DEUTSCHE TELEKOM

INTERIM GROUP REPORT
JANUARY 1 TO JUNE 30, 2017

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
REVENUE AND EARNINGS								
Net revenue		18,890	17,817	6.0 %	37,537	35,447	5.9 %	73,095
Of which: domestic	%	31.9	34.0		32.3	34.3		33.7
Of which: international	%	68.1	66.0		67.7	65.7		66.3
Profit from operations (EBIT)		2,830	1,546	83.1 %	5,601	6,071	(7.7) %	9,164
Net profit (loss)		874	621	40.7 %	1,621	3,746	(56.7) %	2,675
Net profit (loss) (adjusted for special factors)		1,199	1,054	13.8 %	2,138	2,101	1.8 %	4,114
EBITDA		5,986	4,697	27.4 %	11,949	12,364	(3.4) %	22,544
EBITDA (adjusted for special factors)		5,944	5,457	8.9 %	11,495	10,620	8.2 %	21,420
EBITDA margin (adjusted for special factors)	%	31.5	30.6		30.6	30.0		29.3
Earnings per share basic/diluted	€	0.19	0.13	46.2 %	0.35	0.81	(56.8) %	0.58
STATEMENT OF FINANCIAL POSITION								
Total assets					141,490	143,466	(1.4) %	148,485
Shareholders' equity					38,594	36,968	4.4 %	38,845
Equity ratio	%				27.3	25.8		26.2
Net debt					55,249	48,692	13.5 %	49,959
CASH FLOWS								
Net cash from operating activities		4,204	3,931	6.9 %	8,559	7,427	15.2 %	15,533
Cash capex		(10,240)	(2,703)	n. a.	(13,520)	(6,599)	n. a.	(13,640)
Free cash flow (before dividend payments and spectrum investment)		1,301	1,320	(1.4) %	2,530	2,142	18.1 %	4,939
Net cash used in investing activities		(7,212)	(2,229)	n. a.	(10,703)	(5,967)	(79.4) %	(13,608)
Net cash used in financing activities		(3,950)	(1,940)	n. a.	(2,970)	(1,112)	n. a.	(1,322)

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS

millions

	June 30, 2017	Dec. 31, 2016	Change June 30, 2017/ Dec. 31, 2016 %	June 30, 2016	Change June 30, 2017/ June 30, 2016 %
Mobile customers	163.1	165.0	(1.2) %	160.7	1.5 %
Fixed-network lines	28.1	28.5	(1.4) %	28.6	(1.7) %
Broadband lines [a]	18.7	18.5	1.1 %	18.1	3.3 %

[a] Excluding wholesale.

The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" of the 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.

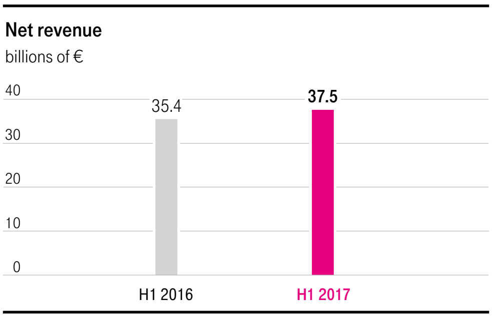
CONTENTS

TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

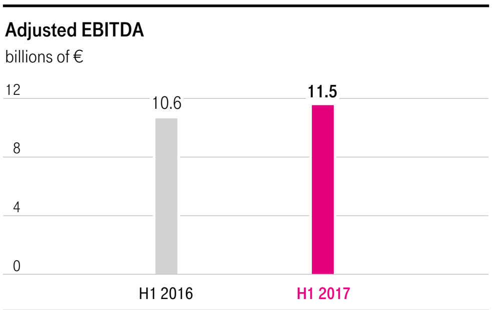
NET REVENUE

- Growth trend continued: Net revenue grew by EUR 2.1 billion to EUR 37.5 billion – increase of 5.9 percent.
- Our United States operating segment remained the Group's growth driver with revenue increasing by 13.8 percent.
- Revenue also grew slightly by 1.5 percent in our Europe operating segment and by 0.4 percent in our Germany operating segment. In our Systems Solutions operating segment, revenue decreased by 5.2 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 4.3 percent.



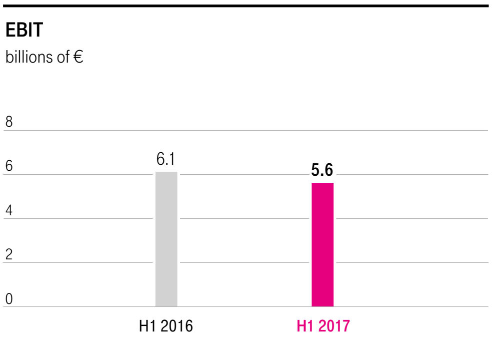
ADJUSTED EBITDA

- Adjusted EBITDA grew by 8.2 percent to EUR 11.5 billion.
- Due to the ongoing success of T-Mobile US, we generated an increase in adjusted EBITDA of 23.2 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 30.6 percent, the Group's adjusted EBITDA margin increased slightly against the prior-year level of 30.0 percent. The EBITDA margin was 38.7 percent in Germany, 32.5 percent in Europe, and 27.6 percent in the United States.



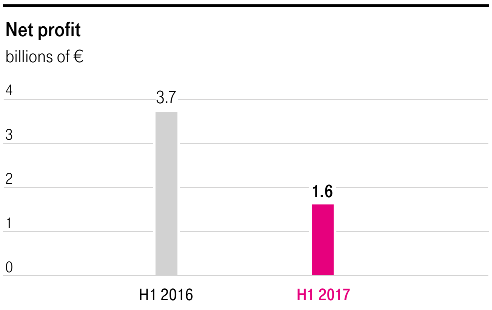
EBIT

- EBIT decreased by EUR 0.5 billion to EUR 5.6 billion.
- In the reporting period, EBIT included positive net special factors of EUR 0.5 billion, mainly attributable to the sale of Strato (EUR 0.5 billion) and further shares in Scout24 AG (EUR 0.2 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). Special factors in connection with staff-related measures amounted to EUR 0.2 billion, EUR 0.7 billion lower than the level reported in the prior-year period.
- At EUR 6.3 billion, depreciation, amortization and impairment losses were at the same level as in the prior-year period.

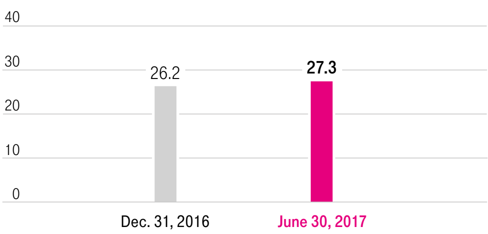


NET PROFIT

- Net profit decreased by EUR 2.1 billion to EUR 1.6 billion.
- Loss from financial activities increased by EUR 2.0 billion, mainly in connection with the EUR 1.1 billion impairment of our financial stake in BT recognized in profit and loss, as well as negative remeasurement effects from the exercise and subsequent measurement of embedded derivatives in T-Mobile US bonds.
- The tax expense of EUR 0.6 billion was EUR 0.4 billion lower than in the prior-year period. Profit attributable to non-controlling interests increased by EUR 0.1 billion.



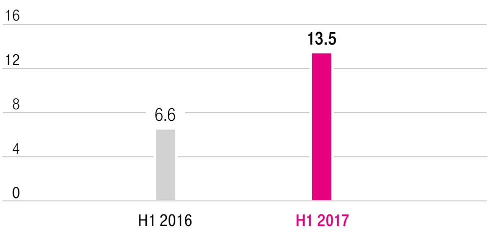
Equity ratio
%



EQUITY RATIO

- The equity ratio increased by 1.1 percentage points to 27.3 percent.
- Total assets decreased by EUR 7.0 billion compared with the end of 2016, largely due to exchange rate effects, primarily from the translation of U. S. dollars into euros, and the repayment of financial liabilities.
- Shareholders' equity decreased slightly from EUR 38.8 billion at December 31, 2016 to EUR 38.6 billion. Profit after taxes of EUR 2.0 billion had an increasing effect. Shareholders' equity was reduced by dividend payments to Deutsche Telekom's shareholders for the 2016 financial year (EUR 2.8 billion). The capital increase of EUR 1.4 billion carried out to grant our shareholders the option of converting their dividend entitlements into shares increased equity. Currency translation effects (EUR 1.2 billion) recognized directly in equity in particular also had a reducing effect.

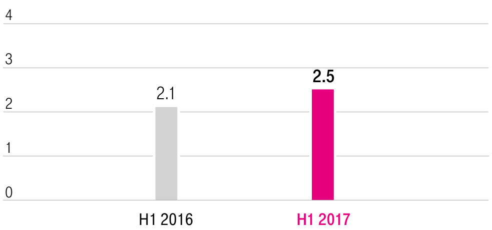
Cash capex
billions of €



CASH CAPEX

- Cash capex (including spectrum investment) increased by EUR 6.9 billion to EUR 13.5 billion.
- In the reporting period, mobile spectrum licenses were acquired for a total of EUR 7.3 billion in the United States operating segment. Of this, EUR 7.2 billion was attributable to the spectrum auction that ended in April 2017. 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 0.7 billion, primarily in the Germany and United States operating segments. In both cases, this was due to investments we have made in the build-out and modernization of our networks.

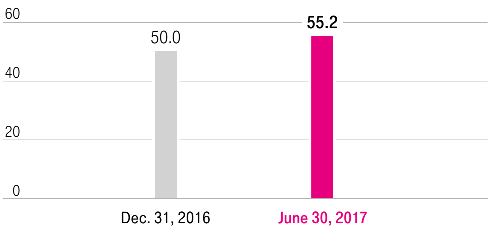
Free cash flow
(before dividend payments and spectrum investment)
billions of €



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow was up by EUR 0.4 billion to EUR 2.5 billion.
- The year-on-year increase of EUR 1.1 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 0.7 billion in cash capex (before spectrum investment) reduced free cash flow.

Net debt
billions of €



NET DEBT

- Net debt increased from EUR 50.0 billion at the end of 2016 to EUR 55.2 billion.
- The increase was attributable to the spectrum acquisition (EUR 7.3 billion) and the dividend payments – including to non-controlling interests – (EUR 1.5 billion), which were only partially offset by the positive effects from free cash flow (EUR 2.5 billion) and the sale of Strato (EUR 0.6 billion) and further shares in Scout24 AG (EUR 0.3 billion). Exchange rate effects of EUR 1.7 billion also had a positive effect.

For a more detailed explanation, please refer to the section "Development of business in the Group," page 10 et seq.

HIGHLIGHTS IN THE SECOND QUARTER OF 2017

OUTLOOK FOR 2017 REVISED

Following the better than expected development of business in the United States, we are revising our forecast upwards for the United States operating segment and the Group as a whole. We now expect adjusted EBITDA of around USD 10.3 billion, up from around USD 10.2 billion. The forecast for the Group is thus also being revised upwards from around EUR 22.2 billion to around EUR 22.3 billion.

CORPORATE TRANSACTIONS

In an accelerated book-building process as of June 23, 2017, we placed the remainder of our direct stake of 9.26 percent in Scout24 AG – which until that point had been accounted for using the equity method – on the market at a price of EUR 32.20 per share. The proceeds from the sale amounted to EUR 319 million.

On June 14, 2017, we completed the sale of DeTeMedien to a consortium of medium-sized publishers. By agreement, the purchase price remains confidential. It comprises a cash component as well as other elements, including a settlement of the dispute with the buyers, who for several years have pursued legal proceedings concerning the level of charges for subscriber data. In addition, the publishers have assumed the obligation to publish subscriber directories.

DIVIDEND

Acceptance rate for dividend in kind at record level. In 2017, we again offered our shareholders the option of converting the dividend for the 2016 financial year into Deutsche Telekom AG shares instead of receiving it as a cash payment. The option was exercised for a total of around 49 percent of the shares carrying dividend rights. This led to around 85 million new shares being issued and kept cash of some EUR 1.4 billion in the Group. The cash dividend paid out to our shareholders who did not choose this option also totaled around EUR 1.4 billion.

SPECTRUM INVESTMENT

In the spectrum auction that ended in April 2017, T-Mobile US 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. In April 2017, T-Mobile US signed an agreement with a third party for the exchange of spectrum licenses. The transaction is expected to be closed in the second half of 2017.

PARTNERSHIPS

Toll4Europe GmbH commences business activities. In April 2017, T-Systems together with Daimler AG and DKV EURO SERVICE GmbH + Co. KG established Toll4Europe GmbH for the development and provision of a European Electronic Toll System (EETS) for vehicles over 3.5 metric tons. T-Systems owns 55 percent of Toll4Europe and governs the business. A toll box that can be used across Europe is scheduled to be launched on the market in 2018. The box is to initially cover Austria, Belgium, France, Germany, and Poland. Hungary, Italy, Portugal, and Spain are also to be incorporated by market launch or as soon as possible thereafter.

Membership in the Industrial Data Space Association (IDSA). In February 2017, we joined the Industrial Data Space Association e.V. (IDSA). The non-profit association has set itself the goal of advancing the general conditions for a digitally connected economy and to establish secure exchange of data; we are primarily contributing our security expertise. The initiative was founded by representatives from the worlds of research and industry.

NEW PRODUCTS, RATE PLANS, AND SERVICES

StreamOn: revolutionizing the mobile market. Consuming music and videos free from worries anytime and anywhere – this is what more and more people want. We are now fulfilling this desire in Germany and since April 2017, we have been offering a real revolution with StreamOn. The new option for certain rate plans now enables Magenta customers to listen to music and watch video content (clips, movies, series) from participating partners on their smartphone while on the move without it affecting the high-speed data volumes included in their contract.

StartTV – The simple way to switch to digital TV. In May 2017, we expanded our TV range to include StartTV, making it simple and affordable to switch to digital television: from just EUR 2 a month StartTV offers some 100 channels, of which 22 are in HD quality, a clearly structured program guide, and a smart search function. Additional HD channels and EntertainTV mobile can also be purchased for on the go.

AWARDS

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

Major awards in the second quarter of 2017

APRIL – JUNE

The Peer Awards For Excellence (HR):
Deutsche Telekom wins in three categories with the Lead-to-Win Award (L2W Award) project

2017 readers'choice awards of Connect magazine:
Deutsche Telekom wins in ten categories, incl. best fixed network and best mobile provider as well as awards for congstar and T-Mobile Austria

"Deutscher Preis für Wirtschaftskommunikation:"
German business communication award from WeCare magazine in the Corporate Publishing category

Institutional Investor Survey 2017:
best company, best CEO, best CFO, and best IR department in the telecommunications sector

Pan-European Extel Survey 2017:
best investor relations work in all of Europe across all sectors, and best CEO and CFO in telecommunications sector in Europe

"Deutscher Investor Relations Preis:"
German IR award for best investor relations work in DAX

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,** effective as of January 1, 2017, 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. The Technology and Innovation Board department is headed by Claudia Nemat, who was previously responsible for the Europe and Technology department. Srini Gopalan was appointed as the new Board of Management member responsible for the Europe department. 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, Ströer SE & Co. KGaA, as well as Strato, which was sold in March 2017, and the stake in Scout24 AG, which was sold in June 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 42 and 43.

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 six 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 half of 2017. In its June 2017 forecast, the OECD expects global gross domestic product (GDP) to grow by 3.5 percent in 2017, compared with 3.0 percent in 2016. Growth rates in the economies covered by our business areas also remained positive in the first half of 2017. The economies continued to profit from stable domestic consumption and rising exports. Even the Greek economy recorded two successive quarters of growth.

OUTLOOK

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

OVERALL ECONOMIC RISKS

The growth in the global economy and political developments over the last few months have reduced the probability of recessionary trends, especially in Europe. Nevertheless, we cannot rule out political risks in our markets. The main risk to global trade at present is an increase in protectionist measures. Furthermore, geopolitical crises could also have a negative impact on the economies of the countries in which we operate. The political situation in Greece has essentially stabilized. However, risk factors remain, such as the narrow parliamentary majority of the governing coalition. As such, a renewed escalation towards crisis in the political situation cannot be entirely ruled out.

TELECOMMUNICATIONS MARKET

IT security legislation. In the course of implementing the EU Network and Information Security Directive, a number of provisions were added to the German IT Security Act (IT-Sicherheitsgesetz) by resolution of the Bundestag in April and of the Bundesrat in May 2017. The implementation resolution – in addition to the existing provisions of the IT Security Act – requires online marketplaces, search engine operators, and cloud service providers to comply with minimum requirements designed to safeguard the security of their infrastructures and to report incidents. On a positive note, the legislator included additional powers for telecommunications providers to enable the detection and clearing of network outages and security incidents. This amendment marks a significant step forward in terms of the necessary inclusion of all parties involved in the value chain. It remains to be seen whether the new Federal Government will make any further attempt to address the remaining deficits in the IT Security Act in terms of the lack of systematic involvement of hardware and software manufacturers.

EU subsidies for Croatia. On June 6, 2017, the EU Commission granted its approval for EU subsidies for Croatia. The Croatian government plans to use this money to fund a state-owned network operator. This possibility is also being discussed in Greece. The development increases the risk of a massive distortion of competition and of other countries following suit.

REGULATION

Federal Network Agency consultation on the FTTH/B roll-out. The Federal Network Agency held a public consultation process from March 14, 2017 to April 26, 2017 on proposals for how regulatory support could be provided to accelerate the roll-out of fiber-optic networks (FTTH/B) with a view to rates regulation. All market players were asked to respond to the consultation paper. The 17 responses received were published on May 17, 2017. The Federal Network Agency said it will first analyze these responses, some of which are extensive, before announcing any conclusions.

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. The review is scheduled to be completed in the third quarter of 2017. A parallel rate approval process has been underway at the Federal Network Agency since the end of March 2017 to set the rates for the nearshore ULL substitute product. This process is also expected to be completed and the rates set in the third quarter of 2017. For more information, please refer to the explanations in section "The economic environment" in the 2016 Annual Report, page 35 et seq.

Regulation of termination rates. Following conclusion of a phase II investigation opened as a result of a serious doubts letter from the European Commission, the Federal Network Agency issued its final rates approval on July 21, 2017. The rates approved until December 31, 2018 correspond exactly to the provisional rates that have been in place since January 1, 2017. For more information, please refer to the notes in the section "The economic environment" in the 2016 Annual Report, page 35 et seq.

International roaming. The new EU Regulation to abolish roaming surcharges (commonly referred to as Roam Like at Home) within the European Union as well as in Iceland, Liechtenstein and Norway as of June 15, 2017 entered into force in the second quarter of 2017. On May 17, 2017, the European Council and European Parliament adopted the revised regulations for wholesale roaming charges, significantly reducing the regulated price caps. Deutsche Telekom had previously introduced customer-friendly Roam Like at Home offers.

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	Q1 2018	Q1 2018	800	Sealed bid [a] or auction	tbd	tbd
Germany	Q2 2018	Q4 2018	2,000/3,400–3,800	Auction (SMRA [c]) (expected)	tbd	tbd
Greece	Q4 2017	Q4 2017	1,800	Details tbd	tbd	tbd
Macedonia	Q3 2017	Q4 2017	900/1,800/ 3,400–3,800	Sealed bid [a] or auction	tbd	tbd
Netherlands	Q1 2019	Q2 2019	700/1,500/2,100	Auction, details tbd	tbd	tbd
Austria	Q3 2018	Q4 2018	3,400–3,800	Auction (CCA [b]) (expected)	tbd	tbd
Poland	Q2 2017	Q2 2017	3,700	Sealed bid	No spectrum acquired	–
Poland	Q2 2018	Q3 2018	1,500	tbd	tbd	tbd
Romania	Q2 2018	Q4 2018	700/800/1,500/ 2,600/3,500	Auction, details tbd	tbd	tbd
Slovakia	Q2 2017	Q2 2017	3,700	Auction (SMRA [c])	40 MHz for Bratislava	€ 200 thousand
Czech Republic	Q2 2017	Q3 2017 [d]	3,700	Auction (SMRA [c])	No spectrum acquired	–
Czech Republic	Q3 2017	Q4 2017	900/1,800	Extension of licenses (expected)	tbd	tbd
Hungary	Q3 2018	Q4 2018	700/1,500/2,100/ 2,300/2,600 and 26,000	Details tbd	tbd	tbd
United States	Q3 2016	Q2 2017	600	Incentive auction [e]	Regional licenses; mostly 2x20 MHz	$ 7.99 billion

[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] End of auction on July 11, 2017.
[e] Quantity and prices of spectrum to be traded depends on spectrum surrendered by radio broadcasters.

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first half of the 2017 financial year, we generated net revenue of EUR 37.5 billion, a substantial increase of EUR 2.1 billion or 5.9 percent compared with the same period in the prior year. The development of business in our United States operating segment contributed substantially to this positive trend: T-Mobile US' successful Un-carrier initiatives, expansion into new markets, and the success of the MetroPCS brand all gave a strong boost to the number of new customers and thus also to service revenues. Terminal equipment revenues continued to rise as a result of the stronger focus on offering terminal equipment under installment plans. In our German home market, there was a slight upward trend in revenue. 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 the Europe operating segment, revenue also increased slightly against the first half 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 companies operate and ongoing intense competition in the telecommunications footprint markets put further pressure on revenue. In the Systems Solutions operating segment, revenue decreased by 5.2 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 0.8 percent in the first half of 2017 compared with the same period of last year, a trend resulting mainly from the positive revenue development at T-Mobile Netherlands.

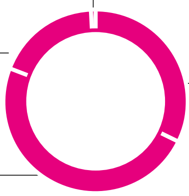
Excluding the positive exchange rate effects of EUR 0.6 billion in total – in particular from the translation of U. S. dollars into euros – revenue increased by EUR 1.5 billion or 4.3 percent. For details on the revenue trends in our Germany, United States, Europe, Systems Solutions, and Group Development 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 €

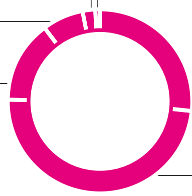
	Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
NET REVENUE	**18,646**	**18,890**	**17,817**	**6.0%**	**37,537**	**35,447**	**5.9%**	**73,095**
Germany[a]	5,397	5,371	5,338	0.6%	10,768	10,723	0.4%	21,774
United States	8,982	9,236	8,196	12.7%	18,218	16,012	13.8%	33,738
Europe[a]	2,781	2,860	2,794	2.4%	5,641	5,558	1.5%	11,454
Systems Solutions[a]	1,704	1,688	1,719	(1.8)%	3,392	3,578	(5.2)%	6,993
Group Development[a]	595	562	573	(1.9)%	1,157	1,148	0.8%	2,347
Group Headquarters & Group Services[a]	737	787	910	(13.5)%	1,525	1,691	(9.8)%	3,467
Intersegment revenue	(1,549)	(1,614)	(1,713)	5.8%	(3,164)	(3,263)	3.0%	(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 42 and 43.

Breakdown of revenue by regions
%



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 42 and 43.

At 48.5 percent, our United States operating segment again provided the largest contribution to net revenue of the Group. This was an increase of 3.3 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 65.7 percent to 67.7 percent.

EBITDA, ADJUSTED EBITDA

Excluding special factors, adjusted EBITDA increased year-on-year by EUR 0.9 billion or 8.2 percent to EUR 11.5 billion in the first half of 2017. This development was primarily driven by our United States operating segment, which recorded an increase in its adjusted EBITDA contribution of EUR 0.9 billion, mainly as a result of the continued success of the Un-carrier initiatives. In the first half of 2017, EBITDA adjusted for special factors in our Germany operating segment increased slightly. Adjusted EBITDA in our Europe operating segment decreased. Adjusted EBITDA in our Systems Solutions operating segment also declined. 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 0.8 billion or 7.0 percent.

Our EBITDA decreased year-on-year by EUR 0.4 billion to EUR 11.9 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 0.5 billion in the first half of 2017. These largely comprised income from divestitures of EUR 0.5 billion in connection with the sale of Strato completed on March 31, 2017 and income of EUR 0.2 billion from the sale of the remaining stake in Scout24 AG. The prior-year period included a gain of EUR 0.1 billion from the sale of our share package in Scout24 AG, which was concluded on April 18, 2016. Special factors in connection with staff-related measures amounted to EUR 0.2 billion, EUR 0.7 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	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**5,550**	**5,944**	**5,457**	**8.9%**	**11,495**	**10,620**	**8.2%**	**21,420**
Germany [a]	2,070	2,100	2,078	1.1%	4,170	4,129	1.0%	8,237
United States	2,386	2,640	2,172	21.5%	5,025	4,080	23.2%	8,561
Europe [a]	889	947	968	(2.2)%	1,836	1,899	(3.3)%	3,866
Systems Solutions [a]	96	136	111	22.5%	232	307	(24.4)%	530
Group Development [a]	238	236	256	(7.8)%	475	479	(0.8)%	943
Group Headquarters & Group Services [a]	(128)	(90)	(89)	(1.1)%	(218)	(236)	7.6%	(670)
Reconciliation	(1)	(25)	(39)	35.9%	(25)	(38)	34.2%	(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 42 and 43.

EBIT

Group EBIT stood at EUR 5.6 billion, down EUR 0.5 billion against the prior-year period. This change is mainly due to the effects described under EBITDA. Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment were on a par with the prior-year period.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased substantially year-on-year by EUR 2.5 billion to EUR 2.6 billion. In addition to the aforementioned effects, the loss from financial activities increased by EUR 2.0 billion, mainly as a result of the EUR 1.1 billion impairment of our financial stake in BT, which was recognized in profit and loss. Negative remeasurement effects from the exercise and subsequent measurement of embedded derivatives in T-Mobile U. S. bonds – mainly relating to the early repayment of external financial liabilities – also increased the loss from financial activities. 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 former EE joint venture.

NET PROFIT

Net profit decreased year-on-year by EUR 2.1 billion to EUR 1.6 billion. The tax expense for the first half of 2017 amounted to EUR 0.6 billion, down EUR 0.4 billion compared with the same period in the prior year. For further information, please refer to the interim consolidated financial statements, page 29 et seq. Profit attributable to non-controlling interests increased compared with the prior-year period by EUR 0.1 billion. In our United States operating segment, the increase in profit attributable to non-controlling interests was driven in particular by the positive business performance. This was partially offset by the aforementioned remeasurement effect in loss from financial activities.

Number of employees (at the reporting date)

	June 30, 2017	Dec. 31, 2016
Germany[a]	64,560	65,452
United States	43,566	44,820
Europe[a]	47,610	46,808
Systems Solutions[a]	37,801	37,472
Group Development[a]	1,980	2,572
Group Headquarters & Group Services[a]	20,618	21,216
NUMBER OF EMPLOYEES IN THE GROUP	**216,135**	**218,341**
Of which: civil servants (in Germany, with an active service relationship)	15,846	15,999

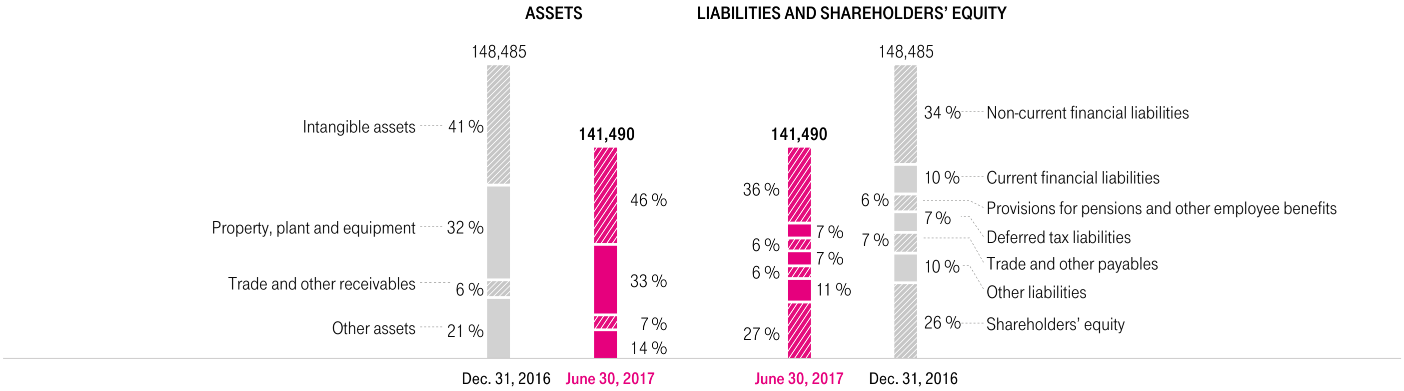
[a] Since January 1, 2017, we have reported on the Group Development operating segment and within the Group Headquarters & Group Services segment on the Board of Management department Technology and Innovation. Comparative figures have been adjusted retrospectively. For more information, please refer to the section "Group structure, strategy, and management," page 8, and the disclosures under segment reporting in the interim consolidated financial statements, pages 42 and 43.

The Group's headcount decreased by 1.0 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 1.4 percent in the first half of the year. The total number of employees in our United States operating segment decreased by 2.8 percent at June 30, 2017 compared to December 31, 2016, due to restructuring with regard to customer acquisition and customer support staff. Headcount in our Europe operating segment rose by 1.7 percent, with increases in particular in Slovakia, Greece, the F.Y.R.O. Macedonia, the Czech Republic, and Hungary, while there was an offsetting effect from the declining headcount in Romania. Headcount in our Systems Solutions operating segment rose by 0.9 percent, largely due to the integration of Telekom Security staff. The number of employees in the Group Development operating segment decreased by 23.0 percent, primarily attributable to the divestiture of Strato effective March 31, 2017. The number of employees in the Group Headquarters & Group Services segment was down 2.8 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 and ongoing staff restructuring at Vivento. 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 141.4 billion, down by EUR 7.0 billion against December 31, 2016, largely due to exchange rate effects, primarily from the translation of U. S. dollars into euros, and the repayment of financial liabilities.

The total carrying amounts of **intangible assets** and **property, plant and equipment** were up by EUR 3.7 billion against the prior year. In particular, investments in new mobile spectrum licenses by the United States operating segment at the spectrum auction that ended in April 2017 increased the carrying amount by EUR 7.2 billion. Investments in our networks, especially in upgrading the network in our United States operating segment and building out broadband/optical fiber in our Germany segment, remained high. Additions in the first half of 2017 were partially offset by depreciation, amortization and impairment losses and negative exchange rate effects mainly from the translation of U. S. dollars into euros, both of which were at the prior-year level.

Under **other assets,** cash and cash equivalents declined in particular against December 31, 2016 due in part to outflows for the spectrum license purchased in the United States amounting to EUR 5.2 billion. The decline in other financial assets compared with December 31, 2016 is attributable to the utilization of the cash deposit of EUR 2.0 billion placed in June 2016 by our United States operating segment for the spectrum auction. In addition, the EUR 1.1 billion impairment in the first half of 2017 of our stock exchange-traded financial stake in BT, which was recognized in profit and loss, along with the exercise of the right of premature cancellation of bonds issued by T-Mobile US, reduced other financial assets.

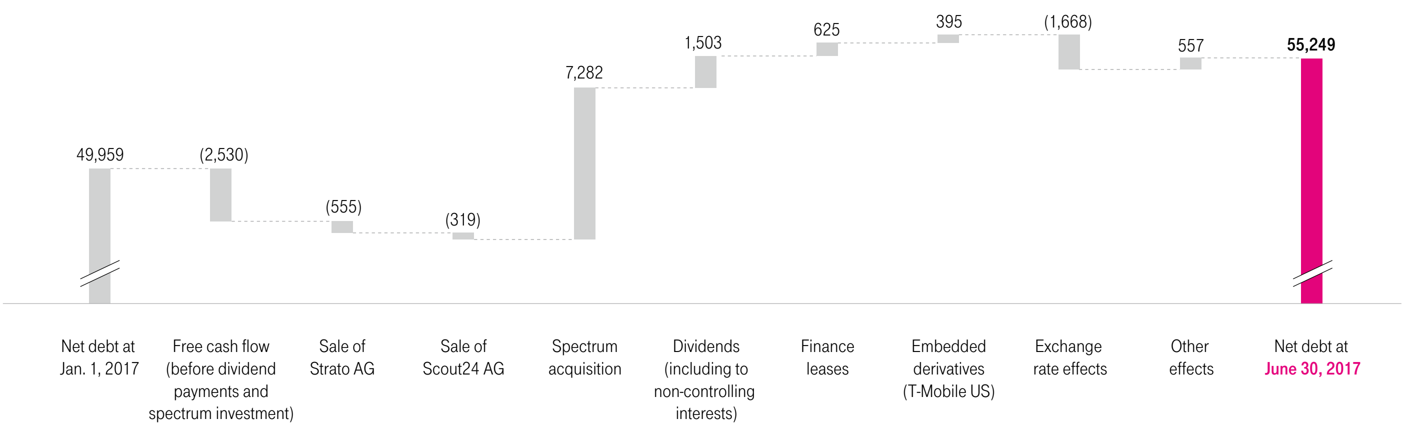
There was an overall decrease of EUR 3.7 billion in current and non-current **financial liabilities** compared with the end of 2016. This was largely a result of new bonds issued in the amount of EUR 9.4 billion (translated into euros), the repayment of matured bonds in the amount of EUR 3.3 billion (translated into euros), and the early repayment of T-Mobile US' debt instruments in the amount of EUR 9.5 billion (translated into euros). For further information, please refer to the interim consolidated financial statements, page 29 et seq.

Provisions for pensions and other employee benefits decreased by EUR 0.3 billion, mainly due to interest rate adjustments that resulted in an actuarial gain of EUR 0.3 billion recognized under other comprehensive income. **Trade and other payables** decreased by EUR 1.7 billion, due to the reduction in the portfolio of liabilities, mainly in the United States, Europe, and Germany operating segments.

Shareholders' equity decreased slightly from EUR 38.8 billion at December 31, 2016 to EUR 38.6 billion. Profit after taxes of EUR 2.0 billion had an increasing effect. Currency translation effects recognized directly in equity of EUR 1.2 billion had a decreasing effect. Dividend payments for the 2016 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to non-controlling interests in the amount of EUR 0.1 billion reduced shareholders' equity. This was partially offset by a capital increase of EUR 1.4 billion involving the contribution of the dividend entitlements, in connection with the option granted to our shareholders to have their dividend entitlements converted into shares. In addition, EUR 0.2 billion (after taxes) from the remeasurement of defined benefit plans and EUR 0.2 billion from the measurement of hedging instruments had a positive effect.

For further information on the statement of financial position, please refer to the interim consolidated financial statements, page 29 et seq.

Changes in net debt
millions of €



Other effects of EUR 0.6 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 alternative performance measures in the section "Additional information," page 53 et seq.

Free cash flow (before dividend payments and spectrum investment)
millions of €

	Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
CASH GENERATED FROM OPERATIONS	**5,280**	**4,955**	**4,513**	**9.8%**	**10,235**	**9,010**	**13.6%**	**18,166**
Interest received (paid)	(926)	(752)	(582)	(29.2)%	(1,676)	(1,583)	(5.9)%	(2,583)
NET CASH FROM OPERATING ACTIVITIES	**4,355**	**4,204**	**3,931**	**6.9%**	**8,559**	**7,427**	**15.2%**	**15,533**
Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(3,245)	(2,994)	(2,664)	(12.4)%	(6,238)	(5,495)	(13.5)%	(10,958)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	118	91	53	71.7%	209	210	(0.5)%	364
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	**1,228**	**1,301**	**1,320**	**(1.4)%**	**2,530**	**2,142**	**18.1%**	**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 2.5 billion. Net cash from operating activities increased by EUR 1.1 billion. Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment also increased by EUR 0.7 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 0.5 billion lower than in the prior-year period. This mainly relates to factoring agreements in the Germany, Systems Solutions, and United States operating segments. The dividend payment received from BT amounted to EUR 0.1 billion, while in the prior-year period, the former EE joint venture remitted a dividend payment totaling EUR 0.2 billion. A year-on-year increase in net interest payments of EUR 0.1 billion and cash inflows of EUR 0.3 billion in the prior-year period from the cancellation of interest rate derivatives had a negative effect on net cash from operating activities. A year-on-year decrease of EUR 0.1 billion in cash outflows for income taxes had a positive impact.

The EUR 0.7 billion increase in cash capex compared with the prior-year period primarily related to the Germany and United States 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, page 29 et seq.

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 42 and 43. Comparative figures have been adjusted retrospectively.

CUSTOMER DEVELOPMENT

thousands

	June 30, 2017	March 31, 2017	Change June 30, 2017/ Mar. 31, 2017 %	Dec. 31, 2016	Change June 30, 2017/ Dec. 31, 2016 %	June 30, 2016	Change June 30, 2017/ June 30, 2016 %
TOTAL							
Mobile customers [a]	42,011	42,114	(0.2) %	41,849	0.4 %	41,138	2.1 %
Contract customers	25,084	25,270	(0.7) %	25,219	(0.5) %	24,096	4.1 %
Prepay customers	16,927	16,844	0.5 %	16,630	1.8 %	17,042	(0.7) %
Fixed-network lines	19,477	19,648	(0.9) %	19,786	(1.6) %	19,971	(2.5) %
Of which: retail IP-based	10,351	9,801	5.6 %	9,042	14.5 %	7,958	30.1 %
Broadband lines	13,035	12,989	0.4 %	12,922	0.9 %	12,770	2.1 %
Of which: optical fiber	5,033	4,693	7.2 %	4,250	18.4 %	3,577	40.7 %
Television (IPTV, satellite)	3,024	2,955	2.3 %	2,879	5.0 %	2,777	8.9 %
Unbundled local loop lines (ULLs)	6,723	6,952	(3.3) %	7,195	(6.6) %	7,648	(12.1) %
Wholesale unbundled lines	4,855	4,554	6.6 %	4,212	15.3 %	3,621	34.1 %
Of which: optical fiber	3,169	2,887	9.8 %	2,555	24.0 %	2,028	56.3 %
Wholesale bundled lines	125	148	(15.5) %	165	(24.2) %	192	(34.9) %

[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. We offer best customer experience with multi-award-winning network quality – in the fixed network and in mobile communications – and with a broad product portfolio. So far, we have won 3.4 million customers for our integrated product, MagentaEins, comprising fixed-network and mobile components.

The total number of mobile customers in the first half of 2017 was on a par with the end of 2016. High demand for mobile rate plans with included data volumes resulted in an increase in the number of contract customers under the Telekom and congstar brands despite the general decline in contract customer business. We also recorded substantial growth in the number of prepay customers.

By the end of the first half of 2017, we had already migrated 14.9 million retail and wholesale lines to IP, which corresponds to a migration rate of 61 percent.

We continue to see strong demand for our fiber-optic products. As of the end of the first half of 2017, the number of lines had increased to 8.2 million overall. In other words, we connected 1.4 million lines to our fiber-optic network in Germany over the last six 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 357 thousand contract customers under our Telekom and congstar brands and at Deutschland Telekom Multibrand GmbH. We lost 452 thousand customers from contract customer business with resellers (service providers). The number of prepay customers increased by 117 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 113 thousand in the first half of 2017 compared with the end of 2016 and the number of TV customers by 145 thousand. In the traditional fixed network, the number of lines decreased by 309 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, 339 thousand customers – primarily in rural areas – have selected this innovative rate plan.

We have also connected a total of 188 thousand apartments to our network through our partnerships in the housing sector.

Wholesale
At the end of the first half of 2017, fiber-optic lines accounted for 27.1 percent of all lines – 5.0 percentage points higher than at year-end. The strong growth in our wholesale unbundled lines by 643 thousand or 15.3 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 40 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 472 thousand or 6.6 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 June 2017.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
TOTAL REVENUE		5,397	5,371	5,338	0.6 %	10,768	10,723	0.4 %	21,774
Consumers		2,918	2,878	2,863	0.5 %	5,796	5,785	0.2 %	11,739
Business Customers		1,465	1,473	1,451	1.5 %	2,937	2,898	1.3 %	5,923
Wholesale		926	928	941	(1.4) %	1,854	1,871	(0.9) %	3,742
Other		88	92	83	10.8 %	181	169	7.1 %	370
Profit from operations (EBIT)		1,086	1,042	765	36.2 %	2,129	1,738	22.5 %	3,624
EBIT margin	%	20.1	19.4	14.3		19.8	16.2		16.6
Depreciation, amortization and impairment losses		(935)	(953)	(934)	(2.0) %	(1,888)	(1,854)	(1.8) %	(3,703)
EBITDA		2,021	1,995	1,699	17.4 %	4,016	3,592	11.8 %	7,327
Special factors affecting EBITDA		(49)	(105)	(379)	72.3 %	(154)	(537)	71.3 %	(910)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,070	2,100	2,078	1.1 %	4,170	4,129	1.0 %	8,237
EBITDA margin (adjusted for special factors)	%	38.4	39.1	38.9		38.7	38.5		37.8
CASH CAPEX		(1,005)	(1,052)	(885)	(18.9) %	(2,057)	(1,758)	(17.0) %	(4,031)

Total revenue
Total revenue increased slightly compared with the prior-year period. This was partly due to a 2.5-percent rise in mobile revenues and, primarily, growth in non-contract handset revenues of 17.4 percent. Increased IT and broadband revenues had a positive impact on fixed-network revenue. This was not quite sufficient to completely offset the 1.1-percent decline in fixed-network revenue compared with the first half of 2016.

Revenue from **Consumers** remained stable year-on-year. Volume-related revenue decreases continued to drive the traditional fixed-network business. By contrast, revenue from broadband business increased by 1.3 percent. In mobile communications, revenue increased by 1.6 percent, primarily due to successful terminal equipment sales.

Revenue from **Business Customers** increased by 1.3 percent. Mobile revenues grew by 4.4 percent year-on-year. IT revenues increased by 13.6 percent. In the fixed network, by contrast, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans.

Wholesale revenue decreased slightly in the first half of 2017 by 0.9 percent, 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 4.0 billion in the first half of the reporting year, an increase of 11.8 percent year-on-year, due mainly to lower special factors for expenses in connection with our staff restructuring. At EUR 4.2 billion, EBITDA adjusted for special factors increased by 1.0 percent year-on-year in the first half of 2017, driven mainly by efficiency enhancement measures in all functions and a slight upward revenue trend. Our adjusted EBITDA margin increased to 38.7 percent (first half of 2016: 38.5 percent).

EBIT

Profit from operations increased by 22.5 percent year-on-year to EUR 2.1 billion. The slight increase in depreciation, amortization and impairment losses was offset by the higher level of EBITDA.

Cash capex

Cash capex increased by 17.0 percent compared with the first half of 2016. As part of our integrated network strategy, we again made significant investments in the broadband and fiber-optic roll-out, our IP transformation, and our mobile infrastructure.

UNITED STATES

CUSTOMER DEVELOPMENT

thousands

	June 30, 2017	March 31, 2017	Change June 30, 2017/ Mar. 31, 2017 %	Dec. 31, 2016	Change June 30, 2017/ Dec. 31, 2016 %	June 30, 2016	Change June 30, 2017/ June 30, 2016 %
UNITED STATES							
Mobile customers	69,562	72,597	(4.2) %	71,455	(2.6) %	67,384	3.2 %
Branded customers [a]	56,451	55,540	1.6 %	54,240	4.1 %	52,540	7.4 %
Branded postpaid [a]	36,158	35,341	2.3 %	34,427	5.0 %	33,626	7.5 %
Branded prepay [a]	20,293	20,199	0.5 %	19,813	2.4 %	18,914	7.3 %
Wholesale customers [a,b]	13,111	17,057	(23.1) %	17,215	(23.8) %	14,844	(11.7) %

[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.

[b] T-Mobile US believes current and future regulatory changes have made the Lifeline program offered by T-Mobile US wholesale partners uneconomical. T-Mobile US will continue to support the wholesale partners offering the Lifeline program, but have excluded the Lifeline customers from the reported wholesale subscriber base resulting in a removal of 4,368 thousand reported wholesale customers as of the beginning of the second quarter of 2017.

At June 30, 2017, the United States operating segment (T-Mobile US) had 69.6 million customers compared to 71.5 million customers at December 31, 2016. Net customer additions were 2.5 million for the six months ended June 30, 2017 – excluding Lifeline customers – compared to 4.1 million net customer additions for the six months ended June 30, 2016 due to the factors described below.

Branded customers. Branded postpaid net customer additions were 1,731 thousand for the six months ended June 30, 2017, compared to 1,931 thousand branded postpaid net customer additions for the six months ended June 30, 2016. Branded postpaid net customer additions for the six months ended June 30, 2017 were lower compared to the six months ended June 30, 2016, primarily due to increased competitive activity and higher deactivations from a growing customer base, partially offset by strong customer response to T-Mobile US' continued Un-carrier initiatives and promotional activities.

Branded prepay net customer additions were 480 thousand for the six months ended June 30, 2017, compared to 1,283 thousand branded prepay net customer additions for the six months ended June 30, 2016. The decrease was due primarily to lower gross additions from increased competitive activity in the marketplace and higher deactivations from a growing customer base. The decrease was partially offset by the continued strong performance of the MetroPCS brand.

Wholesale customers. T-Mobile US believes current and future regulatory changes have made the Lifeline program offered by T-Mobile US wholesale partners uneconomical. T-Mobile US will continue to support the wholesale partners offering the Lifeline program, but have excluded the Lifeline customers from the reported wholesale subscriber base resulting in a removal of 4,368 thousand reported wholesale customers as of the beginning of the second quarter of 2017. Taking the aforementioned approach into consideration Wholesale net customer additions were 264 thousand for the six months ended June 30, 2017, compared to wholesale net customer additions of 888 thousand for the six months ended June 30, 2016. The decrease was due primarily to lower gross customer additions, partially offset by lower customer deactivations. Net customer activity for Lifeline was also excluded beginning in the second quarter of 2017.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
TOTAL REVENUE		8,982	9,236	8,196	12.7 %	18,218	16,012	13.8 %	33,738
Profit from operations **(EBIT)**		1,003	1,328	821	61.8 %	2,331	1,777	31.2 %	3,685
EBIT margin	%	11.2	14.4	10.0		12.8	11.1		10.9
Depreciation, amortization and impairment losses		(1,387)	(1,308)	(1,302)	(0.5) %	(2,695)	(2,614)	(3.1) %	(5,282)
EBITDA		2,390	2,635	2,123	24.1 %	5,025	4,391	14.4 %	8,967
Special factors affecting EBITDA		4	(4)	(49)	91.8 %	0	311	n. a.	406
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,386	2,640	2,172	21.5 %	5,025	4,080	23.2 %	8,561
EBITDA margin (adjusted for special factors)	%	26.6	28.6	26.5		27.6	25.5		25.4
CASH CAPEX		(1,442)	(8,463)	(1,251)	n. a.	(9,905)	(3,007)	n. a.	(5,855)

Total revenue

Total revenue for the United States operating segment of EUR 18.2 billion in the first half of 2017 increased by 13.8 percent compared to EUR 16.0 billion in the first half of 2016. In U. S. dollars, T-Mobile US' total revenues increased by 10.3 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 a higher average revenue per device sold due to T-Mobile US' continued focus on equipment installment plan sales.

Adjusted EBITDA increased by 23.2 percent to EUR 5.0 billion in the first half of 2017, compared to EUR 4.1 billion in the first half of 2016. In U. S. dollars, adjusted EBITDA increased by 19.4 percent in the first half of 2017, compared to the first half 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 the success of the MetroPCS brand, partially offset by higher costs associated with network expansion, higher commissions and employee-related costs. The adjusted EBITDA margin increased to 27.6 percent in the first half of 2017, compared to 25.5 percent in the first half of 2016 due to the factors described above.

Adjusted EBITDA in the first half of 2017 excluded no net special factors compared to special factors of EUR 0.4 billion related to non-cash gains from a spectrum license transactions with AT&T which were partially offset by costs relating to the decommissioning of the MetroPCS CDMA network and stock-based compensation costs in the first half of 2016. Overall, EBITDA increased to EUR 5.0 billion in the first half of 2017, compared to EUR 4.4 billion in the first half of 2016 due to the factors described above, including the impact of special factors.

EBIT

EBIT increased to EUR 2.3 billion in the first half of 2017, compared to EUR 1.8 billion in the first half of 2016 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 increased to EUR 9.9 billion in the first half of 2017, compared to EUR 3.0 billion in the first half of 2016, due primarily to EUR 7.3 billion of spectrum licenses acquired in the first half of 2017 compared with EUR 0.6 billion of spectrum licenses acquired in the first half of 2016.

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 42 and 43. Comparative figures have been adjusted retrospectively.

thousands

		June 30, 2017	Mar. 31, 2017	Change June 30, 2017/ Mar. 31, 2017 %	Dec. 31, 2016	Change June 30, 2017/ Dec. 31, 2016 %	June 30, 2016	Change June 30, 2017/ June 30, 2016 %
EUROPE, TOTAL	Mobile customers	47,688	47,348	0.7 %	47,952	(0.6) %	48,541	(1.8) %
	Contract customers	24,854	24,482	1.5 %	24,315	2.2 %	23,840	4.3 %
	Prepay customers	22,834	22,866	(0.1) %	23,637	(3.4) %	24,702	(7.6) %
	Fixed-network lines	8,464	8,486	(0.3) %	8,531	(0.8) %	8,639	(2.0) %
	Of which: IP-based	5,416	5,190	4.4 %	5,016	8.0 %	4,514	20.0 %
	Retail broadband lines	5,509	5,444	1.2 %	5,393	2.2 %	5,307	3.8 %
	Television (IPTV, satellite, cable)	4,156	4,100	1.4 %	4,049	2.6 %	3,961	4.9 %
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,268	2,269	0.0 %	2,259	0.4 %	2,239	1.3 %
	Wholesale bundled lines	133	126	5.6 %	123	8.1 %	124	7.3 %
	Wholesale unbundled lines	260	250	4.0 %	247	5.3 %	227	14.5 %
GREECE	Mobile customers	7,737	7,733	0.1 %	7,725	0.2 %	7,610	1.7 %
	Fixed-network lines	2,539	2,547	(0.3) %	2,564	(1.0) %	2,576	(1.4) %
	Broadband lines	1,747	1,708	2.3 %	1,682	3.9 %	1,611	8.4 %
ROMANIA	Mobile customers	5,278	5,428	(2.8) %	5,722	(7.8) %	5,909	(10.7) %
	Fixed-network lines	1,922	1,937	(0.8) %	1,969	(2.4) %	2,029	(5.3) %
	Broadband lines	1,191	1,186	0.4 %	1,194	(0.3) %	1,204	(1.1) %
HUNGARY	Mobile customers	5,390	5,304	1.6 %	5,332	1.1 %	5,344	0.9 %
	Fixed-network lines	1,637	1,630	0.4 %	1,629	0.5 %	1,655	(1.1) %
	Broadband lines	1,081	1,053	2.7 %	1,040	3.9 %	1,035	4.4 %
POLAND	Mobile customers	10,251	10,229	0.2 %	10,634	(3.6) %	11,635	(11.9) %
	Fixed-network lines	31	33	(6.1) %	20	55.0 %	18	72.2 %
	Broadband lines	18	20	(10.0) %	16	12.5 %	15	20.0 %
CZECH REPUBLIC	Mobile customers	6,155	6,097	1.0 %	6,049	1.8 %	6,008	2.4 %
	Fixed-network lines	146	143	2.1 %	140	4.3 %	140	4.3 %
	Broadband lines	136	136	–	134	1.5 %	133	2.3 %
CROATIA	Mobile customers	2,237	2,210	1.2 %	2,234	0.1 %	2,246	(0.4) %
	Fixed-network lines	986	992	(0.6) %	1,001	(1.5) %	1,009	(2.3) %
	Broadband lines	797	795	0.3 %	783	1.8 %	762	4.6 %
SLOVAKIA	Mobile customers	2,235	2,230	0.2 %	2,225	0.4 %	2,227	0.4 %
	Fixed-network lines	855	854	0.1 %	850	0.6 %	848	0.8 %
	Broadband lines	655	649	0.9 %	638	2.7 %	618	6.0 %
AUSTRIA	Mobile customers	4,984	4,713	5.8 %	4,594	8.5 %	4,275	16.6 %
OTHER [a]	Mobile customers	3,420	3,404	0.5 %	3,438	(0.5) %	3,287	4.0 %
	Fixed-network lines	348	351	(0.9) %	358	(2.8) %	365	(4.7) %
	Broadband lines	279	276	1.1 %	279	–	284	(1.8) %

[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 at the end of the first half of 2017. Thanks to our convergent product portfolio MagentaOne, we were able to meet these challenges successfully, recording growth of around 31.3 percent in our FMC customer base as of June 30, 2017. 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 24.9 million. 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 half of 2017, we had a total mobile customer base of 47.7 million – customer development therefore again remained more or less stable compared with the end of 2016. This was attributable to the positive trend in the high-value contract customer business, especially at the national companies in Hungary, Poland and the Czech Republic. Overall, we recorded growth in contract customer business of 2.2 percent, or some 539 thousand net contract additions, thereby successfully continuing the growth trend of the last few quarters. At the end of the first half of 2017, contract customers accounted for 52.1 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 June 30, 2017, we already covered 91 percent of the population in the countries of our operating segment with LTE, thus reaching more than 102 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 half of 2017 – 82 percent – compared with the prior year. As a result, we almost entirely offset customer losses in the prepay business, which remained under pressure due in part to competition, but also to the effects of regulatory prepay registration requirements in Poland, which had a negative effect on customer development.

Fixed network
Our TV and entertainment services generated positive impetus in the first half of 2017. The number of TV customers grew by 2.6 percent to 4.2 million compared with the end of 2016, with the majority of the net customer additions – 107 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 half of 2017, we had already gained 1.9 million FMC customers in total, with demand rising substantially 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 8.0-percent increase relative to December 2016, we now have a portfolio of 5.4 million IP-based lines, which account for around 64.0 percent of all fixed-network lines. As of June 30, 2017, the number of fixed-network lines in our Europe operating segment was more or less stable compared with the end of 2016, at 8.5 million.

The number of retail broadband lines grew by 2.2 percent in the first half of 2017 to reach a total of 5.5 million. Fiber-optic-based lines accounted for the majority of net customer additions, once again growing considerably faster than DSL business. This success bears out our continued investment in forward-looking, fiber optic-based technologies. Romania and Hungary were the main contributors to this growth. We continued to increase our overall fiber-optic coverage, with our national companies reaching around 27 percent of households as of the reporting date.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
TOTAL REVENUE		2,781	2,860	2,794	2.4%	5,641	5,558	1.5%	11,454
Greece		690	693	702	(1.3)%	1,383	1,386	(0.2)%	2,883
Romania		230	236	242	(2.5)%	466	476	(2.1)%	985
Hungary		415	454	408	11.3%	869	811	7.2%	1,673
Poland		364	378	344	9.9%	742	721	2.9%	1,488
Czech Republic		237	248	234	6.0%	485	462	5.0%	959
Croatia		224	231	230	0.4%	455	450	1.1%	925
Slovakia		183	185	186	(0.5)%	368	373	(1.3)%	766
Austria		228	215	208	3.4%	443	416	6.5%	855
Other[a]		260	268	294	(8.8)%	528	566	(6.7)%	1,132
Profit from operations (EBIT)		324	357	373	(4.3)%	681	709	(3.9)%	1,184
EBIT margin	%	11.7	12.5	13.4		12.1	12.8		10.3
Depreciation, amortization and impairment losses		(553)	(557)	(581)	4.1%	(1,110)	(1,155)	3.9%	(2,589)
EBITDA		877	913	955	(4.4)%	1,791	1,864	(3.9)%	3,773
Special factors affecting EBITDA		(12)	(33)	(13)	n. a.	(45)	(35)	(28.6)%	(93)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		889	947	968	(2.2)%	1,836	1,899	(3.3)%	3,866
Greece		266	273	268	1.9%	539	535	0.7%	1,120
Romania		37	39	37	5.4%	76	76	–	175
Hungary		109	141	144	(2.1)%	250	270	(7.4)%	539
Poland		100	125	100	25.0%	224	220	1.8%	482
Czech Republic		100	100	100	–	200	199	0.5%	400
Croatia		84	96	95	1.1%	180	177	1.7%	374
Slovakia		77	81	79	2.5%	158	157	0.6%	302
Austria		89	69	70	(1.4)%	158	139	13.7%	258
Other[a]		28	22	74	(70.3)%	50	127	(60.6)%	215
EBITDA margin (adjusted for special factors)	%	32.0	33.1	34.6		32.5	34.2		33.8
CASH CAPEX		(475)	(403)	(371)	(8.6)%	(878)	(1,311)	33.0%	(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 5.6 billion in the first half of 2017, a slight year-on-year increase of 1.5 percent. Revenue was also slightly up on the prior-year figure in organic terms, i. e., assuming constant exchange rates.

Our national companies increased their revenues from strategic growth areas by a substantial 10.6 percent in the first half of 2017, and growth areas accounted for around 32.0 percent of total segment revenue. Mobile data business made a key contribution to this, with revenue increasing by a substantial 16.1 percent year-on-year to EUR 761 million. All countries of our Europe operating segment, but in particular Poland, Greece and Austria, contributed to this growth. Thanks to our innovative TV and program management, TV and broadband business also continued on their uptrend of recent quarters, with TV revenue rising by 7.4 percent to EUR 247 million and broadband revenue rising by 3.7 percent to EUR 351 million in the first half of 2017. In the ongoing transformation of our core business towards key growth areas, revenue from our B2B/ICT business customer operations was up compared with the first half of the prior year, primarily driven by the business areas of fixed-mobile cloud convergence (FMCC), small/medium business (SMB) digitization, smart cities/Internet of Things (IoT), and enterprise infrastructure/ICT. These areas will continue to bolster growth in the Europe business over the coming years.

We also posted revenue growth in terminal equipment sales. These upward trends offset the overall revenue decline at segment level, which was primarily attributable to voice telephony. From a country perspective, Hungary, Austria, and the Czech Republic made the biggest contributions to the organic development of revenue in the first half of 2017, which offset declining revenue in particular in Romania and Albania. In addition, intense competition on the telecommunication markets as well as lower roaming charges in many countries of our segment had a negative impact on our organic revenue.

EBITDA, adjusted EBITDA

Our Europe operating segment generated adjusted EBITDA of EUR 1.8 billion in the first half of 2017, a year-on-year decrease of 3.3 percent. In organic terms, i. e., assuming constant exchange rates, and adjusted for the internal reallocation to the new Board of Management department Technology and Innovation, adjusted EBITDA declined only slightly by 1.0 percent.

The positive revenue effect was more than offset in particular by higher costs in relation to market investments. By contrast, improved cost efficiency had a positive impact on the adjusted EBITDA trend at segment level. From a country perspective, developments at our national companies in Hungary and Albania were the main factors behind the slight decline in organic adjusted EBITDA, while the contribution to adjusted EBITDA from our national companies in Austria and Greece had an offsetting effect. In addition, adjusted 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.

EBITDA decreased by 3.9 percent year-on-year to EUR 1.8 billion, due on the one hand to a decline in adjusted EBITDA and the other to a slight increase in negative special factors. In organic terms, EBITDA decreased only slightly by 1.5 percent.

Development of operations in selected countries

Greece. In Greece, revenue totaled EUR 1.4 billion in the first half of 2017, putting it on a par with the prior-year level. 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 slightly 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 up year-on-year.

In Greece, adjusted EBITDA remained stable in the first half of 2017 at EUR 539 million. Savings in indirect costs offset the higher overall direct costs.

Hungary. In Hungary, revenue grew by 7.2 percent year-on-year to reach EUR 869 million in the first half of 2017. In organic terms, i. e., assuming constant exchange rates, revenue increased by 6.1 percent. This growth was driven by the fixed-network business with clear revenue growth in the B2B/ICT business customer operations. TV business also made a positive contribution to total revenues. Our MagentaOne FMC product also contributed to this trend, in both the consumer and business customer segments. Mobile business also saw increased revenue from mobile data services, which was up 13.2 percent compared with the prior-year period. Revenue from terminal equipment sales also increased, more than offsetting the decline in voice revenue. Furthermore, our high-speed, high-reach mobile data network had a positive effect on this trend.

Adjusted EBITDA decreased by 7.4 percent year-on-year to EUR 250 million. In organic terms, adjusted EBITDA decreased by 8.3 percent; the positive revenue effect was more than offset by higher expenses for the marketing of TV content and in B2B/ICT business customer operations. In addition, a positive one-time effect recognized in the first quarter of the prior year had a negative impact on the adjusted EBITDA trend.

Austria. Our national company in Austria generated revenue of EUR 443 million in the first half of 2017, up 6.5 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 around 31 percent. Higher visitor revenues and a one-time effect from the first quarter of 2017 also positively influenced the revenue trend. 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 158 million in the first half of 2017.

EBIT

EBIT in our Europe operating segment decreased by 3.9 percent in the first half of 2017 to EUR 681 million, due to the decline in EBITDA. Lower depreciation, amortization and impairment losses had a positive effect on EBIT.

Cash capex

In the first half of 2017, the Europe operating segment reported cash capex of EUR 878 million, a decline of EUR 433 million. This year-on-year difference was primarily due to the acquisition of mobile spectrum in Poland that was made in the first half of the prior year.

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 42 and 43. Comparative financial KPIs and order entry figures have been adjusted retrospectively.

		June 30, 2017	Mar. 31, 2017	Change June 30, 2017/ Mar. 31, 2017 %	Dec. 31, 2016	Change June 30, 2017/ Dec. 31, 2016 %	June 30, 2016	Change June 30, 2017/ June 30, 2016 %
ORDER ENTRY	millions of €	2,569	1,274	n. a.	6,851	n. a.	3,053	(15.9)%
COMPUTING & DESKTOP SERVICES								
Number of servers managed and serviced	units	65,390	64,262	1.8%	74,336	(12.0)%	66,002	(0.9)%
Number of workstations managed and serviced	millions	1.81	1.81	–	1.77	2.3%	1.73	4.6%
SYSTEMS INTEGRATION								
Hours billed	millions	3.5	1.8	n. a.	7.1	n. a.	3.6	(2.8)%
Utilization rate	%	82.7	82.5	0.2% p	83.3	(0.6)% p	83.4	(0.7)% p

Development of business

In the first half of 2017, our Systems Solutions operating segment recorded a year-on-year decline, primarily on account of the positive effect included 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 half of 2017. We did not, however, reach the level of the comparative six months. 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 half of 2016, up by 13.7 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.

To meet market requirements, we are continuously modernizing and consolidating our ICT resources and investing in innovation areas. The removal of Telekom IT from the Systems Solutions operating segment reduced the number of servers managed by 12.0 percent compared with December 31, 2016. 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 4.6 percent compared with the first half of 2016.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
TOTAL REVENUE		1,704	1,688	1,719	(1.8)%	3,392	3,578	(5.2)%	6,993
External revenue		1,369	1,349	1,402	(3.8)%	2,717	2,947	(7.8)%	5,678
Profit (loss) from operations (EBIT)		(37)	0	(62)	n. a.	(37)	(11)	n. a.	(150)
Special factors affecting EBIT		(35)	(42)	(77)	45.5%	(76)	(127)	40.2%	(276)
EBIT (adjusted for special factors)		(2)	41	15	n. a.	39	116	(66.4)%	126
EBIT margin (adjusted for special factors)	%	(0.1)	2.4	0.9		1.1	3.2		1.8
Depreciation, amortization and impairment losses		(98)	(97)	(95)	(2.1)%	(195)	(191)	(2.1)%	(428)
EBITDA		61	97	33	n. a.	158	180	(12.2)%	278
Special factors affecting EBITDA		(35)	(39)	(77)	49.4%	(74)	(127)	41.7%	(252)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		96	136	111	22.5%	232	307	(24.4)%	530
EBITDA margin (adjusted for special factors)	%	5.6	8.1	6.5		6.8	8.6		7.6
CASH CAPEX		(86)	(91)	(96)	5.2%	(177)	(174)	(1.7)%	(402)

Total revenue

Total revenue in our Systems Solutions operating segment in the first half of 2017 amounted to EUR 3.4 billion, a year-on-year decrease of 5.2 percent. This decline was primarily attributable to the completion in March 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. A slightly positive revenue trend resulted from our cloud and Internet of Things growth areas, and from revenues generated by the newly launched Telekom Security.

EBITDA, adjusted EBITDA

In the first half of 2017, adjusted EBITDA declined by EUR 75 million to EUR 232 million, mainly due to the positive billing effect in the prior-year period after the completion of the set-up phase of the toll collection system in Belgium. Despite the tense ICT market environment and the ongoing migration of some of our customer contracts to all IP, adjusted EBITDA in our Systems Solutions operating segment recorded a slightly positive trend year-on-year, when we exclude the aforementioned one-time effect.

EBITDA in our Systems Solutions operating segment decreased by EUR 22 million compared with the prior-year period to EUR 158 million, mainly due to the one-time effect described under adjusted EBITDA. This one-time effect was partially offset by a EUR 53 million decrease in negative 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 77 million compared with the first half of 2016. This was due in particular to the one-time effect in the prior year described under EBITDA. Depreciation, amortization and impairment losses were slightly above the prior-year level.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 177 million in the reporting period, a year-on-year increase of 1.7 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. 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 42 and 43. Comparative figures have been adjusted retrospectively.

CUSTOMER DEVELOPMENT

thousands

		June 30, 2017	Mar. 31, 2017	Change June 30, 2017/ Mar. 31, 2017 %	Dec. 31, 2016	Change June 30, 2017/ Dec. 31, 2016 %	June 30, 2016	Change June 30, 2017/ June 30, 2016 %
NETHERLANDS	Mobile customers	3,830	3,789	1.1 %	3,746	2.2 %	3,671	4.3 %
	Fixed-network lines	184	176	4.5 %	164	12.2 %	–	n. a.
	Broadband lines	184	176	4.5 %	164	12.2 %	–	n. a.

T-Mobile Netherlands successfully repositioned itself on the market and recorded mobile customer additions in the consumer and business customer segment in the first half of 2017. This was mainly due to a new selection of rate plans and the resulting improved marketing. The fixed-network consumer business acquired from Vodafone at the end of 2016 also generated customer growth of 12.2 percent in the first half of 2017.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
TOTAL REVENUE		595	562	573	(1.9) %	1,157	1,148	0.8 %	2,347
Netherlands		341	345	319	8.2 %	687	643	6.8 %	1,331
Profit from operations (EBIT)		686	388	217	78.8 %	1,074	2,857	(62.4) %	2,730
Depreciation, amortization and impairment losses		(71)	(71)	(87)	18.4 %	(143)	(177)	19.2 %	(760)
EBITDA		758	460	305	50.8 %	1,217	3,034	(59.9) %	3,490
Special factors affecting EBITDA		519	223	49	n. a.	742	2,555	(71.0) %	2,547
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		238	236	256	(7.8) %	475	479	(0.8) %	943
Netherlands		110	119	102	16.7 %	229	190	20.5 %	358
EBITDA margin (adjusted for special factors)	%	40.0	42.0	44.7		41.1	41.7		40.2
CASH CAPEX		(81)	(57)	(40)	(42.5) %	(138)	(133)	(3.8) %	(271)

Total revenue

Total revenue in our Group Development operating segment in the first half of 2017 increased slightly by 0.8 percent year-on-year, largely due to the positive revenue development at T-Mobile Netherlands. The non-recurrence of revenue contributions as a result of the sale of Strato had a reducing effect on total revenue. Revenue at DFMG remained virtually unchanged compared with the first half of 2016.

EBITDA, adjusted EBITDA

EBITDA decreased year-on-year by EUR 1.8 billion to EUR 1.2 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 and the remaining shares in Scout24 AG effective June 23, 2017. The disposals resulted in income recognized as special factors of around EUR 0.7 billion. The figure for the first half of the prior year included special factors of EUR 2.6 billion, primarily from the sale of our stake in the EE joint venture.

Adjusted EBITDA in our Group Development operating segment was down slightly year-on-year by 0.8 percent. Adjusted EBITDA at T-Mobile Netherlands increased by 20.5 percent year-on-year, mainly due to lower market investments resulting from a higher share of SIM-only contracts, and a significant reduction in overheads as part of a transformation program. The non-recurrence of value contributions in connection with the sale of Strato had a reducing effect on adjusted EBITDA. The slight downward trend in the operating segment was also driven by one-time effects that had affected adjusted EBITDA at DFMG in the prior-year period.

EBIT

EBIT decreased by EUR 1.8 billion compared with the first half of 2016 to EUR 1.1 billion, due to the effects described under EBITDA. Depreciation, amortization and impairment losses were down on the prior-year period.

Cash capex

Cash capex in our Group Development operating segment increased by 3.8 percent year-on-year in the first half of 2017, primarily at T-Mobile Netherlands, due to the acquisition of Vodafone's fixed-network consumer business.

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 10 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 42 and 43. Comparative figures have been adjusted retrospectively.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2017	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
TOTAL REVENUE	737	787	910	(13.5)%	1,525	1,691	(9.8)%	3,467
Loss from operations (EBIT)	(292)	(282)	(571)	50.6%	(574)	(1,001)	42.7%	(1,919)
Depreciation, amortization and impairment losses	(148)	(192)	(192)	–	(341)	(342)	0.3%	(676)
EBITDA	(144)	(90)	(379)	76.3%	(233)	(659)	64.6%	(1,243)
Special factors affecting EBITDA	(16)	1	(290)	n. a.	(15)	(423)	96.5%	(574)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(128)	(90)	(89)	(1.1)%	(218)	(236)	7.6%	(670)
CASH CAPEX	(242)	(239)	(207)	(15.5)%	(481)	(434)	(10.8)%	(936)

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first half of 2017 decreased by 9.8 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. 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, and lower intragroup revenues at Telekom IT due to the smaller revenue-related cost base also had a negative effect. Structural refinements at Deutsche Telekom Services Europe (DTSE) had a positive effect on revenue.

EBITDA, adjusted EBITDA

Adjusted EBITDA in the Group Headquarters & Group Services segment improved by EUR 18 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 a reduced headcount following the ongoing staff restructuring at Vivento. Lower operating costs at Group Services and higher income from real estate disposals also had a positive effect. By contrast, lower revenue from land and buildings had a negative impact on adjusted EBITDA.

Overall, negative net special factors of EUR 15 million affected EBITDA in the first half of 2017, largely due to staff-related expenses. Proceeds from the sale of DeTeMedien had an offsetting effect. Negative special factors of EUR 423 million in the prior-year period were mainly due to staff-related expenses.

EBIT

The year-on-year increase of EUR 427 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 47 million year-on-year, mainly owing to the purchase of more vehicles, additional construction work, and more development activities in the Technology and Innovation Board department.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2017)

For information on events after the reporting period, please refer to "Events after the reporting period" in the interim consolidated financial statements, page 50.

FORECAST

The statements in this section reflect the current views of our management. Contrary to the forecasts published in the 2016 combined management report (2016 Annual Report, page 87 et seq.), we now expect the Group's adjusted EBITDA for the 2017 financial year to reach around EUR 22.3 billion, up from the original forecast of around EUR 22.2 billion. This is largely attributable to the better development of business in the United States operating segment, where we now expect adjusted EBITDA of around USD 10.3 billion, up from around USD 10.2 billion. All other 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, pages 8 and 9. 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.

Claims relating to charges for the shared use of cable ducts. In the legal proceedings brought by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, the plaintiffs increased their claim in the appeal to around EUR 527 million plus interest.

PROCEEDINGS CONCLUDED

Reduction of the Company's contribution to the Civil Service Pension Fund. The Berlin Higher Administrative Court rejected the appeal by Deutsche Telekom AG. The decision is final and legally binding, since Deutsche Telekom AG has waived its right of appeal. The proceedings are thus concluded.

ANTI-TRUST PROCEEDINGS

Claims for damages against Slovak Telekom following the European Commission's decision to impose fines. In June 2017, Slovak Telekom received a further, thus far unsubstantiated, claim for damages of EUR 59 million from Benestra s. r. o. In addition, Orange Slovensko a. s. withdrew its complaint following the conclusion of settlement negotiations in June 2017.

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 €

	June 30, 2017	Dec. 31, 2016	Change	Change %	June 30, 2016
ASSETS					
CURRENT ASSETS	**17,808**	**26,638**	**(8,830)**	**(33.1)%**	**24,518**
Cash and cash equivalents	2,441	7,747	(5,306)	(68.5)%	7,207
Trade and other receivables	9,161	9,362	(201)	(2.1)%	8,825
Current recoverable income taxes	181	218	(37)	(17.0)%	159
Other financial assets	2,116	5,713	(3,597)	(63.0)%	4,172
Inventories	1,729	1,629	100	6.1%	1,890
Other assets	1,975	1,597	378	23.7%	1,802
Non-current assets and disposal groups held for sale	204	372	(168)	(45.2)%	463
NON-CURRENT ASSETS	**123,682**	**121,847**	**1,835**	**1.5%**	**118,948**
Intangible assets	64,809	60,599	4,210	6.9%	58,269
Property, plant and equipment	46,203	46,758	(555)	(1.2)%	44,901
Investments accounted for using the equity method	606	725	(119)	(16.4)%	782
Other financial assets	6,417	7,886	(1,469)	(18.6)%	9,218
Deferred tax assets	4,898	5,210	(312)	(6.0)%	5,208
Other assets	748	669	79	11.8%	570
TOTAL ASSETS	**141,490**	**148,485**	**(6,995)**	**(4.7)%**	**143,466**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**27,200**	**33,126**	**(5,926)**	**(17.9)%**	**30,286**
Financial liabilities	10,351	14,422	(4,071)	(28.2)%	12,570
Trade and other payables	8,735	10,441	(1,706)	(16.3)%	9,442
Income tax liabilities	358	222	136	61.3%	203
Other provisions	2,796	3,068	(272)	(8.9)%	2,852
Other liabilities	4,959	4,779	180	3.8%	5,129
Liabilities directly associated with non-current assets and disposal groups held for sale	0	194	(194)	n. a.	90
NON-CURRENT LIABILITIES	**75,696**	**76,514**	**(818)**	**(1.1)%**	**76,212**
Financial liabilities	50,638	50,228	410	0.8%	50,361
Provisions for pensions and other employee benefits	8,113	8,451	(338)	(4.0)%	8,818
Other provisions	3,215	3,320	(105)	(3.2)%	3,155
Deferred tax liabilities	9,582	10,007	(425)	(4.2)%	9,529
Other liabilities	4,148	4,508	(360)	(8.0)%	4,349
LIABILITIES	**102,896**	**109,640**	**(6,744)**	**(6.2)%**	**106,498**
SHAREHOLDERS' EQUITY	**38,594**	**38,845**	**(251)**	**(0.6)%**	**36,968**
Issued capital	12,189	11,973	216	1.8%	11,973
Treasury shares	(49)	(50)	1	2.0%	(50)
	12,140	**11,923**	**217**	**1.8%**	**11,923**
Capital reserves	54,574	53,356	1,218	2.3%	53,288
Retained earnings including carryforwards	(38,622)	(38,727)	105	0.3%	(39,007)
Total other comprehensive income	(558)	78	(636)	n. a.	(1,958)
Net profit (loss)	1,621	2,675	(1,054)	(39.4)%	3,746
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**29,155**	**29,305**	**(150)**	**(0.5)%**	**27,992**
Non-controlling interests	9,439	9,540	(101)	(1.1)%	8,976
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**141,490**	**148,485**	**(6,995)**	**(4.7)%**	**143,466**

CONSOLIDATED INCOME STATEMENT

millions of €

	Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
NET REVENUE	**18,890**	**17,817**	**6.0%**	**37,537**	**35,447**	**5.9%**	**73,095**
Other operating income	479	258	85.7%	1,250	3,437	(63.6)%	4,180
Changes in inventories	(6)	(6)	–	34	6	n. a.	(12)
Own capitalized costs	563	518	8.7%	1,105	998	10.7%	2,112
Goods and services purchased	(9,281)	(8,764)	(5.9)%	(18,593)	(17,427)	(6.7)%	(37,084)
Personnel costs	(3,824)	(4,365)	12.4%	(7,788)	(8,427)	7.6%	(16,463)
Other operating expenses	(835)	(761)	(9.7)%	(1,596)	(1,670)	4.4%	(3,284)
Depreciation, amortization and impairment losses	(3,156)	(3,151)	(0.2)%	(6,347)	(6,293)	(0.9)%	(13,380)
PROFIT FROM OPERATIONS (EBIT)	**2,830**	**1,546**	**83.1%**	**5,601**	**6,071**	**(7.7)%**	**9,164**
Finance costs	(511)	(652)	21.6%	(1,148)	(1,285)	10.7%	(2,492)
Interest income	94	48	95.8%	169	110	53.6%	223
Interest expense	(605)	(700)	13.6%	(1,318)	(1,395)	5.5%	(2,715)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	3	(1)	n. a.	7	1	n. a.	(53)
Other financial income (expense)	(445)	(93)	n. a.	(1,851)	324	n. a.	(2,072)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(953)**	**(746)**	**(27.7)%**	**(2,993)**	**(960)**	**n. a.**	**(4,617)**
PROFIT BEFORE INCOME TAXES	**1,877**	**800**	**n. a.**	**2,609**	**5,111**	**(49.0)%**	**4,547**
Income taxes	(686)	(114)	n. a.	(608)	(1,048)	42.0%	(1,443)
PROFIT (LOSS)	**1,192**	**686**	**73.8%**	**2,001**	**4,063**	**(50.8)%**	**3,104**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	874	621	40.7%	1,621	3,746	(56.7)%	2,675
Non-controlling interests	317	65	n. a.	380	317	19.9%	429

EARNINGS PER SHARE

		Q2 2017	Q2 2016	Change %	H1 2017	H1 2016	Change %	FY 2016
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	874	621	40.7%	1,621	3,746	(56.7)%	2,675
Weighted average number of ordinary shares (basic/diluted)	millions	4,669	4,597	1.6%	4,669	4,597	1.6%	4,625
EARNINGS PER SHARE BASIC/DILUTED	€	**0.19**	**0.13**	**46.2%**	**0.35**	**0.81**	**(56.8)%**	**0.58**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q2 2017	Q2 2016	Change	H1 2017	H1 2016	Change	FY 2016
PROFIT (LOSS)	**1,192**	**686**	**506**	**2,001**	**4,063**	**(2,062)**	**3,104**
Items not reclassified to the income statement retrospectively							
Gain (loss) from the remeasurement of defined benefit plans	207	(440)	647	326	(1,078)	1,404	(660)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	(65)	136	(201)	(103)	332	(435)	205
	142	**(304)**	**446**	**223**	**(746)**	**969**	**(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	0	0	0	(948)	948	(948)
Change in other comprehensive income (not recognized in income statement)	(1,171)	549	(1,720)	(1,249)	(633)	(616)	395
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	2	6	(4)	3	5	(2)	2,282
Change in other comprehensive income (not recognized in income statement)	21	(986)	1,007	20	(1,445)	1,465	(2,323)
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	205	54	151	266	298	(32)	328
Change in other comprehensive income (not recognized in income statement)	(149)	69	(218)	(92)	(340)	248	(457)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	0	7	(7)	7
Change in other comprehensive income (not recognized in income statement)	0	0	0	(1)	1	(2)	1
Income taxes relating to components of other comprehensive income	(19)	(39)	20	(56)	14	(70)	39
	(1,111)	**(347)**	**(764)**	**(1,109)**	**(3,041)**	**1,932**	**(676)**
OTHER COMPREHENSIVE INCOME	**(969)**	**(651)**	**(318)**	**(886)**	**(3,787)**	**2,901**	**(1,131)**
TOTAL COMPREHENSIVE INCOME	**223**	**35**	**188**	**1,115**	**276**	**839**	**1,973**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	312	(165)	477	1,212	58	1,154	1,306
Non-controlling interests	(89)	200	(289)	(97)	218	(315)	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				(2,523)	
Capital increase at Deutsche Telekom AG	180		839		
Capital increase from share-based payment			84		
Share buy-back/shares held in a trust deposit		1		2	
Profit (loss)					3,746
Other comprehensive income				(735)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				(36)	
BALANCE AT JUNE 30, 2016	**11,973**	**(50)**	**53,288**	**(39,007)**	**3,746**
BALANCE AT JANUARY 1, 2017	**11,973**	**(50)**	**53,356**	**(38,727)**	**2,675**
Changes in the composition of the Group					
Transactions with owners			(47)		
Unappropriated profit (loss) carried forward				2,675	(2,675)
Dividends				(2,794)	
Capital increase at Deutsche Telekom AG	216		1,175		
Capital increase from share-based payment			90		
Share buy-back/shares held in a trust deposit		1		3	
Profit (loss)					1,621
Other comprehensive income				221	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings					
BALANCE AT JUNE 30, 2017	**12,189**	**(49)**	**54,574**	**(38,622)**	**1,621**

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**
						–	(2)	(2)
(2)						(49)	62	13
						0	–	0
						(2,523)	(97)	(2,620)
						1,019	0	1,019
						84	45	129
						3	–	3
						3,746	317	4,063
(1,489)		(1,443)	(42)	8	13	(3,688)	(99)	(3,787)
						58	**218**	**276**
				36		0	–	0
(1,064)	**(62)**	**(1,333)**	**696**	**27**	**(222)**	**27,992**	**8,976**	**36,968**
(371)	**(60)**	**69**	**609**	**27**	**(196)**	**29,305**	**9,540**	**38,845**
(6)						(53)	70	17
						0	–	0
						(2,794)	(122)	(2,916)
						1,391	–	1,391
						90	48	138
						4	–	4
						1,621	380	2,001
(770)		22	174	(1)	(55)	(409)	(477)	(886)
						1,212	**(97)**	**1,115**
						–	–	–
(1,147)	**(60)**	**91**	**783**	**26**	**(251)**	**29,155**	**9,439**	**38,594**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
PROFIT BEFORE INCOME TAXES	**1,877**	**800**	**2,609**	**5,111**	**4,547**
Depreciation, amortization and impairment losses	3,156	3,151	6,347	6,293	13,380
(Profit) loss from financial activities	953	746	2,993	960	4,617
(Profit) loss on the disposal of fully consolidated subsidiaries	(31)	(1)	(550)	(7)	(7)
(Income) loss from the sale of stakes accounted for using the equity method	(226)	(55)	(226)	(2,562)	(2,591)
Other non-cash transactions	66	73	185	164	316
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(2)	11	(35)	(399)	(495)
Change in assets carried as working capital	(467)	251	(109)	(166)	(1,000)
Change in provisions	(256)	(302)	(326)	(394)	(234)
Change in other liabilities carried as working capital	(31)	(320)	(562)	(192)	(510)
Income taxes received (paid)	(100)	(135)	(180)	(267)	(527)
Dividends received	13	5	88	180	331
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	289	0	289	289
CASH GENERATED FROM OPERATIONS	**4,955**	**4,513**	**10,235**	**9,010**	**18,116**
Interest paid	(1,141)	(894)	(2,311)	(2,061)	(3,488)
Interest received	389	312	635	478	905
NET CASH FROM OPERATING ACTIVITIES	**4,204**	**3,931**	**8,559**	**7,427**	**15,533**
Cash outflows for investments in					
Intangible assets	(7,984)	(824)	(8,716)	(2,531)	(5,603)
Property, plant and equipment	(2,256)	(1,879)	(4,804)	(4,068)	(8,037)
Non-current financial assets	(98)	(43)	(175)	(353)	(483)
Payments to acquire control of subsidiaries and associates	(7)	(1)	(11)	0	(2)
Proceeds from disposal of					
Intangible assets	1	0	15	0	1
Property, plant and equipment	90	53	194	210	363
Non-current financial assets	328	110	347	153	335
Proceeds from the loss of control of subsidiaries and associates	504	0	500	11	4
Net change in short-term investments and marketable securities and receivables	2,210	353	1,948	615	(186)
Other	0	2	(1)	(4)	–
NET CASH USED IN INVESTING ACTIVITIES	**(7,212)**	**(2,229)**	**(10,703)**	**(5,967)**	**(13,608)**
Proceeds from issue of current financial liabilities	4,806	7,451	6,315	15,348	26,187
Repayment of current financial liabilities	(8,952)	(9,142)	(17,347)	(20,543)	(34,951)
Proceeds from issue of non-current financial liabilities	1,865	1,377	10,013	5,836	9,520
Repayment of non-current financial liabilities	0	0	(10)	0	(20)
Dividends (including to non-controlling interests)	(1,502)	(1,547)	(1,503)	(1,556)	(1,596)
Repayment of lease liabilities	(165)	(87)	(361)	(163)	(374)
Cash inflows from transactions with non-controlling entities	4	11	18	12	26
Cash outflows from transactions with non-controlling entities	(5)	(3)	(93)	(46)	(114)
Other	0	0	0	0	–
NET CASH USED IN FINANCING ACTIVITIES	**(3,950)**	**(1,940)**	**(2,970)**	**(1,112)**	**(1,322)**
Effect of exchange rate changes on cash and cash equivalents	(155)	113	(194)	(38)	250
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	13	–	3	–	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(7,101)**	**(125)**	**(5,306)**	**310**	**850**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**9,542**	**7,332**	**7,747**	**6,897**	**6,897**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**2,441**	**7,207**	**2,441**	**7,207**	**7,747**

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

In accordance with § 37y of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in conjunction with § 37w (2) WpHG, Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). 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 June 30, 2017 are 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 half-year 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 Unrealised 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 IFRS 12) [a]	Clarifications regarding IFRS 1, IFRS 12, and IAS 28	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.

STANDARDS, INTERPRETATIONS, AND AMENDMENTS ISSUED, BUT NOT YET TO BE APPLIED

In May 2014, the IASB issued **IFRS 15 "Revenue from Contracts with Customers."** Application of the standard is mandatory for reporting periods beginning on or after January 1, 2018. This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular the existing standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. Depending on the business model applied, the new provisions affect the following issues in particular:

- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue in future. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position.
- At the same time, this results in higher revenue from the sale of goods and merchandise and to lower revenue from the provision of services.
- The extent of the changes resulting from the initial application of IFRS 15 that are described above therefore largely depends on the business models used by the subsidiary in question. Whereas the sale of subsidized handsets in connection with the conclusion of service contracts in the retail business is still common in the Germany segment, handsets are not sold at a discount at all or only to a limited extent in the United States and to some extent in the Europe operating segments; payment-by-installment models or leased models are offered to customers instead.
- In the future, expenses for sales commissions (customer acquisition costs) must be capitalized and recognized over the estimated customer retention period.

- On first-time application of the standard, both total assets and shareholders' equity will increase due to the capitalization of contract assets and customer acquisition costs.
- Deferral, i. e., later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.
- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past) must be netted against the contract assets for each customer contract.
- For the purposes of determining whether Deutsche Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), it is unlikely that there will be any material changes.

Deutsche Telekom will utilize the option for simplified initial application, i. e., contracts that are not completed by January 1, 2018 will be accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition will be recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives will not be adjusted; instead, Deutsche Telekom will provide an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period as a result of applying IFRS 15 for the first time.

The effects will be analyzed as part of a Group-wide project for implementing the new standard. Based on management's current estimate, Deutsche Telekom expects the changeover to the new standard to result in a cumulative increase in retained earnings of EUR 3 to 4 billion before deferred taxes. This effect will be mainly attributable to the first-time recognition of

- Contract assets that, under IFRS 15, would have led to the earlier recognition of revenue from the sale of goods and merchandise, and
- Deferred customer acquisition costs that, under IFRS 15, would have resulted in the later recognition of selling expenses.

As regards the new standard's impact on the consolidated income statement, Deutsche Telekom expects the overall share of revenue from the provision of services to decrease, and the overall share of revenue from the sale of goods and merchandise to increase, by between 1 and 3 percentage points. As described, IFRS 15 means revenue will be recognized earlier and expenses will be recognized later for contracts not yet concluded by January 1, 2018. However, as the accounting effects of the changeover to the new standard will be recognized directly in equity, the only effects on profit or loss in 2018 will be related to changes in the point in time at which revenue and expenses are realized. On the assumption that business development remains unchanged, this will mean the following for a mass market characterized by a large number of customer contracts that are being concluded at different points in time:

- For existing contracts, lower service revenues and higher selling expenses from the amortization of capitalized contract assets and customer acquisition costs will be largely compensated for by
- higher revenue, on the conclusion of new contracts, from the sale of goods and lower selling expenses from the capitalization of contract assets and customer acquisition costs.

Compared with the current accounting method, major effects on earnings can thus arise only if business development changes, for example, if volumes or prices change or if there are changes to business models or products offered.

Readers are also referred to the Disclaimer at the end of this report as regards the forward-looking statements contained in this section; the latter reflect the current views of the management of Deutsche Telekom with regard to future events.

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 in the 2016 Annual Report, page 133 et seq.

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, Ströer SE & Co. KGaA, as well as Strato, which was sold in March 2017, and the stake in Scout24 AG, which was sold in June 2017 (previously 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.

Sale of DeTeMedien GmbH

On June 14, 2017, Deutsche Telekom completed the sale of all its shares in DeTeMedien GmbH to a consortium of medium-sized publishers. By agreement, the purchase price remains confidential. It comprises a cash component as well as other elements, including a settlement of the dispute with the buyers, who for several years have pursued legal proceedings concerning the level of charges for subscriber data. In addition, the publishers have assumed the obligation to publish subscriber directories.

Sale of the shares in Scout24 AG

With accounting effect from June 23, 2017, Deutsche Telekom placed its entire direct stake of 9.26 percent in Scout24 AG in the market at a price of EUR 32.20 per share. The sale resulted in proceeds of EUR 0.3 billion and generated income of EUR 0.2 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 and the aforementioned sale of Strato AG.

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.

millions of €

	Total H1 2017	H1 2016									Organic change H1 2017
		Total	Germany	United States	Europe	Systems Solutions	Group Development	Group Headquarters & Group Services	Reconciliation	Pro forma[a]	
Net revenue	37,537	35,447					12	(12)		35,447	2,090
Other operating income	1,250	3,437					0	(1)		3,436	(2,186)
Changes in inventories	34	6					0	0		6	28
Own capitalized costs	1,105	998					1	0		999	106
Goods and services purchased	(18,593)	(17,427)					(30)	11		(17,446)	(1,147)
Personnel costs	(7,788)	(8,427)					3	0		(8,424)	636
Other operating expenses	(1,596)	(1,670)					(6)	0		(1,676)	80
Depreciation, amortization and impairment losses	(6,347)	(6,293)					1	2		(6,290)	(57)
PROFIT (LOSS) FROM OPERATIONS (EBIT)	**5,601**	**6,071**	**0**	**0**	**0**	**0**	**(19)**	**0**	**0**	**6,052**	**(451)**
Finance costs	(1,148)	(1,285)					0	0		(1,285)	137
Share of profit (loss) of associates and joint ventures accounted for using the equity method	7	1					0	0		1	6
Other financial income (expense)	(1,851)	324					0	0		324	(2,175)
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(2,993)**	**(960)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(960)**	**(2,033)**
PROFIT (LOSS) BEFORE INCOME TAXES	**2,609**	**5,111**	**0**	**0**	**0**	**0**	**(19)**	**0**	**0**	**5,092**	**(2,483)**
Income taxes	(608)	(1,048)					0	0		(1,048)	440
PROFIT (LOSS)	**2,001**	**4,063**	**0**	**0**	**0**	**0**	**(19)**	**0**	**0**	**4,044**	**(2,043)**

[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 0.2 billion to EUR 9.2 billion. Receivables in the United States operating segment declined by EUR 0.3 billion, with EUR 0.4 billion being attributable to exchange rate effects from the translation of U. S. dollars to euros. By contrast, terminal equipment sold under installment plans in connection with the market launch of higher-priced smartphones in the United States operating segment increased the volume of receivables.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The net decrease of EUR 0.2 billion in the carrying amount of the non-current assets and disposal groups held for sale to EUR 0.2 billion was due to the following effects. Firstly, the sale of Strato AG completed in March 2017 reduced the carrying amount by EUR 0.1 billion. In addition, the transaction completed 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. Transactions in the Group Headquarters & Group Services segment, which included the sale of DeTeMedien GmbH in June 2017, led to a decrease of EUR 0.1 billion. By contrast, the transaction agreed upon between T-Mobile US and a competitor in April 2017 on the exchange of spectrum licenses increased the carrying amount by EUR 0.1 billion.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 4.2 billion to EUR 64.8 billion. Additions totaling EUR 9.0 billion had an increasing effect on the carrying amount. These mainly comprised additions at T-Mobile US, which were primarily related to the purchase of spectrum licenses. Of the total amount, EUR 7.2 billion was attributable to the U. S. spectrum auction concluded in April 2017. Amortization in the amount of EUR 2.1 billion and negative exchange rate effects of EUR 2.6 billion, primarily from the translation of U. S. dollars into euros, reduced the carrying amount.

Property, plant and equipment decreased by EUR 0.6 billion compared with December 31, 2016 to EUR 46.2 billion. Additions of EUR 5.5 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 0.5 billion were attributable to capitalized higher-priced mobile devices. 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. Depreciation of EUR 4.3 billion and negative exchange rate effects of EUR 1.1 billion reduced the carrying amount. Disposals in the amount of EUR 0.6 billion also decreased the carrying amount, with EUR 0.4 billion of that figure being attributable to terminal equipment returned by customers under the JUMP! On Demand program.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of investments accounted for using the equity method decreased by EUR 0.1 billion compared with December 31, 2016 to EUR 0.6 billion, mainly due to the sale of the remaining direct stake in Scout24 AG.

OTHER FINANCIAL ASSETS

Other financial assets decreased by EUR 5.1 billion compared with December 31, 2016 to EUR 8.5 billion. This decline was mainly attributable to the utilization of a cash deposit of EUR 2.0 billion placed with the U. S. telecommunications authorities in June 2016 in connection with the spectrum auction concluded in the second quarter of 2017. The EUR 1.1 billion impairment of the stock exchange-traded financial stake in BT recognized in profit and loss as of June 30, 2017 also reduced financial assets. 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.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 1.7 billion to EUR 8.7 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 also reduced trade and other payables by EUR 0.3 billion.

FINANCIAL LIABILITIES

Financial liabilities declined by EUR 3.7 billion compared with the end of 2016 to a total of EUR 61.0 billion.

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 the following bonds – guaranteed by Deutsche Telekom – with institutional investors: In January 2017, euro bonds with a total volume of EUR 3.5 billion, comprising a 4 ¾-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 April 2017, a 12-year fixed-interest pound sterling bond with a nominal volume of GBP 0.25 billion (around EUR 0.3 billion) and a coupon of 2.25 percent, and a 10-year fixed-interest Hong Kong dollar bond with a nominal volume of HKD 1.3 billion (around EUR 0.2 billion) and a coupon of 2.95 percent. In May 2017, a 9-year fixed-interest euro bond with a volume of EUR 0.75 billion and a coupon of 1.125 percent.

In the first half of 2017, T-Mobile US prematurely repaid senior notes with a total volume of USD 8.25 billion (around EUR 7.6 billion). These included, on February 10, 2017, senior notes for an amount of USD 1.0 billion (around EUR 0.9 billion) with an interest rate of 6.625 percent at a price of 102.208 percent of the nominal amount (plus accrued interest). On March 6, 2017, further senior notes were repaid in the amount of USD 0.5 billion (around EUR 0.5 billion) with an interest rate of 5.250 percent at a price of 101.313 percent of the nominal amount (plus accrued interest). On April 3, 2017, further senior notes were repaid in the amount of USD 1.75 billion (around EUR 1.6 billion) with an interest rate of 6.250 percent at a price of 103.125 percent of the nominal amount (plus accrued interest). The other senior notes with an aggregate volume of USD 5.0 billion (around EUR 4.6 billion) and an interest rate ranging between 6.464 and 6.731 percent were repaid on April 28, 2017 at prices between 100.000 percent and 103.366 percent of the nominal amount (plus accrued interest). Further, T-Mobile US prematurely repaid a secured external loan in the amount of USD 2.0 billion (around EUR 1.9 billion) in the first half of 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 and 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 half of 2017, euro bonds in a total amount of EUR 2.1 billion were 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 a Norwegian krone bond for NOK 1.3 billion (around EUR 0.1 billion).

The increase of EUR 0.9 billion in liabilities to banks compared with the end of 2016 was mainly due to promotional loans issued by the European Investment Bank in May 2017, for an amount of EUR 0.3 billion and a term of 6 years, and for an amount of EUR 0.4 billion and a term of 7 years. The net change of EUR 2.3 billion in commercial paper also increased the carrying amount of the financial liabilities.

The following table shows the composition and maturity structure of financial liabilities as of June 30, 2017:

millions of €

	June 30, 2017	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	48,450	4,827	15,620	28,003
Liabilities to banks	4,961	1,594	1,975	1,392
Finance lease liabilities	2,681	664	1,382	635
Liabilities to non-banks from promissory notes	527	61	232	234
Other interest-bearing liabilities	1,433	881	380	172
Other non-interest-bearing liabilities	1,515	1,399	113	3
Derivative financial liabilities	1,422	925	76	421
FINANCIAL LIABILITIES	**60,989**	**10,351**	**19,778**	**30,860**

LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The decrease of EUR 0.2 billion in the carrying amount of liabilities directly associated with non-current assets and disposal groups held for sale was mainly due to the sale of Strato AG (completed in March 2017) and the sale of DeTeMedien GmbH (completed in June 2017).

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits decreased by EUR 0.3 billion to EUR 8.1 billion, mainly due to interest rate adjustments which resulted in an actuarial gain of EUR 0.3 billion to be recognized directly in equity.

SHAREHOLDERS' EQUITY

The resolution on the dividend of EUR 0.60 per share for the 2016 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. In June 2017, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.4 billion were contributed in the form of shares from authorized capital and thus did not have an impact on cash flows. Deutsche Telekom AG carried out an increase in issued capital of EUR 0.2 billion against contribution of dividend entitlements for this purpose in June 2017. This increased capital reserves by EUR 1.2 billion, the number of shares by 84.6 million.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER OPERATING INCOME

millions of €

	H1 2017	H1 2016
Income from the disposal of non-current assets	105	478
Income from insurance compensation	32	30
Income from reimbursements	100	108
Income from ancillary services	16	18
Miscellaneous other operating income	997	2,803
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	776	2,569
	1,250	**3,437**

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 of EUR 0.4 billion recognized in the prior-year period for a transaction completed in March 2016 for the exchange of spectrum licenses between T-Mobile US and a competitor. Miscellaneous other operating income decreased by EUR 1.8 billion year-on-year. The main components of this item in the reporting period were income of EUR 0.5 billion from the divestiture of Strato AG and income of EUR 0.2 billion from the sale of the remaining shares in Scout24 AG, which had been accounted for using the equity method. 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 €

	H1 2017	H1 2016
Legal and audit fees	(101)	(96)
Losses from asset disposals	(70)	(78)
Expenses from measurement of receivables	(340)	(419)
Other taxes	(234)	(238)
Cash and guarantee transaction costs	(162)	(148)
Insurance expenses	(46)	(44)
Miscellaneous other operating expenses	(643)	(647)
	(1,596)	**(1,670)**

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 6.3 billion, depreciation, amortization and impairment losses were unchanged year-on-year. Depreciation and amortization primarily related to the build-out of the 4G/LTE network in the United States operating segment increased this item. This was partially offset by lower depreciation in connection with terminal equipment leased as part of the JUMP! On Demand program.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

Loss from other financial activities increased in the first half of 2016 mainly as a result of the EUR 1.1 billion impairment of our financial stake in BT, which was recognized in profit and loss. This impairment comprises both the share price effect and the exchange rate effect. The exercise and subsequent measurement of options embedded in bonds issued by T-Mobile US (termination rights) resulted in negative remeasurement effects in the amount of EUR 0.7 billion compared with the prior-year period. For more information, please refer to the disclosures on financial instruments, page 44 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 expense of EUR 0.6 billion was recorded in the first half of 2017. The comparatively low tax rate was attributable, in particular, to the recognition of deferred taxes in the amount of EUR 0.2 billion on federal loss carryforwards in the United States. In addition, taxes for previous years were reduced in Germany by a comparable amount.

In the prior-year period, a tax expense of EUR 1.0 billion was recorded. The year-on-year difference was due not only to a significantly higher profit before income taxes in the prior-year period – which also resulted in higher tax expense – but also to the fact that the positive one-time tax effects from previous years were substantially weaker in the prior-year period than in the reporting period.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

Net cash from operating activities increased by EUR 1.1 billion year-on-year to EUR 8.6 billion, mainly as a result of the positive business development of the United States operating segment. Factoring agreements resulted in positive effects of EUR 0.5 billion on net cash from operating activities in the reporting period. This mainly relates to factoring agreements in the Germany, Systems Solutions, and United States operating segments. The effect from factoring agreements in the prior-year period totaled EUR 1.0 billion. The dividend payment received from BT amounted to EUR 0.1 billion, while in the prior-year period, the former joint venture EE remitted a dividend payment totaling EUR 0.2 billion. A year-on-year increase of EUR 0.1 billion in net interest payments and cash inflows of EUR 0.3 billion in the prior-year period from the cancellation of interest rate derivatives had a negative effect on net cash from operating activities. A year-on-year decrease of EUR 0.1 billion in cash outflows for income taxes had a positive impact.

Net cash used in investing activities

millions of €

	H1 2017	H1 2016
Cash capex		
Germany operating segment	(2,057)	(1,758)
United States operating segment	(9,905)	(3,007)
Europe operating segment	(878)	(1,311)
Systems Solutions operating segment	(177)	(174)
Group Development operating segment	(138)	(133)
Group Headquarters & Group Services	(481)	(434)
Reconciliation	116	218
	(13,520)	**(6,599)**
Net cash flows for collateral deposited and hedging transactions [a]	1,799	(2,246)
Cash inflows from the sale of the shares in Scout24 AG	319	78
Proceeds from the disposal of property, plant and equipment, and intangible assets	209	210
Proceeds from the loss of control of subsidiaries and associates [b]	500	11
Allocation under contractual trust agreement (CTA) on pension commitments	–	(250)
Acquisition/sale of government bonds, net	5	2,775
Other	(15)	54
	(10,703)	**(5,967)**

[a] Of which EUR 2.0 billion relates to a cash deposit placed in the first half of 2016 for the U.S. spectrum auction concluded in the first half of 2017.
[b] Of which EUR 572 million relates to the cash inflows from purchase price payments and EUR 72 million to outflows of cash and cash equivalents.

Cash capex increased by EUR 6.9 billion to EUR 13.5 billion. In the reporting period, the United States operating segment acquired spectrum licenses for a total amount of EUR 7.3 billion, EUR 7.2 billion of which was attributable to the spectrum auction concluded in April 2017. In the prior-year period, the United States and Europe operating segments had acquired mobile spectrum licenses totaling EUR 1.1 billion. Excluding spectrum investment, cash capex increased by EUR 0.7 billion year-on-year, in particular in connection with network modernization in the United States operating segment – including build-out of the 4G/LTE network – and broadband/fiber-optic build-out in the Germany operating segment.

Net cash used in financing activities

millions of €

	H1 2017	H1 2016
Repayment of bonds	(10,952)	(2,867)
Dividends (including to non-controlling interests)	(1,503)	(1,556)
Repayment of financial liabilities from financed capex and opex	(260)	(213)
Repayment of EIB loans	(79)	(650)
Net cash flows for collateral deposited and hedging transactions	30	429
Repayment of lease liabilities	(361)	(163)
Repayment of financial liabilities for media broadcasting rights	(143)	(83)
Cash deposits from the EE joint venture, net	–	(220)
Money market loans, net	–	(150)
Cash flows from continuing involvement factoring, net	(14)	8
Loans taken out with the EIB	675	–
Promissory notes, net	–	(582)
Secured loans	(1,863)	–
Issuance of bonds	9,338	5,836
Commercial paper, net	2,358	(694)
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	18	12
	18	**12**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-back	(92)	(45)
Other	(1)	(1)
	(93)	**(46)**
Other	(121)	(173)
	(2,970)	**(1,112)**

Non-cash transactions in the consolidated statement of cash flows

In June 2017, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.4 billion did not have an effect on net cash used in/from financing activities when fulfilled; rather, they were substituted by shares from authorized capital (please refer to the section "Shareholders' equity," page 39). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.4 billion. In the previous year, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.0 billion did not have an impact on cash flows, while dividend entitlements of EUR 1.5 billion did have an effect on cash flows.

In the first half 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 (H1 2016: EUR 0.2 billion). These payables will subsequently be recognized under financial liabilities in the statement of financial position. Future payments will be reported in net cash used in/from financing activities.

In the first half of 2017, Deutsche Telekom leased network equipment (classified as a finance lease) for a total of EUR 0.6 billion (H1 2016: EUR 0.3 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 used in/from 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 half of 2017 for future consideration for acquired broadcasting rights (H1 2016: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, mobile devices amounting to EUR 0.5 billion were recognized under property, plant and equipment in the reporting period (H1 2016: EUR 0.9 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 halves 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, Ströer SE & Co. KGaA, as well as Strato, which was sold in March 2017, and the stake in Scout24 AG, which was sold in June 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 half of the year
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	H1 2017	10,105	663	10,768	2,129	(1,882)	(6)	31,751	25,078	20
	H1 2016	10,062	661	10,723	1,738	(1,846)	(8)	32,017	25,594	20
United States	H1 2017	18,218	0	18,218	2,331	(2,690)	(5)	64,345	46,209	198
	H1 2016	16,011	1	16,012	1,777	(2,614)	0	68,349	49,791	216
Europe	H1 2017	5,467	174	5,641	681	(1,109)	(1)	26,344	10,393	61
	H1 2016	5,399	159	5,558	709	(1,151)	(4)	26,600	10,991	59
Systems Solutions	H1 2017	2,717	675	3,392	(37)	(195)	0	7,350	4,928	21
	H1 2016	2,947	631	3,578	(11)	(191)	0	7,462	5,243	21
Group Development	H1 2017	858	299	1,157	1,074	(143)	0	10,842	2,797	294
	H1 2016	852	296	1,148	2,857	(177)	0	11,221	2,417	397
Group Headquarters & Group Services	H1 2017	171	1,354	1,525	(574)	(319)	(22)	44,258	56,960	11
	H1 2016	175	1,516	1,691	(1,001)	(331)	(11)	37,702	50,483	12
TOTAL	**H1 2017**	**37,537**	**(3,164)**	**40,701**	**5,604**	**(6,338)**	**(34)**	**184,890**	**146,365**	**605**
	H1 2016	**35,447**	**3,263**	**38,710**	**6,069**	**(6,310)**	**(23)**	**183,351**	**144,519**	**725**
Reconciliation	H1 2017	–	(3,164)	(3,164)	(3)	22	3	(43,400)	(43,469)	1
	H1 2016	–	(3,263)	(3,263)	2	41	(1)	(34,866)	(34,879)	–
GROUP	**H1 2017**	**37,537**	**–**	**37,537**	**5,601**	**(6,316)**	**(31)**	**141,490**	**102,896**	**606**
	H1 2016	**35,447**	**–**	**35,447**	**6,071**	**(6,269)**	**(24)**	**148,485**	**109,640**	**725**

[a] Figures relate to the reporting dates of June 30, 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 counter-claims based on breaches of duties by the Federal Republic of Germany in relation to the delay in the start of toll collection.

Claims relating to charges for the shared use of cable ducts. In the legal proceedings brought by Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, and Kabel BW GmbH, the plaintiffs increased their claim in the appeal to around EUR 527 million plus interest.

Claims for damages against Slovak Telekom following the European Commission's decision to impose fines. In June 2017, Slovak Telekom received a further, thus far unsubstantiated, claim for damages of EUR 59 million from Benestra s. r. o. In addition, Orange Slovensko a. s. withdrew its complaint following the conclusion of settlement negotiations in June 2017.

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 June 30, 2017:

millions of €	June 30, 2017
Future obligations from operating leases	15,484
Purchase commitments regarding property, plant and equipment	3,227
Purchase commitments regarding intangible assets	539
Firm purchase commitments for inventories	6,077
Other purchase commitments and similar obligations	12,148
Payment obligations to the Civil Service Pension Fund	3,071
Purchase commitments for interests in other companies	5
Miscellaneous other obligations	11
	40,562

DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, amounts recognized, and fair values by class and measurement category
millions of €

			Amounts recognized in the statement of financial position in accordance with IAS 39			
	Category in accordance with IAS 39	Carrying amounts June 30, 2017	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	2,441	2,441			
Trade receivables	LaR	8,929	8,929			
Originated loans and receivables	LaR/n. a.	2,503	2,346			
Of which: collateral paid	LaR	135	135			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	5	5			
Available-for-sale financial assets	AfS	4,508		166	4,342	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	1,087				1,087
Of which: termination rights embedded in bonds issued	FAHfT	522				522
Of which: energy forward agreement embedded in renewable energy purchase agreement	FAHfT	3				3
Derivatives with a hedging relationship	n. a.	428			229	199
LIABILITIES						
Trade payables	FLAC	8,693	8,693			
Bonds and other securitized liabilities	FLAC	48,450	48,450			
Liabilities to banks	FLAC	4,961	4,961			
Liabilities to non-banks from promissory notes	FLAC	527	527			
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	–	–			
Other interest-bearing liabilities	FLAC	1,433	1,433			
Of which: collateral received	FLAC	611	611			
Other non-interest-bearing liabilities	FLAC	1,515	1,515			
Finance lease liabilities	n. a.	2,681				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	1,087				1,087
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	840				840
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	–				–
Derivatives with a hedging relationship	n. a.	335			25	310
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale	FLHfT	–				–
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	13,716	13,716			
Held-to-maturity investments	HtM	5	5			
Available-for-sale financial assets	AfS	4,508		166	4,342	
Financial assets held for trading	FAHfT	1,087				1,087
Financial liabilities measured at amortized cost	FLAC	65,579	65,579			
Financial liabilities held for trading	FLHfT	1,087				1,087

[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 39					
Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value June 30, 2017[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2016	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2016[a]
	–	LaR	7,747	7,747					–
	–	LaR	9,179	9,179					–
157	2,487	LaR/n. a.	5,664	5,482				182	5,701
	–	LaR	235	235					–
	–	HtM	8	8					–
	4,342	AfS	5,548		126	5,422			5,422
	1,087	FAHfT	1,881				1,881		1,881
	522	FAHfT	915				915		915
	3	FAHfT	–						–
	428	n. a.	498			268	230		498
	–	FLAC	10,388	10,388					–
	53,714	FLAC	50,090	50,090					55,547
	4,979	FLAC	4,097	4,097					4,186
	637	FLAC	535	535					662
	–	FLAC	1,866	1,866					1,921
	1,467	FLAC	1,823	1,823					1,859
	–	FLAC	829	829					–
	–	FLAC	1,958	1,958					–
2,681	2,929	n. a.	2,547					2,547	2,852
	1,087	FLHfT	1,607				1,607		1,607
	840	FLHfT	837				837		837
	–	FLHfT	–						–
	–	FLHfT	–						–
	335	n. a.	127			48	79		127
	–	FLHfT	50				50		50
	2,330	LaR	22,408	22,408					5,519
	–	HtM	8	8					–
	4,342	AfS	5,548		126	5,422			5,422
	1,087	FAHfT	1,881				1,881		1,881
	60,797	FLAC	70,757	70,757					64,175
	1,087	FLHfT	1,657				1,657		1,657

Financial instruments measured at fair value
millions of €

	June 30, 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)	4,091		251	**4,342**	5,212		210	**5,422**
Financial assets held for trading (FAHfT)		562	525	**1,087**		966	915	**1,881**
Derivative financial assets with a hedging relationship		428		**428**		498		**498**
LIABILITIES								
Financial liabilities held for trading (FLHfT)		247	840	**1,087**		770	887	**1,657**
Derivative financial liabilities with a hedging relationship		335		**335**		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 4,091 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 4.0 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 June 30, 2017 declined by a further amount equivalent to around EUR 1.1 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 assets held for trading (FAHfT): energy forward agreement embedded in renewable energy purchase agreement	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)	27	16	0	–	0
Value decreases recognized in profit/loss (including losses on disposal)	0	(160)	–	(193)	(4)
Value increases recognized in profit/loss (including gains on disposal)	0	95	3	116	4
Value decreases recognized directly in equity	(3)	–	–	–	–
Value increases recognized directly in equity	21	–	–	–	–
Disposals	(4)	(301)	–	–	–
Currency translation effects recognized directly in equity	–	(43)	–	74	0
CARRYING AMOUNT AS OF JUNE 30, 2017	**251**	**522**	**3**	**(840)**	**0**

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 251 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 126 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 June 30, 2017. In the case of investments with a carrying amount of EUR 90 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 35 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 page 46 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 522 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 1.7 and 2.4 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 2.4 and 3.2 percent for the maturities of the bonds and between 1.0 and 2.2 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 45 million higher (EUR 44 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 225 million lower (EUR 259 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 11 million lower (EUR 10 million higher) when translated into euros. In the reporting period, net income of EUR 86 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. 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 46 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. The increases in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. 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 840 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 169 million lower (EUR 168 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 4 million lower (EUR 4 million higher) when translated into euros. In the reporting period, a net expense of EUR 77 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 46 for the development of the carrying amount in the reporting period. The market-price changes in the reporting period are largely attributable to fluctuations 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 3 million when translated into euros, the financial assets held for trading assigned to Level 3 that are carried under derivative financial assets 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 21.00 and EUR 28.88 when translated into euros and off-peak prices between EUR 21.94 and EUR 35.35 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 5 million higher (EUR 5 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 2 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 2 million lower when translated into euros. In the reporting period, a net gain of EUR 3 million when translated into euros was recognized under the Level 3 measurement in other operating income for unrealized gains for the derivative. Please refer to the table on page 46 for the development of the carrying amounts in the reporting period. The market-price changes are largely attributable to changes in observable and unobservable energy prices. As of March 31, 2017, the value of the derivative was still slightly negative from Deutsche Telekom's perspective (carrying amount EUR 4 million), which is why it had to be disclosed as a liability. 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 JUNE 30, 2017	**45**

As of December 31, 2016, the financial liabilities assigned to Level 3 included 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. Due to its distinctiveness, this instrument constituted a separate class of financial instruments. It was reported under derivative financial liabilities directly associated with non-current assets and disposal groups held for sale. The exercise period came to an end during the reporting period and the option was exercised in full. It was derecognized and the carrying amount transferred to the income statement on completion of the 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 611 million (December 31, 2016: EUR 829 million). The credit risk was thus reduced by EUR 565 million (December 31, 2016: EUR 781 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 990 million as of the reporting date (December 31, 2016: EUR 1,464 million) had a maximum credit risk of EUR 5 million (December 31, 2016: EUR 11 million) as of June 30, 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 explanation above. 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 135 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 130 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

Satellic 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. After Viapass accepted 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. Since the start of the operation phase on April 1, 2016, the separate fees for operation and maintenance services have been recognized as revenue in the respective periods in accordance with the provisions of IAS 18. Net revenue of EUR 36 million was recorded in the first half of 2017. Of the total revenue in the amount of EUR 0.2 billion recognized by Satellic NV in the prior-year period, EUR 24 million was posted after the start of the operation phase.

RELATED-PARTY DISCLOSURES

With the exception of the matters described in the following, there were no significant changes as of June 30, 2017 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2016.

The Federal Republic of Germany (Federal Republic) and KfW Bankengruppe requested their dividend entitlements for the 2016 financial year relating to shares held in Deutsche Telekom AG be paid out partly in cash and partly in shares from authorized capital. In this connection, 12,630 thousand shares were transferred to the Federal Republic and 10,186 thousand shares to KfW Bankengruppe in June 2017. As of June 30, 2017, the Federal Republic held a share of 14.5 percent and KfW Bankengruppe a share of 17.4 percent in Deutsche Telekom AG.

Associates. The remaining direct stake of 9.26 percent in Scout24 AG was sold with effect from June 23, 2017, generating income of EUR 226 million (Dec. 31, 2016: EUR 96 million; Dec. 31, 2015: EUR 298 million).

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 Srini Gopalan as Board member responsible for Europe effective January 1, 2017.

In a resolution reached on July 18, 2017, the Supervisory Board of Deutsche Telekom AG complied with the request of Niek Jan van Damme, the Board of Management member responsible for Germany at Deutsche Telekom AG, to terminate his appointment as a Board member effective midnight, December 31, 2017. At its meeting on July 18, 2017, the Supervisory Board of Deutsche Telekom AG also appointed Dr. Dirk Wössner as Board member responsible for Germany effective January 1, 2018.

Changes in the composition of the Supervisory Board

Sylvia Hauke resigned from her position as a member of the Supervisory Board of Deutsche Telekom AG effective midnight, June 30, 2017. Katrin Topel was court-appointed to the Supervisory Board of Deutsche Telekom AG effective July 1, 2017.

EVENTS AFTER THE REPORTING PERIOD (JUNE 30, 2017)

Settlement agreement with BT. BT reached a settlement with both Orange and Deutsche Telekom in July 2017 with respect to the issues reported at BT Italia. Under the settlement agreement, BT will pay GBP 180 million to Deutsche Telekom. This sum is expected to have an effect on cash flows and to be recognized in the income statement in the third quarter of 2017.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the half-year 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, August 3, 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 June 30, 2017, which are part of the half-year 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, August 3, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

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 H1 2017	EBIT H1 2017	EBITDA H1 2016	EBIT H1 2016	EBITDA FY 2016	EBIT FY 2016
EBITDA/EBIT	**11,949**	**5,601**	**12,364**	**6,071**	**22,544**	**9,164**
GERMANY	**(154)**	**(154)**	**(537)**	**(537)**	**(910)**	**(910)**
Staff-related measures	(91)	(91)	(499)	(499)	(854)	(854)
Non-staff-related restructuring	(10)	(10)	(25)	(25)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(53)	(53)	(13)	(13)	(18)	(18)
UNITED STATES	**0**	**0**	**311**	**311**	**406**	**406**
Staff-related measures	0	0	(9)	(9)	(11)	(11)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	0	0	320	320	417	417
Impairment losses	–	0	–	0	–	0
Other	0	0	0	0	0	0
EUROPE	**(45)**	**(45)**	**(35)**	**(35)**	**(93)**	**(277)**
Staff-related measures	(24)	(24)	(41)	(41)	(100)	(100)
Non-staff-related restructuring	0	0	(2)	(2)	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	7	7	25	25
Impairment losses	–	0	–	0	–	(184)
Other	(21)	(21)	0	0	(14)	(14)
SYSTEMS SOLUTIONS	**(74)**	**(76)**	**(127)**	**(127)**	**(252)**	**(276)**
Staff-related measures	(32)	(32)	(74)	(74)	(136)	(136)
Non-staff-related restructuring	(1)	(1)	(4)	(4)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	–	–	–	0	–	0
Other	(41)	(43)	(49)	(49)	(111)	(135)
GROUP DEVELOPMENT	**742**	**742**	**2,555**	**2,555**	**2,547**	**2,132**
Staff-related measures	5	5	(6)	(6)	(35)	(35)
Non-staff-related restructuring	(3)	(3)	0	0	(3)	(3)
Effects of deconsolidations, disposals and acquisitions	741	741	2,562	2,562	2,585	2,585
Impairment losses	–	0	–	0	–	(415)
Other	0	0	0	0	0	0
GROUP HEADQUARTERS & GROUP SERVICES	**(15)**	**(15)**	**(423)**	**(423)**	**(574)**	**(574)**
Staff-related measures	(44)	(44)	(283)	(283)	(502)	(502)
Non-staff-related restructuring	(8)	(8)	(33)	(33)	(31)	(31)
Effects of deconsolidations, disposals and acquisitions	44	44	(68)	(68)	(11)	(11)
Impairment losses	–	0	–	0	–	0
Other	(7)	(7)	(39)	(39)	(29)	(29)
GROUP RECONCILIATION	**0**	**0**	**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	0	0	0	0	0	0
TOTAL SPECIAL FACTORS	**454**	**452**	**1,744**	**1,744**	**1,124**	**501**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**11,495**	**5,150**	**10,620**	**4,327**	**21,420**	**8,663**
Profit (loss) from financial activities (adjusted for special factors)		(1,870)		(961)		(2,323)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**3,279**		**3,366**		**6,340**
Income taxes (adjusted for special factors)		(753)		(1,006)		(1,858)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**2,527**		**2,360**		**4,482**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,138		2,101		4,114
Non-controlling interests (adjusted for special factors)		389		259		368

GROSS AND NET DEBT

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

millions of €

	June 30, 2017	Dec. 31, 2016	Change	Change %	June 30, 2016
Financial liabilities (current)	10,351	14,422	(4,071)	(28.2)%	12,570
Financial liabilities (non-current)	50,638	50,228	410	0.8%	50,361
FINANCIAL LIABILITIES	**60,989**	**64,650**	**(3,661)**	**(5.7)%**	**62,931**
Accrued interest	(655)	(955)	300	31.4%	(813)
Other	(886)	(1,029)	143	13.9%	(1,299)
GROSS DEBT	**59,448**	**62,666**	**(3,218)**	**(5.1)%**	**60,819**
Cash and cash equivalents	2,441	7,747	(5,306)	(68.5)%	7,207
Available-for-sale financial assets/ financial assets held for trading	7	10	(3)	(30.0)%	99
Derivative financial assets	1,515	2,379	(864)	(36.3)%	2,510
Other financial assets	236	2,571	(2,335)	(90.8)%	2,311
NET DEBT	**55,249**	**49,959**	**5,290**	**10.6%**	**48,692**

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST HALF 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]
H1 2016/JUNE 30, 2016 PRESENTATION AS OF JUNE 30, 2016 – AS REPORTED								
Germany	10,858	1,956	3,868	4,405	(1,904)	(8)	33,353	26,423
United States	16,012	1,777	4,391	4,080	(2,614)	–	68,349	49,791
Europe	6,186	703	1,978	2,024	(1,271)	(4)	30,778	12,519
Systems Solutions	4,054	(69)	211	381	(280)	–	9,031	6,073
Group Headquarters & Group Services	1,055	1,703	1,962	(225)	(248)	(11)	42,628	50,502
TOTAL	**38,165**	**6,070**	**12,410**	**10,665**	**(6,317)**	**(23)**	**184,139**	**145,308**
Reconciliation	(2,718)	1	(46)	(45)	48	(1)	(35,654)	(35,668)
GROUP	**35,447**	**6,071**	**12,364**	**10,620**	**(6,269)**	**(24)**	**148,485**	**109,640**
H1 2016/JUNE 30, 2016 +/- CHANGE IN DISCLOSURE: TECHNOLOGY AND INNOVATION BOARD DEPARTMENT AND GROUP DEVELOPMENT OPERATING SEGMENT								
Germany	(135)	(218)	(276)	(276)	58	–	(1,336)	(829)
United States	–	–	–	–	–	–	–	–
Europe	(628)	6	(114)	(125)	120	–	(4,178)	(1,528)
Systems Solutions	(476)	58	(31)	(74)	89	–	(1,569)	(830)
Group Development	1,148	2,857	3,034	479	(177)	–	11,221	2,417
Group Headquarters & Group Services	636	(2,704)	(2,621)	(11)	(83)	–	(4,926)	(19)
TOTAL	**545**	**(1)**	**651**	**(7)**	**7**	**–**	**(788)**	**(789)**
Reconciliation	(545)	1	(651)	7	(7)	–	788	789
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
H1 2016/JUNE 30, 2016 = PRESENTATION AS OF JUNE 30, 2017								
Germany	10,723	1,738	3,592	4,129	(1,846)	(8)	32,017	25,594
United States	16,012	1,777	4,391	4,080	(2,614)	–	68,349	49,791
Europe	5,558	709	1,864	1,899	(1,151)	(4)	26,600	10,991
Systems Solutions	3,578	(11)	180	307	(191)	–	7,462	5,243
Group Development	1,148	2,857	3,034	479	(177)	–	11,221	2,417
Group Headquarters & Group Services	1,691	(1,001)	(659)	(236)	(331)	(11)	37,702	50,483
TOTAL	**38,710**	**6,069**	**13,061**	**10,658**	**(6,310)**	**(23)**	**183,351**	**144,519**
Reconciliation	(3,263)	2	(697)	(38)	41	(1)	(34,866)	(34,879)
GROUP	**35,447**	**6,071**	**12,364**	**10,620**	**(6,269)**	**(24)**	**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]

August 3, 2017	November 9, 2017	February 22, 2018
Publication of the Interim Group Report as of June 30, 2017	Publication of the Interim Group Report as of September 30, 2017	Publication of the 2017 Annual Report
May 9, 2018	**May 17, 2018**	**August 9, 2018**
Publication of the Interim Group Report as of March 31, 2018	2018 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2018

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

CONTACTS

Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn

Media inquiries:
Corporate Communications

Phone +49 (0) 228 181 49494
Fax +49 (0) 228 181 94004
E-mail media@telekom.de

Inquiries relating to the T-Share:
Investor Relations

Phone +49 (0) 228 181 88880
Fax +49 (0) 228 181 88899
E-mail: investor.relations@telekom.de

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 June 30, 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.

You can access our Investor Relations website directly by scanning this QR code.