale lines rose to 11.7 million by the end of March 2017.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
TOTAL REVENUE	5,397	5,385	12	0.2%	21,774
Consumers	2,918	2,922	(4)	(0.1)%	11,739
Business Customers	1,465	1,447	18	1.2%	5,923
Wholesale	926	930	(4)	(0.4)%	3,742
Other	88	86	2	2.3%	370
Profit from operations (EBIT)	1,086	973	113	11.6%	3,624
EBIT margin %	20.1	18.1			16.6
Depreciation, amortization and impairment losses	(935)	(921)	(14)	(1.5)%	(3,703)
EBITDA	2,021	1,894	127	6.7%	7,327
Special factors affecting EBITDA	(49)	(158)	109	69.0%	(910)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	2,070	2,052	18	0.9%	8,237
EBITDA margin (adjusted for special factors) %	38.4	38.1			37.8
CASH CAPEX	(1,005)	(873)	(132)	(15.1)%	(4,031)

Total revenue

Total revenue remained stable compared with the prior-year quarter. This development was driven mainly by non-contract terminal equipment revenue in mobile business, which grew by 15.4 percent. Increased IT and broadband revenues had a positive impact on fixed-network revenue. This was not quite sufficient to completely offset the 0.8-percent decline in fixed-network revenue compared with the same quarter in the prior year.

Revenue from **Consumers** remained stable compared with the prior-year quarter. Volume-related revenue decreases continued to drive the traditional fixed-network business. By contrast, revenue from broadband business increased by 1.7 percent. In mobile communications, revenue increased by 0.6 percent, primarily due to successful terminal equipment sales. Mobile service revenues decreased by 2.6 percent compared with the prior-year level. The increase in service revenues under the congstar brand did not completely offset the decline in revenues from prepaid business and from branded contract customers, due primarily to regulatory effects.

Revenue from **Business Customers** increased by 1.2 percent, with mobile revenues increasing by 3.7 percent and service revenues by 2.7 percent compared with the same quarter in the prior year. In the fixed network, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans. By contrast, IT revenues increased by 14.0 percent.

Wholesale revenue remained stable in the first quarter of 2017, or, excluding regulatory price effects (from December 1, 2016), recorded a positive trend year-on-year, primarily due to higher revenue from unbundled lines, mainly as a result of the contingent model.

EBITDA, adjusted EBITDA

EBITDA amounted to EUR 2.0 billion in the first quarter of the reporting year, an increase of 6.7 percent against the prior-year quarter, due mainly to lower special factors for expenses in connection with our staff restructuring. At EUR 2.1 billion, EBITDA adjusted for special factors increased slightly by 0.9 percent year-on-year in the first quarter of 2017, driven mainly by efficiency enhancement measures in all functions while the revenue trend remained stable. Our adjusted EBITDA margin increased to 38.4 percent (prior-year quarter: 38.1 percent).

EBIT

Profit from operations increased by 11.6 percent year-on-year to EUR 1.1 billion. The slight increase in depreciation, amortization and impairment losses was offset by the higher level of EBITDA.

Cash capex

Cash capex increased by 15.1 percent compared with the prior-year quarter. We again made significant investments in the broadband and fiber-optic roll-out, our IP transformation, and our mobile infrastructure as part of our integrated network strategy.

UNITED STATES

CUSTOMER DEVELOPMENT

thousands

	Mar. 31, 2017	Dec. 31, 2016	Change Mar. 31, 2017/ Dec. 31, 2016 %	Mar. 31, 2016	Change Mar. 31, 2017/ Mar. 31, 2016 %
UNITED STATES					
Mobile customers	72,597	71,455	1.6%	65,503	10.8%
Branded customers ^a	55,540	54,240	2.4%	51,174	8.5%
Branded postpaid ^a	35,341	34,427	2.7%	32,736	8.0%
Branded prepay ^a	20,199	19,813	1.9%	18,438	9.6%
Wholesale customers ^a	17,057	17,215	(0.9)%	14,329	19.0%

^a On September 1, 2016 T-Mobile US sold its marketing and distribution rights to certain of T-Mobile US' existing co-branded customers to a current wholesale partner for nominal consideration (the MVNO Transaction). Upon the sale, the transaction resulted in a transfer of 1,365 thousand branded postpaid customers and 326 thousand branded prepay customers to wholesale customers. Prospectively from September 1, 2016, net customer additions for these customers are included within wholesale customers.

At March 31, 2017, the United States operating segment (T-Mobile US) had 72.6 million customers compared to 71.5 million customers at December 31, 2016. Net customer additions were 1.1 million for the three months ended March 31, 2017, compared to 2.2 million net customer additions for the three months ended March 31, 2016 due to the factors described below.

Branded customers. Branded postpaid net customer additions were 914 thousand for the three months ended March 31, 2017, compared to 1,041 thousand branded postpaid net customer additions for the three months ended March 31, 2016. Branded postpaid net customer additions for the three months ended March 31, 2017 were lower compared to the three months ended March 31, 2016, primarily due to increased competitive activity, the absence of iconic device launches, and a delayed tax refund season partially offset by a lower branded postpaid churn rate.

Branded prepay net customer additions were 386 thousand for the three months ended March 31, 2017, compared to 807 thousand branded prepay net customer additions for the three months ended March 31, 2016. The decrease was due primarily to the optimization of T-Mobile US' third-party distribution channels including de-emphasis of T-Mobile US' legacy prepay products, a delayed tax refund season, higher MetroPCS deactivations resulting from churn on a growing customer base and increased competitive activity. The decrease was partially offset by higher MetroPCS gross customer additions.

Wholesale customers. Wholesale net customer losses were 158 thousand for the three months ended March 31, 2017, compared to wholesale net customer additions of 373 thousand for the three months ended March 31, 2016. The decrease was due primarily to higher MVNO deactivations as a result of T-Mobile US' MVNO partners deemphasizing Lifeline in favor of higher average revenue per user customer categories. Although wholesale customers are expected to be negative as a result of the de-emphasis of Lifeline, T-Mobile US expects growth in total wholesale revenue and margin.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
TOTAL REVENUE	8,982	7,816	1,166	14.9%	33,738
Profit from operations (EBIT)	1,003	956	47	4.9%	3,685
EBIT margin	% 11.2	12.2			10.9
Depreciation, amortization and impairment losses	(1,387)	(1,312)	(75)	(5.7)%	(5,282)
EBITDA	2,390	2,268	122	5.4%	8,967
Special factors affecting EBITDA	4	360	(356)	(98.9)%	406
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	2,386	1,908	478	25.1%	8,561
EBITDA margin (adjusted for special factors)	% 26.6	24.4			25.4
CASH CAPEX	(1,442)	(1,756)	314	17.9%	(5,855)

Total revenue

Total revenue for the United States operating segment of EUR 9.0 billion in the first quarter of 2017 increased by 14.9 percent compared to EUR 7.8 billion in the first quarter of 2016. In U.S. dollars, T-Mobile US' total revenues increased by 10.9 percent year-on-year due primarily to service revenue growth resulting from increases in T-Mobile US' average branded customer base from strong customer response to T-Mobile US' Un-carrier initiatives, expansion into new markets, and success of the MetroPCS brand. Additionally, equipment revenues increased due primarily to an increase in the number of devices sold and a higher average revenue per device sold due to T-Mobile US' continued focus on equipment installment plan sales.

EBITDA, adjusted EBITDA, adjusted EBITDA margin

Adjusted EBITDA increased by 25.1 percent to EUR 2.4 billion in the first quarter of 2017, compared to EUR 1.9 billion in the first quarter of 2016. In U.S. dollars, adjusted EBITDA increased by 20.7 percent in the first quarter of 2017, compared to the first quarter of 2016. Adjusted EBITDA increased due primarily to an increase in branded postpaid and prepay service revenues resulting from strong customer response to T-Mobile US' Un-carrier initiatives, the ongoing success of promotional activities, and success of the MetroPCS brand, partially offset by higher employee-related costs, higher commissions, higher promotional costs, and higher losses on equipment. Adjusted EBITDA margin increased to 26.6 percent in the first quarter of 2017, compared to 24.4 percent in the first quarter of 2016 due to the factors described above.

Adjusted EBITDA in the first quarter 2017 excludes EUR 4.3 million special factors primarily related to costs relating to the decommissioning of the MetroPCS CDMA network, compared to EUR 0.4 billion special factors primarily related to non-cash gains from a spectrum license transaction with AT&T, partially offset by costs relating to the decommissioning of the MetroPCS CDMA network and stock-based compensation costs in the first quarter of 2016. Overall, EBITDA increased to EUR 2.4 billion in the first quarter of 2017, compared to EUR 2.3 billion in the first quarter of 2016, due to the factors described above, including the impact of special factors.

EBIT

EBIT was EUR 1.0 billion in the first quarter of 2017 and 2016, including a slight increase of EUR 47 million in the first quarter of 2017 compared to the first quarter of 2016. This was driven by higher EBITDA. The increase was partially offset by higher depreciation expense from the continued build-out of T-Mobile US' 4G/LTE network, partially offset by a decrease from devices leased under T-Mobile US' JUMP! On Demand program.

Cash capex

Cash capex decreased to EUR 1.4 billion in the first quarter of 2017, compared to EUR 1.8 billion in the first quarter of 2016, due primarily to EUR 0.6 billion of spectrum licenses acquired in the first quarter of 2016, compared with EUR 33 million of spectrum licenses acquired in the first quarter of 2017.

EUROPE

CUSTOMER DEVELOPMENT

For information on changes in the organizational structure, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41. Comparative figures have been adjusted retrospectively.

		thousands				
		Mar. 31, 2017	Dec. 31, 2016	Change Mar. 31, 2017/ Dec. 31, 2016 %	Mar. 31, 2016	Change Mar. 31, 2017/ Mar. 31, 2016 %
EUROPE, TOTAL	Mobile customers	47,348	47,952	(1.3)%	48,540	(2.5)%
	Contract customers	24,482	24,315	0.7%	23,719	3.2%
	Prepay customers	22,866	23,637	(3.3)%	24,821	(7.9)%
	Fixed-network lines	8,486	8,531	(0.5)%	8,687	(2.3)%
	Of which: IP-based	5,190	5,016	3.5%	4,261	21.8%
	Retail broadband lines	5,444	5,393	0.9%	5,254	3.6%
	Television (IPTV, satellite, cable)	4,100	4,049	1.3%	3,922	4.5%
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,269	2,259	0.4%	2,242	1.2%
	Wholesale bundled lines	126	123	2.4%	122	3.3%
	Wholesale unbundled lines	250	247	1.2%	215	16.3%
GREECE	Mobile customers	7,733	7,725	0.1%	7,477	3.4%
	Fixed-network lines	2,547	2,564	(0.7)%	2,583	(1.4)%
	Broadband lines	1,708	1,682	1.5%	1,574	8.5%
ROMANIA	Mobile customers	5,428	5,722	(5.1)%	5,934	(8.5)%
	Fixed-network lines	1,937	1,969	(1.6)%	2,055	(5.7)%
	Broadband lines	1,186	1,194	(0.7)%	1,204	(1.5)%
HUNGARY	Mobile customers	5,304	5,332	(0.5)%	5,372	(1.3)%
	Fixed-network lines	1,630	1,629	0.1%	1,659	(1.7)%
	Broadband lines	1,053	1,040	1.3%	1,028	2.4%
POLAND	Mobile customers	10,229	10,634	(3.8)%	11,821	(13.5)%
	Fixed-network lines	33	20	65.0%	18	83.3%
	Broadband lines	20	16	25.0%	17	17.6%
CZECH REPUBLIC	Mobile customers	6,097	6,049	0.8%	6,024	1.2%
	Fixed-network lines	143	140	2.1%	141	1.4%
	Broadband lines	136	134	1.5%	133	2.3%
CROATIA	Mobile customers	2,210	2,234	(1.1)%	2,206	0.2%
	Fixed-network lines	992	1,001	(0.9)%	1,012	(2.0)%
	Broadband lines	795	783	1.5%	749	6.1%
SLOVAKIA	Mobile customers	2,230	2,225	0.2%	2,231	0.0%
	Fixed-network lines	854	850	0.5%	851	0.4%
	Broadband lines	649	638	1.7%	609	6.6%
AUSTRIA	Mobile customers	4,713	4,594	2.6%	4,221	11.7%
OTHER ^a	Mobile customers	3,404	3,438	(1.0)%	3,255	4.6%
	Fixed-network lines	351	358	(2.0)%	367	(4.4)%
	Broadband lines	276	279	(1.1)%	283	(2.5)%

^a Other: national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as the lines of the GTS Central Europe group in Romania.

Total

The market environment in which our European national companies operate remained challenging and intensely competitive in the first quarter of 2017. Thanks to our convergent product portfolio MagentaOne, however, we successfully faced these challenges: As of March 31, 2017, the number of FMC customers in our portfolio had risen by around 18.9 percent. Our TV business has established itself as a consistent revenue-growth driver. In the mobile communications business, we recorded an increase in the number of high-value contract customers to 24.5 million. This compensated in part for the losses in prepay business. In the fixed network, we are systematically driving forward the roll-out of fast, fiber-optic lines (FTTH, FTTB, and FTTC). As part of our pan-European network strategy, we also increased the number of IP lines – primarily thanks to the migration from traditional PSTN lines to IP technology.

Mobile communications

At the end of the first quarter of 2017, we had a total mobile customer base of 47.3 million – down by a slight 1.3 percent compared with the end of 2016. This decline was due to the loss of customers in prepay business, where the competitive environment remained challenging. Another factor in this decrease was the prepay registration regulations implemented in Poland by the local regulatory authorities by the end of January 2017. The positive trend in high-value contract customer business partially made up for this. Here the number of customers increased by around 167 thousand. Year-on-year, the customer base even grew by 3.2 percent. We thus continued building on the growth trend of the last few quarters. At the end of the first quarter of 2017, contract customers accounted for 51.7 percent of the total customer base. Our customers benefited from the systematic build-out of our mobile networks with 4G/LTE technology, enjoying better network coverage with fast mobile broadband. As of March 31, 2017, we already covered 89 percent of the population in the countries of our operating segment with LTE, thus reaching more than 116 million people in total. Not only the high level of data volumes used, but also the sales figures for mobile terminal equipment prove that our customers

actually use these high bandwidths, with smartphones accounting for an even higher proportion of all devices sold in the first quarter of 2017 – 82 percent – compared with the prior year.

Fixed network

Our TV and entertainment services provided positive impulses in the first quarter of 2017. The number of TV customers grew by 1.3 percent to 4.1 million compared with the end of 2016, with the majority of the net customer additions – 51 thousand – at our national companies in Slovakia and Hungary.

Our convergence product portfolio, MagentaOne, is available to our customers in all of our integrated countries. By the end of the first quarter of 2017, we had already gained more than 1.7 million FMC customers in total, with demand rising steadily in Greece in particular. We have also been increasingly successful in marketing our MagentaOne Business product to business customers. A simplified and standardized network based on IP technology provides the technical underpinnings of FMC products. Overall, we have already converted five of our national companies to IP technology. Following a 3.5-percent increase relative to December 2016, we now have a portfolio of 5.2 million IP-based lines, which account for around 61.2 percent of all fixed-network lines. As of March 31, 2017, the number of fixed-network lines in our Europe operating segment was virtually unchanged at 8.5 million.

The number of retail broadband lines grew by a slight 0.9 percent in the first quarter of 2017 to reach a total of 5.4 million. Fiber-optic-based lines accounted for the majority of net customer additions, growing considerably faster than DSL business. Romania and Hungary were the main drivers of this growth. We continued to increase our overall fiber-optic coverage, with our national companies reaching 26 percent of households as of the reporting date.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2017	Q1 2016	Change	Change %	FY 2016
TOTAL REVENUE	2,781	2,763	18	0.7%	11,454
Greece	690	685	5	0.7%	2,883
Romania	230	234	(4)	(1.7)%	985
Hungary	415	403	12	3.0%	1,673
Poland	364	378	(14)	(3.7)%	1,488
Czech Republic	237	229	8	3.5%	959
Croatia	224	220	4	1.8%	925
Slovakia	183	187	(4)	(2.1)%	766
Austria	228	208	20	9.6%	855
Other ^a	260	272	(12)	(4.4)%	1,132
Profit from operations (EBIT)	324	335	(11)	(3.3)%	1,184
EBIT margin %	11.7	12.1			10.3
Depreciation, amortization and impairment losses	(553)	(574)	21	3.7%	(2,589)
EBITDA	877	909	(32)	(3.5)%	3,773
Special factors affecting EBITDA	(12)	(22)	10	45.5%	(93)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	889	931	(42)	(4.5)%	3,866
Greece	266	266	0	0.0%	1,120
Romania	37	39	(2)	(5.1)%	175
Hungary	109	126	(17)	(13.5)%	539
Poland	100	120	(20)	(16.7)%	482
Czech Republic	100	98	2	2.0%	400
Croatia	84	82	2	2.4%	374
Slovakia	77	78	(1)	(1.3)%	302
Austria	89	69	20	29.0%	258
Other ^a	28	53	(25)	(47.2)%	215
EBITDA margin (adjusted for special factors) %	32.0	33.7			33.8
CASH CAPEX	(475)	(940)	465	49.5%	(2,600)

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

^a Other: national companies of Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS (International Carrier Sales & Solutions), the ICSS business of the local business units, GTS Central Europe group in Romania, and Europe Headquarters.

Total revenue

Our Europe operating segment generated total revenue of EUR 2.8 billion in the first quarter of 2017, a slight year-on-year increase of 0.7 percent. In organic terms, i.e., assuming constant exchange rates, revenue was on a par with the prior-year figure.

Our national companies increased their revenues from strategic growth areas by a substantial 7.0 percent in the first quarter of 2017, and growth areas accounted for around 31.9 percent of total segment revenue. Revenue from mobile data business increased substantially – by 14.6 percent year-on-year to EUR 372 million – with all the countries in our operating segment making a contribution, in particular Poland, Greece, and Austria. Thanks to our inno-

vative TV and program management, TV business continued on its uptrend of recent quarters, with TV revenue rising by 7.3 percent to EUR 123 million in the first quarter of 2017.

We also posted revenue growth in terminal equipment sales. Wholesale business also contributed to revenue growth at segment level. This growth helped us counteract the decline in revenues from voice telephony, for instance, and from visitors (i.e., revenues from third parties for roaming in our home network). In the first quarter of 2017, our B2B/ICT business customer operations achieved stable revenues year-on-year by continuing the shift from traditional core business to key growth areas.

From a country perspective, the decline in business in Poland in the first quarter of 2017 was the biggest negative factor influencing organic revenue growth. Lower service revenues due to factors including a decrease in the number of active prepaid customers were offset only in part by higher revenue from terminal equipment sales. At segment level, lower roaming charges in most of the countries in our operating segment and intense competition in telecommunications markets also had a negative impact on our organic revenues.

EBITDA, adjusted EBITDA

Our Europe operating segment generated adjusted EBITDA of EUR 889 million in the first quarter of 2017, a year-on-year decrease of 4.5 percent. In organic terms, i.e., assuming constant exchange rates, and due to an internal reallocation to the new Board of Management department Technology and Innovation, adjusted EBITDA declined by 1.8 percent. Higher direct costs – especially interconnection costs and market investments – impacted on the EBITDA trend at segment level.

From a country perspective, developments at our national companies in Poland and Hungary were the main factors negatively affecting adjusted EBITDA, while the contribution from our national company in Austria had an offsetting effect.

EBITDA decreased by 3.5 percent year-on-year to EUR 877 million, with special factors having no material effect.

In addition, EBITDA was negatively influenced by a number of regulatory decisions, special taxes that were introduced in the prior year, and a tax on broadband Internet access introduced in Greece in January 2017 as part of a further package of economic measures.

Development of operations in selected countries

Greece. In Greece, revenue was up slightly year-on-year, rising to EUR 690 million in the first quarter of 2017. The positive revenue trend for fixed-network business offset the slight decline in mobile business, and was supported, in particular, by wholesale operations. Sound growth rates for our FMC product CosmoteOne also lifted the number of DSL lines, which in turn increased broadband business revenue. Overall, we more than offset the negative effects from the decline in voice telephony. Revenue from mobile business was down 2.4 percent year-on-year. The price- and volume-driven decline in revenue from voice telephony in particular had a negative impact on service revenues. Rising revenues from mobile data services – attributable, among other factors, to higher data volumes – had a positive effect on service revenues. Performance at our B2B/ICT business customer operations was down year-on-year.

In Greece, adjusted EBITDA remained stable in the first quarter of 2017 at EUR 266 million, with savings in indirect costs and higher revenue compensating for higher interconnection costs.

Hungary. In Hungary, first-quarter revenue grew by 3.0 percent year-on-year to reach EUR 415 million. In organic terms, i.e., assuming constant exchange rates, revenue increased by 2.0 percent. Mobile business, where revenue from terminal equipment sales increased, was the main growth driver. Service revenue, on the other hand, remained on a par with the prior-year period, due to the following contrasting factors: The partly price- and partly volume-driven decline in voice revenue was offset by higher revenue from mobile data services, which was up by 12.7 percent year-on-year. Our high-speed, high-reach mobile data network also had a positive effect on this trend. Fixed-network business posted moderate revenue growth as well, with higher revenue coming from B2B/ICT business customer operations and from TV and terminal equipment business. Our MagentaOne FMC product also contributed to this trend, in both the consumer and business customer segments.

Adjusted EBITDA decreased by 13.5 percent year-on-year to EUR 109 million. In organic terms, it decreased by 14.2 percent. The increase in direct costs (especially due to higher expenses for marketing and TV content) were only partially compensated for by savings in indirect costs. In addition, a positive one-time effect recognized in the prior-year period impacted on the adjusted EBITDA trend in the first quarter of 2017.

Austria. Our national company in Austria generated revenue of EUR 228 million in the first quarter of 2017, up 9.6 percent year-on-year. Among other factors, this was attributable to the mobile data business which saw a further rise in volume and accounted for a share of total revenue of 29.8 percent. Higher visitor revenues and a one-time effect also positively influenced the revenue. Overall, these positive revenue effects more than offset the decrease in revenue from text messaging services and from sales of mobile terminal equipment.

The revenue trend is also evident in the substantial increase in adjusted EBITDA, which amounted to EUR 89 million in the first quarter of 2017.

EBIT

EBIT in our Europe operating segment decreased by 3.3 percent in the first quarter of 2017 to EUR 324 million. This decline was due to the decline in EBITDA. Lower depreciation, amortization and impairment losses had a positive effect on EBIT.

Cash capex

In the first quarter of 2017, the Europe operating segment reported cash capex of EUR 475 million, a decline of EUR 465 million. This year-on-year difference was primarily due to the acquisition of mobile spectrum in Poland that was made in the prior-year quarter.

SYSTEMS SOLUTIONS

SELECTED KPIs

For information on changes in the organizational structure, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41. Comparative financial KPIs and order entry figures have been adjusted retrospectively.

		Mar. 31, 2017	Dec. 31, 2016	Change Mar. 31, 2017/ Dec. 31, 2016 %	Mar. 31, 2016	Change Mar. 31, 2017/ Mar. 31, 2016 %
ORDER ENTRY	millions of €	1,274	6,851	n. a.	1,556	(18.1)%
COMPUTING & DESKTOP SERVICES						
Number of servers managed and serviced	units	64,262	74,336	(13.6)%	63,255	1.6%
Number of workstations managed and serviced	millions	1.81	1.77	2.3%	1.67	8.4%
SYSTEMS INTEGRATION						
Hours billed	millions	1.8	7.1	n. a.	1.7	5.9%
Utilization rate	%	82.5	83.3	(0.8)% p	82.1	0.4% p

Development of business

In the first quarter of 2017, our Systems Solutions operating segment recorded a year-on-year decline, primarily on account of the positive effect contained in the prior-year period from the completion of the set-up phase of our corporate customer project to set up and operate an electronic toll collection system in Belgium.

We again successfully concluded new deals in the first quarter of 2017. We did not, however, reach the level of the comparative quarter. The prior-year figure included a number of major deals that could not be repeated in the reporting period. By contrast, the cloud, one of our strategic growth areas, performed well compared with the first quarter of 2016, growing by 3.5 percent. A key component in the expansion of our cloud business remains strategic partnerships. This means we offer our partners' services from our data centers in Germany. The aspects of security and high availability play a key role for T-Systems and our customers. The Telekom Security unit, which has got off to a successful start, is an important cornerstone of our growth strategy to develop digital innovation areas. We continue to offer the main pillars of the digital transformation with our solutions for the Internet of Things and for the cloud – along with the corresponding security solutions. Telekom Security plans to lead the European market in cyber security.

To meet market requirements, we are continuously modernizing and consolidating our ICT resources and investing in innovation areas. Thus the number of servers managed and serviced increased by 1.6 percent compared with the first quarter of 2016. Compared with the figure at December 31, 2016, the number of servers managed and serviced declined by 13.6 percent as a result of the transfer of Telekom IT out of the Systems Solutions operating segment. At the data centers, technical advances made it possible to set up ever larger and higher-performance units, which had a positive impact on our cost efficiency. The number of workstations managed and serviced increased by 8.4 percent compared with the first quarter of 2016.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
TOTAL REVENUE	1,704	1,859	(155)	(8.3)%	6,993
External revenue	1,369	1,545	(176)	(11.4)%	5,678
Profit (loss) from operations (EBIT)	(37)	51	(88)	n. a.	(150)
Special factors affecting EBIT	(35)	(49)	14	28.6%	(276)
EBIT (adjusted for special factors)	(2)	100	(102)	n. a.	126
EBIT margin (adjusted for special factors) %	(0.1)	5.4			1.8
Depreciation, amortization and impairment losses	(98)	(96)	(2)	(2.1)%	(428)
EBITDA	61	147	(86)	(58.5)%	278
Special factors affecting EBITDA	(35)	(49)	14	28.6%	(252)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	96	196	(100)	(51.0)%	530
EBITDA margin (adjusted for special factors) %	5.6	10.5			7.6
CASH CAPEX	(86)	(78)	(8)	(10.3)%	(402)

Total revenue

Total revenue in our Systems Solutions operating segment in the first quarter of 2017 amounted to EUR 1.7 billion, a year-on-year decrease of 8.3 percent. This decline was primarily attributable to the completion in the first quarter of 2016 of the set-up phase for the toll collection system in Belgium as well as the general downward price trend in ICT business. International revenue decreased on account of this development. In Germany, there was a slight positive effect on revenue as a result of revenue generated within the Group by the newly launched Telekom Security.

EBITDA, adjusted EBITDA

In the first quarter of 2017, adjusted EBITDA declined by EUR 100 million to EUR 96 million, mainly due to the positive billing effect in the first quarter of 2016 after the completion of the set-up phase of the toll collection system in Belgium.

EBITDA in our Systems Solutions operating segment decreased by EUR 86 million compared with the prior-year period to EUR 61 million, mainly due to the one-time effect described under adjusted EBITDA. This one-time effect was partially offset by a EUR 14 million decrease in special factors attributable to the fact that expenses for restructuring measures had been higher in the prior year.

EBIT, adjusted EBIT

Adjusted EBIT in our Systems Solutions operating segment decreased by EUR 102 million compared with the first quarter of 2016, and was thus slightly negative. This was due in particular to the one-time effect in the prior year described under EBITDA. Depreciation, amortization and impairment losses were at the same level as in the prior year.

The adjusted EBIT margin of our Systems Solutions operating segment therefore also decreased to minus 0.1 percent.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 86 million in the reporting period, a year-on-year increase of 10.3 percent. Our investments are associated with the advancing digitization of enterprises. For this reason, we are investing in growth areas and in digital innovation areas, such as digital transformation and the Internet of Things, cloud computing, and cyber security. The continued expansion of the European toll collection system also increases the need for investment.

GROUP DEVELOPMENT

Since January 1, 2017, we have reported on the new **Group Development** operating segment. Group Development actively manages and increases the value of selected subsidiaries and equity investments of the Group. The following units and subsidiaries have been included: T-Mobile Netherlands (previously in the Europe operating segment), Deutsche Funkturm (DFMG, previously in the Germany operating segment), as well as Deutsche Telekom Capital Partners (DTCP) and the stakes in BT plc, Scout24 AG, Ströer SE & Co. KGaA, and Strato, which was sold as of March 31, 2017, (previously

in the Group Headquarters & Group Services segment). The Group functions of Mergers & Acquisitions and Strategic Portfolio Management have also been assigned to Group Development. For more information on changes in the organizational structure, please refer to the notes in the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41. Comparative figures have been adjusted retrospectively.

CUSTOMER DEVELOPMENT

		Mar. 31, 2017	Dec. 31, 2016	Change Mar. 31, 2017/ Dec. 31, 2016 %	Mar. 31, 2016	Change Mar. 31, 2017/ Mar. 31, 2016 %
thousands						
NETHERLANDS	Mobile customers	3,789	3,746	1.1%	3,668	3.3%
	Fixed-network lines	176	164	7.3%	-	n. a.
	Broadband lines	176	164	7.3%	-	n. a.

In the first quarter of 2017, T-Mobile Netherlands recorded net customer additions in both mobile communications and the fixed-network business thanks to repositioning itself on the market. The fixed-network consumer business acquired from Vodafone at the end of 2016 also generated customer growth of 7.3 percent in the first quarter of 2017.

DEVELOPMENT OF OPERATIONS

		Q1 2017	Q1 2016	Change	Change%	FY 2016
millions of €						
TOTAL REVENUE		595	575	20	3.5%	2,347
	Netherlands	341	324	17	5.2%	1,331
Profit from operations (EBIT)		686	2,640	(1,954)	(74.0)%	2,730
EBIT margin	%	n. a.	n. a.			n. a.
	Depreciation, amortization and impairment losses	(71)	(90)	19	21.1%	(760)
EBITDA		758	2,730	(1,972)	(72.2)%	3,490
	Special factors affecting EBITDA	519	2,506	(1,987)	(79.3)%	2,547
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		238	223	15	6.7%	943
	Netherlands	110	88	22	25.0%	358
EBITDA margin (adjusted for special factors)	%	40.0	38.8			40.2
CASH CAPEX		(81)	(93)	12	12.9%	(271)

Total revenue

Total revenue in our Group Development operating segment in the first quarter of 2017 increased by 3.5 percent year-on-year, largely due to the positive revenue development at T-Mobile Netherlands. Revenue at DFMG remained unchanged against the prior-year quarter.

EBITDA, adjusted EBITDA

EBITDA decreased year-on-year by EUR 2.0 billion to EUR 0.8 billion. As part of the ongoing analysis of our portfolio of shareholdings with a focus on adequate development of the companies, we sold Strato effective March 31, 2017. The divestiture resulted in income recognized as special factors of around EUR 0.5 billion. The figure for the first quarter of the prior year included special factors of EUR 2.5 billion from the sale of our stake in the EE joint venture.

Adjusted EBITDA in the Group Development operating segment increased by EUR 15 million year-on-year in the reporting period, driven mainly by EBITDA growth at T-Mobile Netherlands. Adjusted EBITDA at T-Mobile Netherlands increased by 25.0 percent compared with the prior-year period, primarily due to the successful implementation of cost-cutting programs and a higher proportion of SIM-only contracts or contracts with separate handset contracts. The trend towards a larger share of these types of contracts is expected to continue in the financial year on account of new consumer credit regulations in the Netherlands. In the first quarter of 2017, DFMG recorded one-time

effects compared with the prior-year period, which had a negative impact on EBITDA, arising in part from the recognition of provisions on account of restoration obligations.

EBIT

EBIT decreased by EUR 2.0 billion compared with the first quarter of 2016 to EUR 0.7 billion, due to the effects described under EBITDA. Depreciation, amortization and impairment losses were down slightly on the prior-year period.

Cash capex

Cash capex in our Group Development segment decreased by 12.9 percent year-on-year in the first quarter of 2017, primarily at T-Mobile Netherlands.

For information on the effects of our equity investments on **profit/loss from financial activities**, please refer to the section "Development of business in the Group," page 9 et seq.

GROUP HEADQUARTERS & GROUP SERVICES

For information on changes in the organizational structure, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 40 and 41. Comparative figures have been adjusted retrospectively.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
TOTAL REVENUE	737	781	(44)	(5.6)%	3,467
Loss from operations (EBIT)	(292)	(430)	138	32.1%	(1,919)
Depreciation, amortization and impairment losses	(148)	(150)	2	1.3%	(676)
EBITDA	(144)	(280)	136	48.6%	(1,243)
Special factors affecting EBITDA	(16)	(133)	117	88.0%	(574)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(128)	(147)	19	12.9%	(670)
CASH CAPEX	(242)	(227)	(15)	(6.6)%	(936)

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first quarter of 2017 decreased by 5.6 percent year-on-year. This decline was mainly due to the fact that the cost of intragroup development services newly commissioned from Telekom IT in Germany is no longer charged internally. An additional factor was lower intragroup revenue from land and buildings, which was essentially due to the ongoing optimized use of space, as well as a decline in revenue at Telekom Training. Structural refinements at our Multi-Shared Service Center had a positive effect on revenue.

EBITDA, adjusted EBITDA

Adjusted EBITDA in the Group Headquarters & Group Services segment improved by EUR 19 million year-on-year in the reporting period. This improvement was mainly due to the establishment of our Board of Management department Technology and Innovation and to reduced operating costs at Group Services. By contrast, lower revenue from land and buildings had a negative impact on adjusted EBITDA.

Overall, special factors negatively affecting EBITDA – in particular staff-related measures – totaled EUR 16 million in the reporting period and EUR 133 million in the prior-year period.

EBIT

The year-on-year increase of EUR 138 million in EBIT was mainly due to the improved EBITDA figure. Depreciation, amortization and impairment losses were at the same level as in the prior year.

Cash capex

Cash capex increased by EUR 15 million year-on-year, mainly owing to the purchase of more vehicles.

EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2017)

For information on events after the reporting period, please refer to "Events after the reporting period" in the interim consolidated financial statements, page 48.

FORECAST

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the 2016 combined management report have significantly changed (2016 Annual Report, page 87 et seq.). Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2016 financial year (2016 Annual Report, page 97 et seq.). Readers are also referred to the Disclaimer at the end of this report.

LITIGATION

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in March 2017. The shareholders Deutsche Telekom AG and Daimler Financial Services AG have also asserted counterclaims based on breaches of duties by the Federal Republic of Germany in relation to the delay in the start of toll collection.

ASSESSMENT OF THE AGGREGATE RISK POSITION

At the time of preparing this report, neither our risk management system nor our management could identify any material risks to the continued existence of Deutsche Telekom AG or a significant Group company as a going concern.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Mar. 31, 2017	Dec. 31, 2016	Change	Change%	Mar. 31, 2016
ASSETS					
CURRENT ASSETS	27,663	26,638	1,025	3.8%	25,453
Cash and cash equivalents	9,542	7,747	1,795	23.2%	7,332
Trade and other receivables	9,093	9,362	(269)	(2.9)%	8,894
Current recoverable income taxes	192	218	(26)	(11.9)%	136
Other financial assets	4,907	5,713	(806)	(14.1)%	4,829
Inventories	1,646	1,629	17	1.0%	1,998
Other assets	2,136	1,597	539	33.8%	1,855
Non-current assets and disposal groups held for sale	148	372	(224)	(60.2)%	409
NON-CURRENT ASSETS	120,961	121,847	(886)	(0.7)%	118,152
Intangible assets	60,269	60,599	(330)	(0.5)%	57,384
Property, plant and equipment	46,788	46,758	30	0.1%	44,442
Investments accounted for using the equity method	722	725	(3)	(0.4)%	811
Other financial assets	6,971	7,886	(915)	(11.6)%	9,877
Deferred tax assets	5,477	5,210	267	5.1%	5,119
Other assets	733	669	64	9.6%	519
TOTAL ASSETS	148,624	148,485	139	0.1%	143,605
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	32,375	33,126	(751)	(2.3)%	32,211
Financial liabilities	14,871	14,422	449	3.1%	13,876
Trade and other payables	8,983	10,441	(1,458)	(14.0)%	9,867
Income tax liabilities	238	222	16	7.2%	260
Other provisions	3,076	3,068	8	0.3%	3,227
Other liabilities	5,075	4,779	296	6.2%	4,981
Liabilities directly associated with non-current assets and disposal groups held for sale	133	194	(61)	(31.4)%	-
NON-CURRENT LIABILITIES	76,431	76,514	(83)	(0.1)%	72,950
Financial liabilities	50,402	50,228	174	0.3%	48,185
Provisions for pensions and other employee benefits	8,293	8,451	(158)	(1.9)%	8,369
Other provisions	3,285	3,320	(35)	(1.1)%	3,027
Deferred tax liabilities	10,025	10,007	18	0.2%	9,342
Other liabilities	4,427	4,508	(81)	(1.8)%	4,027
LIABILITIES	108,806	109,640	(834)	(0.8)%	105,161
SHAREHOLDERS' EQUITY	39,818	38,845	973	2.5%	38,444
Issued capital	11,973	11,973	-	-	11,793
Treasury shares	(50)	(50)	-	-	(51)
	11,923	11,923	-	-	11,742
Capital reserves	53,349	53,356	(7)	(0.0)%	52,399
Retained earnings including carryforwards	(35,971)	(38,727)	2,756	7.1%	(36,187)
Total other comprehensive income	145	78	67	85.9%	(1,470)
Net profit (loss)	747	2,675	(1,928)	(72.1)%	3,125
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	30,193	29,305	888	3.0%	29,609
Non-controlling interests	9,625	9,540	85	0.9%	8,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	148,624	148,485	139	0.1%	143,605

CONSOLIDATED INCOME STATEMENT

millions of €

	Q1 2017	Q1 2016	Change	Change%	FY 2016
NET REVENUE	18,646	17,630	1,016	5.8%	73,095
Other operating income	770	3,179	(2,409)	(75.8)%	4,180
Changes in inventories	40	12	28	n.a.	(12)
Own capitalized costs	542	480	62	12.9%	2,112
Goods and services purchased	(9,312)	(8,663)	(649)	(7.5)%	(37,084)
Personnel costs	(3,964)	(4,062)	98	2.4%	(16,463)
Other operating expenses	(761)	(909)	148	16.3%	(3,284)
Depreciation, amortization and impairment losses	(3,191)	(3,142)	(49)	(1.6)%	(13,380)
PROFIT FROM OPERATIONS (EBIT)	2,771	4,525	(1,754)	(38.8)%	9,164
Finance costs	(637)	(633)	(4)	(0.6)%	(2,492)
Interest income	75	62	13	21.0%	223
Interest expense	(713)	(695)	(18)	(2.6)%	(2,715)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	4	2	2	100.0%	(53)
Other financial income (expense)	(1,406)	417	(1,823)	n.a.	(2,072)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	(2,040)	(214)	(1,826)	n.a.	(4,617)
PROFIT BEFORE INCOME TAXES	731	4,311	(3,580)	(83.0)%	4,547
Income taxes	78	(934)	1,012	n.a.	(1,443)
PROFIT (LOSS)	809	3,377	(2,568)	(76.0)%	3,104
PROFIT (LOSS) ATTRIBUTABLE TO					
Owners of the parent (net profit (loss))	747	3,125	(2,378)	(76.1)%	2,675
Non-controlling interests	62	252	(190)	(75.4)%	429

EARNINGS PER SHARE

	Q1 2017	Q1 2016	Change	Change%	FY 2016
Profit (loss) attributable to the owners of the parent (net profit (loss))	747	3,125	(2,378)	(76.1)%	2,675
Weighted average number of ordinary shares (basic/diluted)	4,657	4,587	70	1.5%	4,625
EARNINGS PER SHARE BASIC/DILUTED	0.16	0.68	(0.52)	(76.5)%	0.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q1 2017	Q1 2016	Change	FY 2016
PROFIT (LOSS)	809	3,377	(2,568)	3,104
Items not reclassified to the income statement retrospectively				
Gain (loss) from the remeasurement of defined benefit plans	119	(638)	757	(660)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0
Income taxes relating to components of other comprehensive income	(38)	196	(234)	205
	81	(442)	523	(455)
Items reclassified to the income statement retrospectively, if certain reasons are given				
Exchange differences on translating foreign operations				
Recognition of other comprehensive income in income statement	0	(948)	948	(948)
Change in other comprehensive income (not recognized in income statement)	(78)	(1,182)	1,104	395
Available-for-sale financial assets				
Recognition of other comprehensive income in income statement	1	(1)	2	2,282
Change in other comprehensive income (not recognized in income statement)	(1)	(459)	458	(2,323)
Gains (losses) from hedging instruments				
Recognition of other comprehensive income in income statement	61	244	(183)	328
Change in other comprehensive income (not recognized in income statement)	57	(409)	466	(457)
Share of profit (loss) of investments accounted for using the equity method				
Recognition of other comprehensive income in income statement	0	7	(7)	7
Change in other comprehensive income (not recognized in income statement)	(1)	1	(2)	1
Income taxes relating to components of other comprehensive income	(37)	53	(90)	39
	2	(2,694)	2,696	(676)
OTHER COMPREHENSIVE INCOME	83	(3,136)	3,219	(1,131)
TOTAL COMPREHENSIVE INCOME	892	241	651	1,973
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent	900	223	677	1,306
Non-controlling interests	(8)	18	(26)	667

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent				
	Equity contributed			Consolidated shareholders' equity generated	
	Issued capital	Treasury shares	Capital reserves	Retained earnings incl. carryforwards	Net profit (loss)
BALANCE AT JANUARY 1, 2016	11,793	(51)	52,412	(38,969)	3,254
Changes in the composition of the Group					
Transactions with owners			(47)		
Unappropriated profit (loss) carried forward				3,254	(3,254)
Dividends					
Capital increase at Deutsche Telekom AG					
Capital increase from share-based payment			34		
Share buy-back/shares held in a trust deposit					
Profit (loss)					3,125
Other comprehensive income				(437)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				(35)	
BALANCE AT MARCH 31, 2016	11,793	(51)	52,399	(36,187)	3,125
BALANCE AT JANUARY 1, 2017	11,973	(50)	53,356	(38,727)	2,675
Changes in the composition of the Group					
Transactions with owners			(51)		
Unappropriated profit (loss) carried forward				2,675	(2,675)
Dividends					
Capital increase at Deutsche Telekom AG					
Capital increase from share-based payment			44		
Share buy-back/shares held in a trust deposit					
Profit (loss)					747
Other comprehensive income				81	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings					
BALANCE AT MARCH 31, 2017	11,973	(50)	53,349	(35,971)	747

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets	Hedging instruments	Investments accounted for using the equity method	Taxes			
427	(62)	110	738	(17)	(235)	29,400	8,750	38,150
						-	-	-
(1)						(48)	49	1
						0	-	0
						-	-	-
						-	-	-
						34	18	52
						-	-	-
						3,125	252	3,377
(1,901)		(460)	(165)	8	53	(2,902)	(234)	(3,136)
						223	18	241
				35		0	-	0
(1,475)	(62)	(350)	573	26	(182)	29,609	8,835	38,444
(371)	(60)	69	609	27	(196)	29,305	9,540	38,845
						-	-	-
(5)						(56)	70	14
						0	-	0
						-	-	-
						-	-	-
						44	23	67
						-	-	-
						747	62	809
(8)			118	(1)	(37)	153	(70)	83
						900	(8)	892
						-	-	-
(384)	(60)	69	727	26	(233)	30,193	9,625	39,818

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q1 2017	Q1 2016	FY 2016
PROFIT BEFORE INCOME TAXES	731	4,311	4,547
Depreciation, amortization and impairment losses	3,191	3,142	13,380
(Profit) loss from financial activities	2,040	214	4,617
(Profit) loss on the disposal of fully consolidated subsidiaries	(519)	(6)	(7)
(Income) loss from the sale of stakes accounted for using the equity method	0	(2,507)	(2,591)
Other non-cash transactions	119	91	316
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(33)	(410)	(495)
Change in assets carried as working capital	358	(417)	(1,000)
Change in provisions	(70)	(92)	(234)
Change in other liabilities carried as working capital	(531)	128	(510)
Income taxes received (paid)	(80)	(132)	(527)
Dividends received	75	175	331
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	289
CASH GENERATED FROM OPERATIONS	5,280	4,497	18,116
Interest paid	(1,171)	(1,167)	(3,488)
Interest received	245	166	905
NET CASH FROM OPERATING ACTIVITIES	4,355	3,496	15,533
Cash outflows for investments in			
Intangible assets	(732)	(1,707)	(5,603)
Property, plant and equipment	(2,548)	(2,189)	(8,037)
Non-current financial assets	(77)	(310)	(483)
Payments to acquire control of subsidiaries and associates	(4)	1	(2)
Proceeds from disposal of			
Intangible assets	14	0	1
Property, plant and equipment	104	157	363
Non-current financial assets	19	43	335
Proceeds from the loss of control of subsidiaries and associates	(4)	11	4
Net change in short-term investments and marketable securities and receivables	(262)	262	(186)
Other	(1)	(6)	-
NET CASH USED IN INVESTING ACTIVITIES	(3,491)	(3,738)	(13,608)
Proceeds from issue of current financial liabilities	1,509	7,897	26,187
Repayment of current financial liabilities	(8,395)	(11,401)	(34,951)
Proceeds from issue of non-current financial liabilities	8,148	4,459	9,520
Repayment of non-current financial liabilities	(10)	0	(20)
Dividends (including to non-controlling interests)	(1)	(9)	(1,596)
Repayment of lease liabilities	(196)	(76)	(374)
Cash inflows from transactions with non-controlling entities	14	1	26
Cash outflows from transactions with non-controlling entities	(88)	(43)	(114)
Other	-	-	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES	980	828	(1,322)
Effect of exchange rate changes on cash and cash equivalents	(39)	(151)	250
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	(10)	-	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,795	435	850
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	7,747	6,897	6,897
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	9,542	7,332	7,747

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with the amended § 51a (6) of the FwB Exchange Rules, Deutsche Telekom AG voluntarily publishes a quarterly financial report that comprises interim consolidated financial statements and an interim Group management report. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the WpHG.

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended March 31, 2017 have been prepared voluntarily in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided

to publish a condensed version compared to the consolidated financial statements at December 31, 2016. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2016 for the accounting policies applied for the Group's financial reporting (2016 Annual Report, page 133 et seq.).

INITIAL APPLICATION OF NEW STANDARDS AND INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2017 FINANCIAL YEAR

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Impact on the presentation of Deutsche Telekom's results of operations and financial position
Amendments to IAS 7	Disclosure Initiative	January 1, 2017 ^a	This pronouncement requires that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	No material impact.
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017 ^a	Clarification of the accounting for deferred tax assets for unrealized losses on debt instruments that are classified as available-for-sale financial assets.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2014-2016 Cycle	January 1, 2017 (only for IFRS 12) ^a	Clarification of many published standards.	No material impact.

^a Not yet endorsed by the EU; the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section "Summary of accounting policies" in the notes to the consolidated financial statements on page 133 et seq. of the 2016 Annual Report.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

Since January 1, 2017, the newly established Board of Management department **Technology and Innovation**, which comprises the Innovations, Telekom IT, and Technology units formerly assigned to the Germany, Europe, and Systems Solutions operating segments, has been reported on in the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively in segment reporting.

Since January 1, 2017, Deutsche Telekom has also reported on the Group Development operating segment, which actively manages and increases the value of selected subsidiaries and equity investments of the Group. The following units and subsidiaries have been included: T-Mobile Netherlands (previously in the Europe operating segment), Deutsche Funkturm (DFMG, previously in the Germany operating segment), as well as Deutsche Telekom Capital Partners (DTCP) and the stakes in BT plc, Scout24 AG, Ströer SE & Co. KGaA, and Strato AG, which was sold effective midnight March 31, 2017, (previously in the Group Headquarters & Group Services segment). The Group functions of Mergers & Acquisitions and Strategic Portfolio Management have also been assigned to Group Development. Comparative figures have been adjusted retrospectively in segment reporting.

CHANGES IN THE COMPOSITION OF THE GROUP, TRANSACTIONS WITH OWNERS, AND OTHER TRANSACTIONS

Sale of Strato AG

In December 2016, Deutsche Telekom reached an agreement with United Internet AG on the sale of hosting service provider Strato. The sale is in line with the strategy of selling off or finding partners for business areas that cannot be developed adequately within the Deutsche Telekom Group and, in doing so, potentially increasing their value. The sale was completed at a purchase price of EUR 0.6 billion effective midnight March 31, 2017 after approval was given by the Federal Cartel Office (Bundeskartellamt). The transaction generated income of EUR 0.5 billion.

VOLUNTARY PRESENTATION OF THE QUANTITATIVE EFFECTS ON THE COMPOSITION OF THE GROUP

Deutsche Telekom acquired and disposed of entities in the current and prior financial years. This imposes certain limits on the comparability of the interim consolidated financial statements and the disclosures under segment reporting.

The presented effects in the Group Development operating segment result from the acquisition of the fixed-network consumer business from Vodafone in the Netherlands as of December 16, 2016.

The following table shows the effect of changes in the composition of the Group on the consolidated income statement and segment reporting of the comparative period.

	Total Q1 2017	Q1 2016								Organic change Q1 2017	
		Total	Germany	United States	Europe	Systems Solutions	Group Develop- ment	Group Head- quarters & Group Services	Reconcili- ation		Pro forma ^a
Net revenue	18,646	17,630					21	(4)		17,647	999
Other operating income	770	3,179					0	(1)		3,178	(2,408)
Changes in inventories	40	12					0	0		12	28
Own capitalized costs	542	480					0	0		480	62
Goods and services purchased	(9,312)	(8,663)					(21)	4		(8,680)	(632)
Personnel costs	(3,964)	(4,062)					(2)	0		(4,064)	100
Other operating expenses	(761)	(909)					(4)	0		(913)	152
Depreciation, amortization and impairment losses	(3,191)	(3,142)					0	1		(3,141)	(50)
PROFIT (LOSS) FROM OPERATIONS (EBIT)	2,771	4,525	0	0	0	0	(6)	0	0	4,519	(1,749)
Finance costs	(637)	(633)					0	0		(633)	(4)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	4	2					0	0		2	2
Other financial income (expense)	(1,406)	417					0	0		417	(1,823)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	(2,040)	(214)	0	0	0	0	0	0	0	(214)	(1,825)
PROFIT (LOSS) BEFORE INCOME TAXES	731	4,311	0	0	0	0	(6)	0	0	4,305	(3,574)
Income taxes	78	(934)	0	0	0	0	0	0	0	(934)	1,012
PROFIT (LOSS)	809	3,377	0	0	0	0	(6)	0	0	3,371	(2,562)

^a Based on the composition of the Group in the current reporting period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased by EUR 0.3 billion to EUR 9.1 billion. Receivables in the United States operating segment declined by EUR 0.2 billion, EUR 0.1 billion of which were attributable to exchange rate effects from the translation of U.S. dollars to euros.

INVENTORIES

At EUR 1.6 billion, inventories remained almost stable compared with December 31, 2016. A reduced inventory of terminal equipment at T-Mobile US (in particular higher-priced smartphones) as of the reporting date and negative exchange rate effects from the translation of U.S. dollars to euros was offset by an increase in inventories in the other operating segments.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The decrease in the carrying amount of the non-current assets and disposal groups held for sale of EUR 0.2 billion to EUR 0.1 billion was due to the following effects. Firstly, the sale of Strato AG completed effective midnight March 31, 2017 reduced the carrying amount by EUR 0.1 billion. In addition, the transaction between T-Mobile US and a competitor in March 2017 on the exchange of spectrum licenses also reduced the carrying amount by EUR 0.1 billion.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets decreased by EUR 0.3 billion to EUR 60.3 billion. Additions totaling EUR 1.0 billion had an increasing effect on the carrying amount. This includes additions at T-Mobile US, largely in connection with investments in network software and the transaction completed in March 2017 with a competitor for the exchange of spectrum licenses. Amortization in the amount of EUR 1.0 billion and negative exchange rate effects of EUR 0.3 billion, primarily from the translation of U.S. dollars into euros, reduced the carrying amount.

Property, plant and equipment remained unchanged compared with December 31, 2016 at EUR 46.8 billion. Additions of EUR 2.6 billion primarily in the United States and Germany operating segments increased the carrying amount. These included in particular investments in connection with the modernization of the T-Mobile US 4G/LTE network and the broadband/fiber-optic build-out in the Germany operating segment. Moreover, EUR 0.2 billion were attributable to capitalized higher-priced mobile devices. These relate to the JUMP! On Demand business model introduced at T-Mobile US under which customers no longer purchase the device but lease it. By contrast, negative exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.2 billion. Depreciation charges of EUR 2.1 billion had a decreasing effect on the carrying amount, as did disposals of EUR 0.3 billion.

OTHER FINANCIAL ASSETS

Other financial assets decreased by EUR 1.7 billion compared with December 31, 2016 to EUR 11.9 billion. This is largely due to the EUR 0.7 billion impairment of the stock exchange-traded financial stake in BT recognized in profit and loss as of March 31, 2017. The exercise and subsequent measurement of options embedded in bonds issued by T-Mobile US (termination rights) reduced the carrying amount by EUR 0.4 billion. The sale of Strato AG completed effective midnight March 31, 2017 resulted in a purchase price receivable of EUR 0.6 billion.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 1.5 billion to EUR 9.0 billion. This decrease was attributable to the reduction in the portfolio of liabilities in the United States, Europe, and Germany operating segments. Exchange rate effects from the translation of U.S. dollars to euros had a negative impact totaling EUR 0.1 billion.

FINANCIAL LIABILITIES

Financial liabilities increased by EUR 0.6 billion to a total of EUR 65.3 billion compared with the end of 2016.

In January 2017, Deutsche Telekom placed U.S. dollar bonds with a volume of USD 3.5 billion (around EUR 3.3 billion) with institutional investors. These comprised a 3-year variable-interest bond with a volume of USD 0.400 billion and a mark-up of 58 basis points above the 3-month USD Libor; a 3-year fixed-interest bond with a volume of USD 0.850 billion and a coupon of 2.225 percent; a 5-year bond with a volume of USD 1.0 billion and a coupon of 2.820 percent; and a 10-year bond with a volume of USD 1.250 billion and a coupon of 3.600 percent. The bonds were issued by Deutsche Telekom International Finance B.V. and guaranteed by Deutsche Telekom AG. Under its debt issuance program, Deutsche Telekom International Finance B.V. additionally placed euro bonds with a volume of EUR 3.5 billion guaranteed by Deutsche Telekom with institutional investors in January 2017. The bonds comprised a 4 ³/₄-year fixed-interest bond with a volume of EUR 1.0 billion and a coupon of 0.375 percent; a 7-year fixed-interest bond with a volume of EUR 1.25 billion and a coupon of 0.875 percent; and a 10-year bond with a volume of EUR 1.25 billion and a fixed coupon of 1.375 percent.

In January 2017, T-Mobile US prematurely canceled senior notes with a volume of USD 1.0 billion (around EUR 0.9 billion) and an interest rate of 6.625 percent. The notes were repaid on February 10, 2017 at a price of 102.208 percent of their nominal value (plus interest accrued). In addition, in February 2017, T-Mobile US prematurely canceled senior notes with a volume of USD 0.500 billion (around EUR 0.5 billion) and an interest rate of 5.250 percent. The notes were repaid on March 6, 2017 at a price of 101.313 percent of their nominal value (plus interest accrued).

Further, T-Mobile US prematurely repaid a secured external loan in the amount of USD 2 billion (around EUR 1.9 billion) in February 2017.

In March 2017, T-Mobile US placed high-yield notes with an aggregate volume of USD 1.5 billion (around EUR 1.4 billion) in a public offering in three tranches of USD 500 million each (at 4.0 percent due in 2022, at 5.125 percent and due in 2025, and at 5.375 percent and due in 2027). These notes replace higher-interest bonds that T-Mobile US prematurely repaid.

In the first quarter of 2017, a euro bond amounting to EUR 2.0 billion was repaid along with a U.S. dollar bond totaling USD 1.0 billion (around EUR 0.9 billion), a bond in Australian dollars amounting to AUD 0.1 billion (around EUR 0.1 billion), and commercial paper in the amount of EUR 0.6 billion (net).

The decrease in liabilities to banks of EUR 0.1 billion also reduced the carrying amount of the financial liabilities.

The following table shows the composition and maturity structure of financial liabilities as of March 31, 2017:

millions of €				
	Mar. 31, 2017	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	52,791	8,778	14,765	29,248
Liabilities to banks	4,030	1,317	1,991	722
Finance lease liabilities	2,633	617	1,352	664
Liabilities to non-banks from promissory notes	543	35	257	251
Liabilities with the right of creditors to priority repayment in the event of default	-	-	-	-
Other interest-bearing liabilities	1,852	1,279	396	177
Other non-interest-bearing liabilities	1,597	1,463	131	3
Derivative financial liabilities	1,827	1,382	253	192
FINANCIAL LIABILITIES	65,273	14,871	19,145	31,257

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits decreased by EUR 0.2 billion to EUR 8.3 billion, mainly due to interest rate adjustments which resulted in an actuarial gain of EUR 0.1 billion to be recognized directly in equity.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER OPERATING INCOME

millions of €		
	Q1 2017	Q1 2016
Income from the disposal of non-current assets	67	458
Income from insurance compensation	17	13
Income from reimbursements	53	51
Income from ancillary services	7	7
Miscellaneous other operating income	626	2,650
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	519	2,513
	770	3,179

Income from the disposal of non-current assets decreased by EUR 0.4 billion compared with the prior-year period. This was attributable to income recognized in the prior-year period of EUR 0.4 billion from a transaction for the exchange of spectrum licenses between T-Mobile US and a competitor that was completed in March 2016. Miscellaneous other operating income decreased year-on-year by EUR 2.0 billion to a total of EUR 0.6 billion. In the reporting period, this mainly included income from the divestiture of Strato amounting to EUR 0.5 billion. In the prior-year period, income from the sale of stakes accounted for using the equity method included EUR 2.5 billion resulting from the sale of the stake in the EE joint venture. Around EUR 0.9 billion of this amount resulted from effects recognized directly in equity in previous years.

OTHER OPERATING EXPENSES

millions of €		
	Q1 2017	Q1 2016
Legal and audit fees	(51)	(45)
Losses from asset disposals	(34)	(47)
Expenses from measurement of receivables	(189)	(204)
Other taxes	(137)	(142)
Cash and guarantee transaction costs	(82)	(74)
Insurance expenses	(21)	(21)
Miscellaneous other operating expenses	(247)	(376)
	(761)	(909)

Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses increased slightly year-on-year from EUR 3.1 billion to EUR 3.2 billion. This increase related primarily to the build-out of the 4G/LTE network in the United States operating segment. This was partially offset by depreciation in connection with the terminal equipment leased as part of the JUMP! On Demand program.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

Other financial income/expense deteriorated in the first quarter of 2017, mainly due to the following effects: the exercise and subsequent measurement of options embedded in bonds issued by T-Mobile US (termination rights) in the amount of EUR 0.4 billion, the subsequent measurement of derivatives embedded in the Mandatory Convertible Preferred Stock of T-Mobile US in the amount of EUR 0.2 billion, and the impairment of the financial stake in BT, which was recognized in profit and loss in the amount of EUR 0.7 billion. This impairment comprises both the share price effect and the exchange rate effect. For more information, please refer to the disclosures on financial instruments, page 42 et seq. In the prior-year period, other financial income/expense included a final dividend totaling EUR 0.2 billion in connection with the sale of the stake in the EE joint venture.

INCOME TAXES

A tax benefit of EUR 0.1 billion was recorded in the first quarter of 2017, which resulted in particular from the recognition of deferred taxes on federal loss carryforwards in the United States amounting to EUR 0.2 billion. In addition, taxes for previous years were reduced in Germany by a comparable amount.

In the prior-year period, a tax expense of EUR 0.9 billion was recorded, with the difference being a result of a higher profit before income taxes.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

Net cash from operating activities increased by EUR 0.9 billion year-on-year to EUR 4.4 billion, mainly as a result of the positive business development of the United States operating segment. Factoring agreements resulted in positive effects of EUR 0.4 billion on net cash from operating activities in the reporting period. This mainly relates to factoring agreements in the Germany and Systems Solutions operating segments. The effect from factoring agreements in the prior-year period totaled EUR 0.7 billion. The dividend payment received from BT amounted to EUR 0.1 billion, while in the prior-year period, the EE joint venture remitted a dividend payment totaling EUR 0.2 billion. Both a year-on-year decrease of EUR 0.1 billion in cash outflows for income taxes and a reduction of EUR 0.1 billion in net interest payments had a positive impact.

Net cash used in investing activities

millions of €	Q1 2017	Q1 2016
Cash capex		
Germany operating segment	(1,005)	(873)
United States operating segment	(1,442)	(1,756)
Europe operating segment	(475)	(940)
Systems Solutions operating segment	(86)	(78)
Group Development operating segment	(81)	(93)
Group Headquarters & Group Services	(242)	(227)
Reconciliation	51	71
	(3,280)	(3,896)
Net cash flows for collateral deposited for hedging transactions	(334)	(21)
Proceeds from the disposal of property, plant and equipment, and intangible assets	118	157
Allocation under contractual trust agreement (CTA) on pension commitments	-	(250)
Acquisition/sale of government bonds, net	5	200
Other	-	72
	(3,491)	(3,738)

Cash capex decreased by EUR 0.6 billion to EUR 3.3 billion. In the reporting period, mobile spectrum licenses were acquired for total cash of EUR 35 million, primarily in the United States operating segment. In the prior-year period, the United States and Europe operating segments had acquired mobile spectrum licenses for EUR 1.1 billion. Excluding spectrum investments, cash capex increased by EUR 0.4 billion year-on-year, in particular in connection with the network modernization, including the build-out of the 4G/LTE network, in the United States operating segment and the broadband/fiber-optic build-out in the Germany operating segment.

Net cash from financing activities

millions of €	Q1 2017	Q1 2016
Repayment of bonds	(4,424)	(886)
Dividends (including to non-controlling interests)	(1)	(9)
Repayment of financial liabilities from financed capex and opex	-	(91)
Repayment of EIB loans	(57)	-
Net cash flows for collateral deposited for hedging transactions	208	(88)
Repayment of lease liabilities	(196)	(76)
Repayment of financial liabilities for media broadcasting rights	(62)	(58)
Cash deposits from the EE joint venture, net	-	(220)
Cash flows from continuing involvement factoring, net	(5)	5
Promissory notes, net	-	(336)
Secured loans	(1,863)	-
Issuance of bonds	8,148	4,459
Commercial paper, net	(572)	(1,556)
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	14	1
	14	1
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-back	(87)	(42)
Other	(1)	(1)
	(88)	(43)
Other	(122)	(274)
	980	828

Non-cash transactions in the consolidated statement of cash flows

In the first quarter of 2017, Deutsche Telekom chose financing options totaling EUR 0.3 billion under which the payments for trade payables from operating and investing activities primarily become due at a later point in time by involving banks in the process (Q1 2016: EUR 0.2 billion). These payables are then shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash from/used in financing activities.

In the first quarter of 2017, Deutsche Telekom leased network equipment (classified as a finance lease) for a total of EUR 0.3 billion (Q1 2016: EUR 0.1 billion). The finance lease is then also shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash from/used in financing activities.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.1 billion were recognized in the first quarter of 2017 for future consideration for acquired broadcasting rights (Q1 2016: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash from/used in financing activities.

In the United States operating segment, mobile devices amounting to EUR 0.2 billion were recognized under property, plant and equipment in the reporting period (Q1 2016: EUR 0.7 billion). These relate to the JUMP! On Demand business model introduced at T-Mobile US in 2015 under which customers no longer purchase the device but lease it. The payments are presented under net cash from operating activities.

In the United States operating segment, the exchange of spectrum licenses between T-Mobile US and a competitor agreed in the third quarter of 2016 was completed in March 2017 and spectrum licenses with a value of EUR 0.1 billion were acquired in a non-cash transaction.

SEGMENT REPORTING

The table on the following page gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first quarters of 2017 and 2016.

Deutsche Telekom created the new Board of Management department Technology and Innovation, in which it has pooled the Group's overarching network, innovation, and IT tasks. This resulted in the following organizational changes: The Innovations, Telekom IT, and Technology units of the Germany, Europe, and Systems Solutions operating segments have been transferred into a separate Board department within the Group Headquarters & Group Services segment.

Since January 1, 2017, Deutsche Telekom has reported on the Group Development operating segment. Group Development actively manages and increases the value of selected subsidiaries and equity investments of the Group. The following units and subsidiaries have been included: T-Mobile Netherlands (previously in the Europe operating segment), Deutsche Funkturm (DFMG, previously in the Germany operating segment), as well as Deutsche Telekom Capital Partners (DTCP) and the stakes in BT plc, Scout24 AG, Ströer SE & Co. KGaA, and Strato, which was sold effective midnight March 31, 2017, (previously in the Group Headquarters & Group Services segment). The Group functions of Mergers & Acquisitions and Strategic Portfolio Management have also been assigned to Group Development.

Comparative figures have been adjusted retrospectively in segment reporting.

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section "Development of business in the operating segments" in the interim Group management report, page 15 et seq.

Segment information in the first quarter

millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets ^a	Segment liabilities ^a	Investments accounted for using the equity method ^a
Germany	Q1 2017	5,069	328	5,397	1,086	(935)	0	31,560	25,094	19
	Q1 2016	5,062	323	5,385	973	(913)	(8)	32,017	25,594	20
United States	Q1 2017	8,982	-	8,982	1,003	(1,387)	0	69,456	50,975	213
	Q1 2016	7,816	0	7,816	956	(1,312)	0	68,349	49,791	216
Europe	Q1 2017	2,695	86	2,781	324	(552)	(1)	26,361	10,462	61
	Q1 2016	2,695	68	2,763	335	(574)	0	26,600	10,991	59
Systems Solutions	Q1 2017	1,369	335	1,704	(37)	(98)	0	7,586	5,273	22
	Q1 2016	1,545	314	1,859	51	(96)	0	7,462	5,243	21
Group Development	Q1 2017	444	151	595	686	(71)	0	11,177	2,735	395
	Q1 2016	430	146	575	2,640	(90)	0	11,221	2,417	397
Group Headquarters & Group Services	Q1 2017	88	649	737	(292)	(147)	(1)	41,122	53,016	11
	Q1 2016	84	698	781	(430)	(149)	(1)	37,702	50,483	12
TOTAL	Q1 2017	18,646	1,549	20,196	2,770	(3,190)	(2)	187,262	147,555	721
	Q1 2016	17,630	1,549	19,179	4,525	(3,134)	(9)	183,351	144,519	725
Reconciliation	Q1 2017	-	(1,549)	(1,549)	1	1	-	(38,638)	(38,749)	1
	Q1 2016	-	(1,549)	(1,549)	-	1	-	(34,866)	(34,879)	-
GROUP	Q1 2017	18,646	-	18,646	2,771	(3,189)	(2)	148,624	108,806	722
	Q1 2016	17,630	-	17,630	4,525	(3,133)	(9)	148,485	109,640	725

^a Figures relate to the reporting dates of March 31, 2017 and December 31, 2016, respectively.**CONTINGENT LIABILITIES**

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2016 financial year.

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in March 2017. The shareholders Deutsche Telekom AG and Daimler Financial Services AG have also asserted counterclaims based on breaches of duties by the Federal Republic of Germany in relation to the delay in the start of toll collection.

FUTURE OBLIGATIONS FROM OPERATING LEASES AND OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's obligations from operating leases and other financial obligations as of March 31, 2017:

millions of €

	Mar. 31, 2017
Future obligations from operating leases	16,827
Purchase commitments regarding property, plant and equipment	2,877
Purchase commitments regarding intangible assets	495
Firm purchase commitments for inventories	2,309
Other purchase commitments and similar obligations	13,488
Payment obligations to the Civil Service Pension Fund	3,110
Purchase commitments for interests in other companies	6
Miscellaneous other obligations	9
	39,121

DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, amounts recognized, and fair values by class and measurement category

millions of €

	Category in accordance with IAS 39	Carrying amounts Mar. 31, 2017	Amounts recognized in the statement of financial position in accordance with IAS 39			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	9,542	9,542			
Trade receivables	LaR	8,873	8,873			
Originated loans and receivables	LaR/n. a.	5,389	5,215			
Of which: collateral paid	LaR	323	323			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	5	5			
Available-for-sale financial assets	AFS	4,913		160	4,753	
Derivative financial assets						
Derivatives without a hedging relationship	FAHFT	1,099				1,099
Of which: termination rights embedded in bonds issued	FAHFT	475				475
Derivatives with a hedging relationship	n. a.	471			310	161
LIABILITIES						
Trade payables	FLAC	8,938	8,938			
Bonds and other securitized liabilities	FLAC	52,791	52,791			
Liabilities to banks	FLAC	4,030	4,030			
Liabilities to non-banks from promissory notes	FLAC	543	543			
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	-	-			
Other interest-bearing liabilities	FLAC	1,852	1,852			
Of which: collateral received	FLAC	583	583			
Other non-interest-bearing liabilities	FLAC	1,597	1,597			
Finance lease liabilities	n. a.	2,633				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHFT	1,647				1,647
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHFT	1,019				1,019
Of which: options granted to third parties for the purchase of shares in subsidiaries	FLHFT	-				-
Of which: energy forward agreement embedded in renewable energy purchase agreement	FLHFT	4				4
Derivatives with a hedging relationship	n. a.	180			15	165
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale	FLHFT	50				50
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	23,630	23,630			
Held-to-maturity investments	HtM	5	5			
Available-for-sale financial assets	AFS	4,913		160	4,753	
Financial assets held for trading	FAHFT	1,099				1,099
Financial liabilities measured at amortized cost	FLAC	69,751	69,751			
Financial liabilities held for trading	FLHFT	1,697				1,697

^a The exemption provisions under IFRS 7.29a were applied for information on specific fair values.

Trade receivables include receivables amounting to EUR 1.5 billion (December 31, 2016: EUR 1.5 billion) due in more than one year. The fair value generally equates to the carrying amount.

Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Mar. 31, 2017 ^a	Category in accordance with IAS 39	Amounts recognized in the statement of financial position in accordance with IAS 39					Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2016 ^a
			Carrying amounts Dec. 31, 2016	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
-	-	LaR	7,747	7,747				-	
-	-	LaR	9,179	9,179				-	
174	5,425	LaR/n.a.	5,664	5,482			182	5,701	
-	-	LaR	235	235				-	
-	-	HtM	8	8				-	
4,753	4,753	AfS	5,548		126	5,422		5,422	
1,099	1,099	FAHfT	1,881				1,881	1,881	
475	475	FAHfT	915				915	915	
471	471	n.a.	498			268	230	498	
-	-	FLAC	10,388	10,388				-	
58,175	58,175	FLAC	50,090	50,090				55,547	
4,114	4,114	FLAC	4,097	4,097				4,186	
663	663	FLAC	535	535				662	
-	-	FLAC	1,866	1,866				1,921	
1,885	1,885	FLAC	1,823	1,823				1,859	
-	-	FLAC	829	829				-	
-	-	FLAC	1,958	1,958				-	
2,633	2,901	n.a.	2,547				2,547	2,852	
1,647	1,647	FLHfT	1,607				1,607	1,607	
1,019	1,019	FLHfT	837				837	837	
-	-	FLHfT	-					-	
4	4	FLHfT	-					-	
180	180	n.a.	127			48	79	127	
50	50	FLHfT	50				50	50	
5,251	5,251	LaR	22,408	22,408				5,519	
-	-	HtM	8	8				-	
4,753	4,753	AfS	5,548		126	5,422		5,422	
1,099	1,099	FAHfT	1,881				1,881	1,881	
64,837	64,837	FLAC	70,757	70,757				64,175	
1,697	1,697	FLHfT	1,657				1,657	1,657	

Financial instruments measured at fair value

millions of €

	Mar. 31, 2017				Dec. 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AFS)	4,530		223	4,753	5,212		210	5,422
Financial assets held for trading (FAHFT)		624	475	1,099		966	915	1,881
Derivative financial assets with a hedging relationship		471		471		498		498
LIABILITIES								
Financial liabilities held for trading (FLHFT)		624	1,073	1,697		770	887	1,657
Derivative financial liabilities with a hedging relationship		180		180		127		127

Of the available-for-sale financial assets (AFS) presented under other non-derivative financial assets, the instruments presented in the different levels constitute separate classes of financial instruments. In each case, the fair values of the total volume of instruments recognized as Level 1 are the price quotations at the reporting date. The total volume of instruments recognized as Level 1 amounting to EUR 4,530 million (December 31, 2016: EUR 5,212 million) comprises a strategic financial stake of 12 percent in BT with a carrying amount equivalent to around EUR 4.4 billion. Following recognition in profit and loss of the impairment of the financial stake as of December 31, 2016, the fair value of the investment as of March 31, 2017 declined by a further amount equivalent to around EUR 0.7 billion. This decrease comprises both

a share price effect and an exchange rate effect and was expensed in full in the consolidated income statement. The financial stake will continue to be measured at the current share value translated into euros. Future decreases in value would have to be expensed in full (i.e., share price effect and exchange rate effect) directly in the consolidated income statement. Future increases in value would have to be recognized in full directly in equity (other comprehensive income).

Development of the carrying amounts of the financial assets and financial liabilities assigned to Level 3

millions of €

	Available-for-sale financial assets (AFS)	Financial assets held for trading (FAHFT): early redemption options embedded in bonds	Financial liabilities held for trading (FLHFT): conversion rights embedded in Mandatory Convertible Preferred Stock	Financial liabilities held for trading (FLHFT): energy forward agreement embedded in renewable energy purchase agreement
Carrying amount as of January 1, 2017	210	915	(837)	-
Additions (including first-time categorization as Level 3)	20	16	-	0
Value decreases recognized in profit/loss (including losses on disposal)	0	(155)	(193)	(4)
Value increases recognized in profit/loss (including gains on disposal)	0	12	-	-
Value decreases recognized directly in equity	(3)	-	-	-
Value increases recognized directly in equity	-	-	-	-
Disposals	(4)	(301)	-	-
Currency translation effects recognized directly in equity	-	(12)	11	-
CARRYING AMOUNT AS OF MARCH 31, 2017	223	475	(1,019)	(4)

The available-for-sale financial assets assigned to Level 3 that are carried under other non-derivative financial assets are equity investments with a carrying amount of EUR 223 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The closeness of the transaction in question to the reporting date and the question of whether the transaction was at arm's length are relevant for the decision on which information will ultimately be used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. In the case of investments with a carrying amount of EUR 98 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of March 31, 2017. In the case of investments with a carrying amount of EUR 84 million, although the last arm's length transactions relating to shares in these companies took place some time ago, based on the analysis of operational development (in particular revenue, EBIT, and liquidity), the previous carrying amount nevertheless corresponds to the fair value and, due to limited comparability, is preferable to measurement on the basis of transactions executed more recently relating to shares in comparable companies. In the case of investments with a carrying amount of EUR 41 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, measurement executed more recently relating to shares in comparable companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of net revenue (ranging between 1.40 and 5.56) were taken, using the respective median. In certain cases, due to specific circumstances, valuation discounts need to be applied to the respective multiples. If the value of the respective 2/3-quantile (1/3-quantile) had been used as a multiple with no change in the reference variables, the fair value of the investments at the reporting date would have been EUR 2 million higher (EUR 7 million lower). If the reference variables had been 10 percent higher (lower) with no change in the multiples, the fair value of the investments at the reporting date would have been EUR 2 million higher (EUR 2 million lower). In the reporting period, net expense of less than EUR 1 million was recognized in other financial income/expense for unrealized losses for the investments in the portfolio at the reporting date. Please refer to the table on the previous page for the development of the carrying amounts in the reporting period. No plans existed as of the reporting date to sell these investments.

The listed bonds and other securitized liabilities are assigned to Level 1 or Level 2 on the basis of the amount of the trading volume for the relevant instrument. As a rule, issues denominated in euros or U.S. dollars with relatively large nominal amounts are to be classified as Level 1, the rest as Level 2. The fair values of the instruments assigned to Level 1 equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of the instruments assigned to Level 2 are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

The fair values of liabilities to banks, liabilities to non-banks from promissory notes, other interest-bearing liabilities, and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that Deutsche Telekom would receive or have to pay if the financial instrument were transferred at the reporting date. Interest rates of contractual partners relevant as of the reporting date are used in this respect. The middle rates applicable as of the reporting date are used as exchange rates. In the case of interest-bearing derivatives, a distinction is made between the clean price and the dirty price. In contrast to the clean price, the dirty price also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

The financial assets held for trading assigned to Level 3 that are carried under other derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 475 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available routinely and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights were measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate for these unobservable inputs at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.8 and 2.5 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 1.7 and 3.5 percent for the maturities of the bonds and between 1.2 and 1.4 percent for shorter terms. In our opinion, 10 percent constituted the best estimate for the mean reversion, another unobservable input. If 10 percent higher (lower) interest rate volatilities in absolute terms had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 50 million higher (EUR 52 million lower) when translated into euros. If spreads of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 168 million lower (EUR 221 million higher) when translated into euros. If a mean reversion of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 18 million lower (EUR 12 million higher) when translated into euros. In the reporting period, net income of EUR 8 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. The value of the options

still in the portfolio at the reporting date did not change materially from the prior period because the amount of the parameters relevant for measurement as of the reporting date did not change materially compared with the previous reporting date. In the reporting period, several options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their total carrying amount translated into euros (EUR 301 million) were expensed and derecognized. Please refer to the table on page 44 for the development of the carrying amounts in the reporting period. The impairments recognized in profit and loss in the reporting period resulted mainly from the final measurement of the options disposed of in the reporting period immediately prior to their derecognition, because at this time, the interest rates and historical absolute interest rate volatilities that are relevant for measurement deviated accordingly from those at the last reporting date. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

The financial liabilities held for trading assigned to Level 3 that are presented under derivative financial liabilities with a carrying amount of EUR 1,019 million when translated into euros relate to stock options embedded in the Mandatory Convertible Preferred Stock issued by T-Mobile US. The Mandatory Convertible Preferred Stock will be converted into a variable number of shares of T-Mobile US on the maturity date in 2017 and, in accordance with IFRS, is disclosed as debt rather than equity. The entire instrument is split into a debt instrument (bond) measured at amortized cost and an embedded derivative measured at fair value through profit or loss. In addition to conversion on the maturity date, this derivative also includes the early conversion rights granted to investors. An observable market price is available regularly and at the reporting date for the Mandatory Convertible Preferred Stock as an entire instrument, but not for the options embedded therein. The conversion rights are measured using an option pricing model. The market price of the entire instrument and its individual components is largely dependent on T-Mobile US' share price performance and the market interest rates. If the share price of T-Mobile US had been 10 percent higher (lower) at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 197 million lower (EUR 196 million higher) when translated into euros. If a market interest rate of 100 basis points higher (lower) had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the options from T-Mobile US' perspective would have been EUR 7 million lower (EUR 7 million higher) when translated into euros. In the reporting period, a net expense of EUR 193 million when translated into euros was recognized in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. Please refer to the table on page 44 for the development of the carrying amount in the reporting period. The change in the market price in the reporting period is largely attributable to the rise in T-Mobile US' share price. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

With a carrying amount of EUR 4 million when translated into euros, the financial liabilities held for trading assigned to Level 3 that are carried under derivative financial liabilities relate to an energy forward agreement embedded in a renewable energy purchase agreement entered into by T-Mobile US. The renewable energy purchase agreement consists of two components, namely the energy forward agreement and the acquisition of renewable energy certificates by T-Mobile US. The agreement was entered into with an energy-generating facility in 2017. Its term will run for twelve years from commencement of commercial operation, which is expected at the end of 2017. The settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreement, T-Mobile US receives variable amounts based on the facility's actual energy output and then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreement is measured using a valuation model because no observable market prices are available. The value of the derivative is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 625.5 gigawatt hours per year at the reporting date. The value of the derivative is also materially influenced by future energy prices, which are not observable for the period beyond five years. Further, the value of the derivative is materially influenced by the future prices for renewable energy certificates, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices between EUR 22.51 and EUR 38.93 when translated into euros and off-peak prices between EUR 17.11 and EUR 30.64 when translated into euros. An off-peak/on-peak ratio of 57 percent was used. If 10 percent higher (lower) future energy prices had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the derivative from T-Mobile US' perspective would have been EUR 14 million higher (EUR 14 million lower) when translated into euros. If a 5 percent higher (lower) future energy output had been used for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the derivative from T-Mobile US' perspective would have been EUR 4 million higher (EUR 4 million lower) when translated into euros. If the future prices for renewable energy certificates had been doubled for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the derivative from T-Mobile US' perspective would have been EUR 3 million higher when translated into euros. If the future prices for renewable energy certificates had been set to zero for the measurement at the reporting date, with otherwise unchanged parameters, the fair value of the derivative from T-Mobile US' perspective would have been EUR 3 million lower when translated into euros. In the reporting period, a net loss of EUR 4 million when translated into euros was recognized under the Level 3 measurement in other operating expenses for unrealized losses for the derivative. Please refer to the table on page 44 for the development of the carrying amounts in the reporting period. The change in value occurring in the reporting period is mainly attributable to a decrease in observable and in unobservable energy prices. Due to its

distinctiveness, this instrument constitutes a separate class of financial instruments. The measurement of the derivative on initial recognition resulted in a positive value from T-Mobile US' perspective of EUR 45 million when translated into euros. In the view of T-Mobile US, the contract was entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero. Since the unobservable inputs have a material influence on the measurement of the derivative, the amount resulting from initial measurement was not carried on initial recognition. Instead, this amount is amortized in profit or loss on a straight-line basis over the period of commercial energy generation (EUR 4 million per year when translated into euros). This amortization adjusts the effects from measuring the derivative on an ongoing basis using the valuation model and updated parameters. All amounts from the measurement of the derivative are presented in net terms in the statement of financial position (other derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

Energy forward agreement: development of the measurement amount on initial recognition not yet amortized
millions of €

Measurement amount on initial recognition on January 31, 2017	45
Measurement amount amortized in profit or loss in the current reporting period	-
MEASUREMENT AMOUNT NOT AMORTIZED AS OF MARCH 31, 2017	45

The financial liabilities assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 50 million resulting from an option granted to third parties in the 2015 financial year for the purchase of shares in a subsidiary of Deutsche Telekom. The term ends in 2017 and no notable fluctuations in value are expected in future. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments. It is reported in derivative financial liabilities directly associated with non-current assets and disposal groups held for sale.

Disclosures on credit risk. In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and corresponding cash collateral is then exchanged. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 583 million (December 31, 2016: EUR 829 million). The credit risk was thus reduced by EUR 582 million (December 31, 2016:

EUR 781 million) because on the reporting date the collateral received is offset by corresponding net derivative positions in this amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 1,095 million as of the reporting date (December 31, 2016: EUR 1,464 million) had a maximum credit risk of EUR 66 million (December 31, 2016: EUR 11 million) as of March 31, 2017. There is no danger of default on embedded derivatives held. For information on the amount not yet amortized from initial measurement of the energy forward agreement, please refer to the aforementioned explanation. When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 323 million (December 31, 2016: EUR 235 million) to counterparties pursuant to collateral contracts. The net amounts are normally recalculated every bank working day and offset against each other. The cash collateral paid is offset by corresponding net derivative positions of EUR 321 million at the reporting date (December 31, 2016: EUR 209 million), which is why it was not exposed to any credit risks in this amount. The collateral paid is reported under originated loans and receivables within other financial assets. On account of its close connection to the corresponding derivatives, the collateral paid constitutes a separate class of financial assets. Likewise, the collateral received, which is reported under financial liabilities, constitutes a separate class of financial liabilities on account of its connection to the corresponding derivatives. No other significant agreements reducing the maximum exposure to the credit risks of financial assets existed. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

SERVICE CONCESSION ARRANGEMENTS

Satelllic NV, Machelen, Belgium, signed a contractual arrangement with Viapass on July 25, 2014, the public agency responsible for toll collection in Belgium, for the set-up, operation, and financing of an electronic toll collection system. Following Viapass' acceptance of the system on March 30, 2016, the set-up phase was completed on March 31, 2016. As a result, income of EUR 0.1 billion from the construction contract was recognized in the prior-year period as of March 31, 2016. With the operation phase having started on April 1, 2016, the separate fees for operation and maintenance services will in the future be recognized as revenue in the respective periods in accordance with the provisions of IAS 18. Net revenue of EUR 18 million was recorded in the first quarter of 2017.

RELATED-PARTY DISCLOSURES

There were no significant changes at March 31, 2017 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2016.

EXECUTIVE BODIES**Changes in the composition of the Board of Management**

At its meeting on June 30, 2016, the Supervisory Board of Deutsche Telekom AG resolved to extend the Group Board of Management by setting up a new Board department Technology and Innovation. The new department is headed by Claudia Nemat effective January 1, 2017, who was previously responsible for the Europe and Technology department.

At its meeting on June 30, 2016, the Supervisory Board of Deutsche Telekom AG also appointed Srinu Gopalan as Board member responsible for Europe effective January 1, 2017.

EVENTS AFTER THE REPORTING PERIOD (MARCH 31, 2017)

Acquisition of spectrum licenses. On April 13, 2017, the U.S. Federal Communications Commission (FCC) announced the results of the spectrum auction started in 2016. T-Mobile US took part in the auction and acquired a total of 1,525 licenses for 600 MHz spectrum – 31 MHz on average nationwide – for a purchase price of USD 7.99 billion. The cash deposit of USD 2.2 billion put down with the FCC at the start of the auction in June 2016 and recognized under other financial assets as of March 31, 2017 is sufficient to cover the resulting advance payment obligation on April 27, 2017. The residual price of USD 5.8 billion is to be paid by May 11, 2017.

Exchange of spectrum licenses. In April 2017, T-Mobile US signed an agreement with a third party to exchange spectrum licenses. Subject to approval by the regulatory authorities, and provided other customary requirements for such a transaction are met, the transaction is expected to be completed in the second half of 2017.

Early repayment of senior notes by T-Mobile US. In April 2017, T-Mobile US prematurely repaid senior notes issued in five tranches with a total volume of USD 6.75 billion and interest rates of between 6.250 and 6.731 percent. A senior note in the amount of USD 1.75 billion was settled on April 3, 2017 at a price of 103.125 percent of the nominal value (plus interest accrued). The other senior notes with an aggregate volume of USD 5.0 billion were repaid on April 28, 2017 at prices between 100.000 percent of the nominal value (plus accrued interest) and 103.366 percent of the nominal value (plus accrued interest).

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report

includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, May 11, 2017

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Reinhard Clemens

Niek Jan van Damme

Thomas Dannenfeldt

Srini Gopalan

Dr. Christian P. Illek

Dr. Thomas Kremer

Claudia Nemat

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to March 31, 2017, which are part of the quarterly financial report pursuant to § 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, May 11, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Thomas Tandetzki
Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF PRO FORMA FIGURES

SPECIAL FACTORS

The following table presents a reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors. Reconciliations are

presented for the reporting period, the prior-year period, and the full 2016 financial year:

millions of €

	EBITDA Q1 2017	EBIT Q1 2017	EBITDA Q1 2016	EBIT Q1 2016	EBITDA FY 2016	EBIT FY 2016
EBITDA/EBIT	5,963	2,771	7,667	4,525	22,544	9,164
GERMANY	(49)	(49)	(158)	(158)	(910)	(910)
Staff-related measures	(37)	(37)	(144)	(144)	(854)	(854)
Non-staff-related restructuring	(7)	(7)	(14)	(14)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(5)	(5)	0	0	(18)	(18)
UNITED STATES	4	4	360	360	406	406
Staff-related measures	(1)	(1)	(7)	(7)	(11)	(11)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	367	367	417	417
Impairment losses	-	0	-	0	-	0
Other	5	5	0	0	0	0
EUROPE	(12)	(12)	(22)	(22)	(93)	(277)
Staff-related measures	(11)	(11)	(28)	(28)	(100)	(100)
Non-staff-related restructuring	0	0	(1)	(1)	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	7	7	25	25
Impairment losses	-	0	-	0	-	(184)
Other	0	0	0	0	(14)	(14)
SYSTEMS SOLUTIONS	(35)	(35)	(49)	(49)	(252)	(276)
Staff-related measures	(14)	(14)	(24)	(24)	(136)	(136)
Non-staff-related restructuring	0	0	(2)	(2)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	-	0	-	0	-	0
Other	(21)	(21)	(24)	(24)	(111)	(135)
GROUP DEVELOPMENT	519	519	2,506	2,506	2,547	2,132
Staff-related measures	5	5	0	0	(35)	(35)
Non-staff-related restructuring	(2)	(2)	0	0	(3)	(3)
Effects of deconsolidations, disposals and acquisitions	516	516	2,507	2,507	2,585	2,585
Impairment losses	-	0	-	0	-	(415)
Other	0	0	0	0	0	0
GROUP HEADQUARTERS & GROUP SERVICES	(16)	(16)	(133)	(133)	(574)	(574)
Staff-related measures	(19)	(19)	(46)	(46)	(502)	(502)
Non-staff-related restructuring	(2)	(2)	(17)	(17)	(31)	(31)
Effects of deconsolidations, disposals and acquisitions	6	6	(49)	(49)	(11)	(11)
Impairment losses	-	0	-	0	-	0
Other	(1)	(1)	(21)	(21)	(29)	(29)
GROUP RECONCILIATION	1	1	0	0	(1)	(1)
Staff-related measures	0	0	0	0	0	0
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(1)	(1)
Other	1	1	0	0	0	0
TOTAL SPECIAL FACTORS	412	412	2,504	2,504	1,124	501
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	5,550	2,359	5,163	2,021	21,420	8,663
Profit (loss) from financial activities (adjusted for special factors)		(1,355)		(215)		(2,323)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		1,004		1,806		6,340
Income taxes (adjusted for special factors)		0		(582)		(1,858)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		1,004		1,224		4,482
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		939		1,047		4,114
Non-controlling interests (adjusted for special factors)		64		177		368

GROSS AND NET DEBT

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts, and rating agencies.

millions of €

	Mar. 31, 2017	Dec. 31, 2016	Change	Change %	Mar. 31, 2016
Financial liabilities (current)	14,871	14,422	449	3.1 %	13,876
Financial liabilities (non-current)	50,402	50,228	174	0.3 %	48,185
FINANCIAL LIABILITIES	65,273	64,650	623	1.0 %	62,061
Accrued interest	(690)	(955)	265	27.7 %	(696)
Other	(932)	(1,029)	97	9.4 %	(832)
GROSS DEBT	63,651	62,666	985	1.6 %	60,533
Cash and cash equivalents	9,542	7,747	1,795	23.2 %	7,332
Available-for-sale financial assets/ financial assets held for trading	7	10	(3)	(30.0) %	2,666
Derivative financial assets	1,570	2,379	(809)	(34.0) %	2,654
Other financial assets	2,569	2,571	(2)	(0.1) %	278
NET DEBT	49,963	49,959	4	0.0 %	47,603

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST QUARTER OF 2017

millions of €

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets ^a	Segment liabilities ^a
Q1 2016/MARCH 31, 2016								
PRESENTATION AS OF MARCH 31, 2016 - AS REPORTED								
Germany	5,452	1,074	2,022	2,180	(940)	(8)	33,353	26,423
United States	7,816	956	2,268	1,908	(1,312)	-	68,349	49,791
Europe	3,080	326	962	986	(636)	-	30,778	12,519
Systems Solutions	2,045	30	146	206	(116)	-	9,031	6,073
Group Development	-	-	-	-	-	-	-	-
Group Headquarters & Group Services	513	2,139	2,269	(117)	(129)	(1)	42,628	50,502
TOTAL	18,906	4,525	7,667	5,163	(3,133)	(9)	184,139	145,308
Reconciliation	(1,276)	-	-	-	-	-	(35,654)	(35,668)
GROUP	17,630	4,525	7,667	5,163	(3,133)	(9)	148,485	109,640
Q1 2016/MARCH 31, 2016								
+/- CHANGE IN DISCLOSURE: TECHNOLOGY AND INNOVATION BOARD DEPARTMENT AND GROUP DEVELOPMENT OPERATING SEGMENT								
Germany	(67)	(101)	(128)	(128)	27	-	(1,336)	(829)
United States	-	-	-	-	-	-	-	-
Europe	(317)	9	(53)	(55)	62	-	(4,178)	(1,528)
Systems Solutions	(186)	21	1	(10)	20	-	(1,569)	(830)
Group Development	575	2,640	2,730	223	(90)	-	11,221	2,417
Group Headquarters & Group Services	268	(2,569)	(2,549)	(30)	(20)	-	(4,926)	(19)
TOTAL	273	-	1	-	(1)	-	(788)	(789)
Reconciliation	(273)	-	(1)	-	1	-	788	789
GROUP	-	-	-	-	-	-	-	-
Q1 2016/MARCH 31, 2016								
= PRESENTATION AS OF MARCH 31, 2017								
Germany	5,385	973	1,894	2,052	(913)	(8)	32,017	25,594
United States	7,816	956	2,268	1,908	(1,312)	-	68,349	49,791
Europe	2,763	335	909	931	(574)	-	26,600	10,991
Systems Solutions	1,859	51	147	196	(96)	-	7,462	5,243
Group Development	575	2,640	2,730	223	(90)	-	11,221	2,417
Group Headquarters & Group Services	781	(430)	(280)	(147)	(149)	(1)	37,702	50,483
TOTAL	19,179	4,525	7,668	5,163	(3,134)	(9)	183,351	144,519
Reconciliation	(1,549)	-	(1)	-	1	-	(34,866)	(34,879)
GROUP	17,630	4,525	7,667	5,163	(3,133)	(9)	148,485	109,640

^a Figures relate to the reporting date December 31, 2016.

GLOSSARY

For definitions, please refer to the 2016 Annual Report and the glossary therein (page 228 et seq.).

DISCLAIMER

This Report (particularly the section "Forecast") contains forward-looking statements that reflect the current views of Deutsche Telekom's management with respect to future events. They are generally identified by the words "expect," "anticipate," "believe," "intend," "estimate," "aim," "goal," "plan," "will," "seek," "outlook," or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA, or other performance measures.

Forward-looking statements are based on current plans, estimates, and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. They include, for instance, the progress of Deutsche Telekom's workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations. In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation, and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development.

If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied

by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or anything else.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit/loss, free cash flow, gross debt, and net debt. These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For additional information on alternative performance measures, please refer to the section "Management of the Group," page 31 et seq. of the 2016 Annual Report, as well as the Deutsche Telekom website (<https://www.telekom.com/alternative-performance-measures>) under "Investor Relations."

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

FINANCIAL CALENDAR^a

May 11, 2017	May 31, 2017	June 28, 2017	August 3, 2017
Publication of the Interim Group Report as of March 31, 2017	2017 shareholders' meeting (Cologne)	Dividend payment ^b	Publication of the Interim Group Report as of June 30, 2017
November 9, 2017	February 22, 2018	May 9, 2018	
Publication of the Interim Group Report as of September 30, 2017	Publication of the 2017 Annual Report	Publication of the Interim Group Report as of March 31, 2018	

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

^b Deutsche Telekom is again considering offering the option of paying the dividend either in cash or in the form of shares. The cash dividend is expected to be paid out on June 28, 2017, subject to approval by the relevant bodies and the fulfillment of other legal provisions.

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This Interim Group Report can be downloaded from the Investor Relations site on the Internet at:
www.telekom.com/investor-relations

Our Annual Report is available online at:
www.telekom.com/geschaeftsbericht
www.telekom.com/annualreport

The English version of the Interim Group Report for January 1 to March 31, 2017 is a translation of the German version of the Interim Group Report. The German version is legally binding.

This Interim Group Report is a publication of Deutsche Telekom AG.

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