JANUARY 1 TO SEPTEMBER 30, 2016

INTERIM GROUP REPORT

LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

		Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
REVENUE AND EARNINGS								
Net revenue		18,105	17,099	5.9%	53,552	51,369	4.2%	69,228
Of which: domestic	%	34.2	36.4		34.2	36.4		36.2
Of which: international	%	65.8	63.6		65.8	63.6		63.8
Profit from operations (EBIT)		2,156	1,785	20.8%	8,227	5,057	62.7%	7,028
Net profit (loss)		1,053	809	30.2%	4,799	2,308	n. a.	3,254
Net profit (loss) (adjusted for special factors)		1,040	1,040	0.0%	3,141	3,154	(0.4)%	4,113
EBITDA		5,334	4,581	16.4%	17,698	13,275	33.3%	18,388
EBITDA (adjusted for special factors)		5,535	5,165	7.2%	16,155	14,765	9.4%	19,908
EBITDA margin (adjusted for special factors)	%	30.6	30.2		30.2	28.7		28.8
Earnings per share basic/diluted	€	0.23	0.18	27.8%	1.04	0.51	n. a.	0.71
STATEMENT OF FINANCIAL POSITION								
Total assets					143,117	135,229	5.8%	143,920
Shareholders' equity					37,621	36,508	3.0%	38,150
Equity ratio	%				26.3	27.0		26.5
Net debt					48,484	47,868	1.3%	47,570
CASH FLOWS								
Net cash from operating activities		4,557	3,946	15.5%	11,984	11,125	7.7%	14,997
Cash capex		(3,885)	(2,813)	(38.1)%	(10,484)	(11,572)	9.4%	(14,613)
Free cash flow (before dividend payments and spectrum investment)		1,904	1,308	45.6%	4,046	3,548	14.0%	4,546
Net cash used in investing activities		(4,364)	(2,714)	(60.8)%	(10,331)	(9,475)	(9.0)%	(15,015)
Net cash from (used in) financing activities		136	(1,417)	n. a.	(976)	(4,947)	80.3%	(876)

NUMBER OF FIXED-NETWORK AND MOBILE CUSTOMERS

millions

	Sept. 30, 2016	Dec. 31, 2015	Change Sept. 30, 2016/ Dec. 31, 2015 %	Sept. 30, 2015	Change Sept. 30, 2016/ Sept. 30, 2015 %
Mobile customers	163.0	156.4	4.2%	157.4	3.6%
Fixed-network lines	28.5	29.0	(1.7)%	29.2	(2.4)%
Broadband lines[a]	18.2	17.8	2.2%	17.7	2.8%

[a] Excluding wholesale.

The key parameters used by Deutsche Telekom are defined in the section "Management of the Group" (2015 Annual Report, page 63 et seq.).

CONTENTS

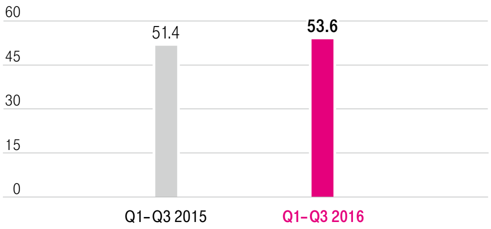
TO OUR SHAREHOLDERS

DEVELOPMENTS IN THE GROUP

NET REVENUE

- Growth trend continued: Net revenue increased from EUR 51.4 billion to EUR 53.6 billion – an increase of 4.2 percent.
- Our United States operating segment remained the Group's growth driver with revenue increasing by 13.5 percent.
- By contrast, our other segments recorded declines: In Germany, the decrease in revenue of 2.1 percent mainly resulted from lower mobile terminal equipment sales. In our Europe operating segment, the decline of 2.3 percent was primarily due to the spin-off of the energy resale business in Hungary.
- On a comparable basis, i.e., excluding exchange rate effects and effects from changes in the composition of the Group, net revenue increased by as much as 5.0 percent.

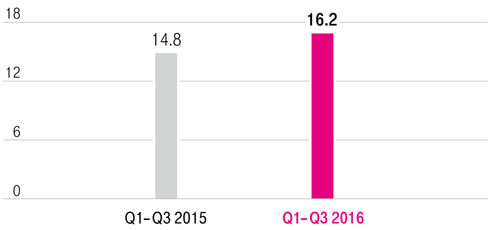
Net revenue
billions of €



ADJUSTED EBITDA

- Adjusted EBITDA grew substantially by EUR 1.4 billion to EUR 16.2 billion.
- Due to the ongoing success of T-Mobile US, we generated an increase in adjusted EBITDA of EUR 1.7 billion in the United States operating segment alone.
- Adjusted EBITDA declined in particular in our Europe operating segment – primarily as a result of competition and regulation – and our Group Headquarters & Group Services segment, which had benefited from a positive one-time effect in 2015.
- At 30.2 percent, the Group's adjusted EBITDA margin increased against the prior-year level of 28.7 percent. The operating segments with the strongest margins are still Germany with 40.5 percent and Europe with 33.2 percent.

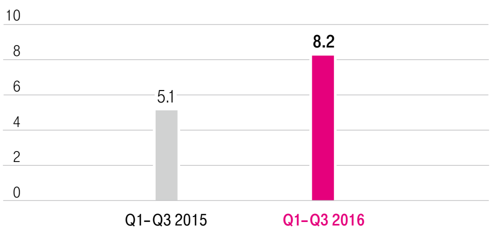
Adjusted EBITDA
billions of €



EBIT

- EBIT increased substantially from EUR 5.1 billion to EUR 8.2 billion.
- EBIT profited in the reporting period from the strong business performance in the United States and from positive special factors, mainly from the sale of our stake in the EE joint venture completed in January 2016 (EUR 2.5 billion) and from transactions for the exchange of spectrum licenses completed in the United States in 2016 (EUR 0.5 billion).
- Depreciation, amortization and impairment losses increased by EUR 1.3 billion year-on-year, mainly as a result of the continued 4G/LTE network roll-out and the launch of the JUMP! On Demand program in our United States operating segment in June 2015.

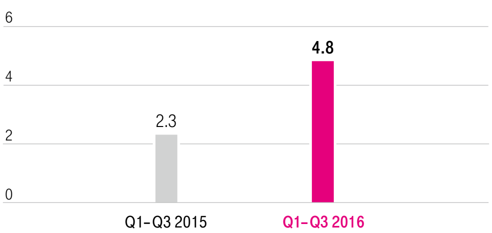
EBIT
billions of €



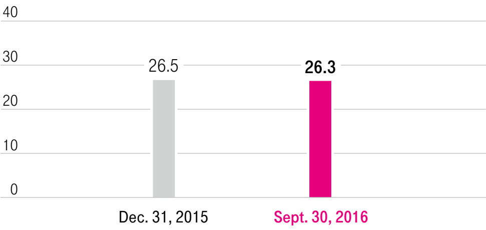
NET PROFIT

- Net profit also increased substantially by EUR 2.5 billion to EUR 4.8 billion as a result of the aforementioned effects.
- Loss from financial activities improved by EUR 0.4 billion, mainly as a result of remeasurement effects from the subsequent measurement of embedded derivatives in T-Mobile US bonds.
- Due to a higher profit before income taxes, tax expense increased year-on-year by EUR 0.7 billion. Profit attributable to non-controlling interests increased by EUR 0.4 billion, in particular as a result of the positive business performance of our United States operating segment.

Net profit
billions of €



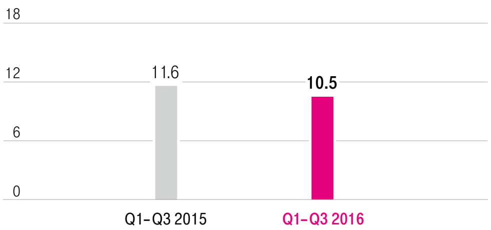
Equity ratio
%



EQUITY RATIO

- The equity ratio decreased slightly by 0.2 percentage points to 26.3 percent.
- Total assets also decreased only slightly by 0.6 percent compared with the end of 2015 to EUR 143.1 billion. Shareholders' equity decreased by EUR 0.5 billion compared with December 31, 2015 to EUR 37.6 billion.
- Profit after taxes of EUR 5.3 billion had an increasing effect.
- Shareholders' equity was reduced by dividend payments to our shareholders for the 2015 financial year (EUR 2.5 billion). The capital increase, carried out to grant our shareholders the option of converting their dividend entitlements into shares, increased equity by EUR 1.0 billion. The cash dividend paid out to our shareholders amounted to around EUR 1.5 billion.
- Shareholders' equity also decreased mainly as a result of losses from the remeasurement of available-for-sale financial assets (EUR 2.0 billion), currency translation effects recognized directly in equity (EUR 1.5 billion), and the recognition of actuarial losses (after taxes) (EUR 0.9 billion).

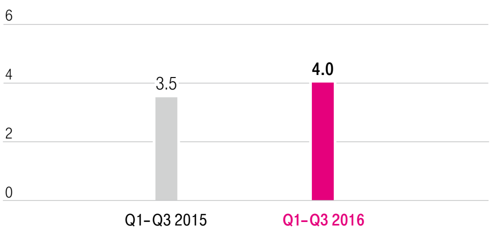
Cash capex
billions of €



CASH CAPEX

- Cash capex (including spectrum investment) decreased by EUR 1.1 billion to EUR 10.5 billion.
- In the reporting period, mobile spectrum licenses were acquired for a total of EUR 2.2 billion, primarily in the United States and Europe operating segments. In the prior-year period, a total of EUR 3.8 billion was invested in spectrum licenses, primarily in the United States and Germany operating segments.
- Adjusted for the effects of spectrum acquisitions, cash capex increased by EUR 0.4 billion, primarily in the United States operating segment in connection with investments in network modernization, including the roll-out of the 4G/LTE network.

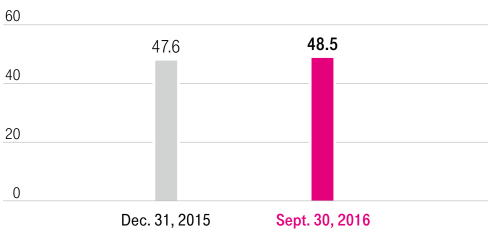
Free cash flow
(before dividend payments and spectrum investment)
billions of €



FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)

- Free cash flow increased substantially by EUR 0.5 billion or 14.0 percent to EUR 4.0 billion.
- The year-on-year increase of EUR 0.9 billion in net cash from operating activities, which profited mainly from the positive business development of the United States operating segment, had an increasing effect. The dividend payment of EUR 0.1 billion from our financial stake in BT also had a positive effect.
- The year-on-year increase of EUR 0.4 billion in cash capex (before spectrum investment) reduced free cash flow, as did the year-on-year decrease of EUR 0.2 billion in the dividend payment received from the former EE joint venture.

Net debt
billions of €



NET DEBT

- Net debt increased by EUR 0.9 billion compared with the end of 2015.
- The acquisition of mobile spectrum (EUR 2.2 billion), dividend payments – including to non-controlling interests – (EUR 1.6 billion), payments to external pension funds (allocation under contractual trust agreement: EUR 0.3 billion), and a large number of other effects increased net debt.
- Free cash flow (EUR 4.0 billion), exchange rate effects (EUR 0.4 billion) as well as the sale of a share package in Scout24 AG (EUR 0.1 billion) in particular reduced net debt.

For a more detailed explanation, please refer to the section "Development of business in the Group," page 13 et seq.

DEUTSCHE TELEKOM AT A GLANCE

Still on track for growth. The financial figures for the first nine months of 2016 are still in line with the annual forecast and the medium-term financial outlook. Net revenue in the Group increased by 4.2 percent to around EUR 53.6 billion. On an organic basis, i.e., not taking into account changes in the composition of the Group and fluctuations in the currency exchange rate – revenue increased even more (5.0 percent). This increase was driven once again by the U.S. business, which recorded growth of 13.5 percent as a result of the strong growth in the mobile customer base. Revenue decreased by 2.1 percent in Germany, by 2.3 percent in the Europe operating segment, and by 1.7 percent in the Systems Solutions operating segment. In Germany, the decline in revenue was primarily attributable to the terminal equipment business, whereas in the Europe operating segment, the main driver was the spin-off of the energy resale business. In Systems Solutions, the revenue trend was dampened by fluctuations in the exchange rate and general price pressure in ICT business.

Revenue growth of around EUR 2.2 billion was also reflected in an improvement of some EUR 1.4 billion in our operating result: Adjusted EBITDA increased by 9.4 percent from EUR 14.8 billion to EUR 16.2 billion. The U.S. business was the key factor here too, with an increase of EUR 1.7 billion or 36.2 percent. The Europe and Group Headquarters & Group Services segments in particular recorded decreases. While in Europe, the main issues were competition and regulation, Group Headquarters & Group Services had benefited from a positive one-time effect in the prior-year period.

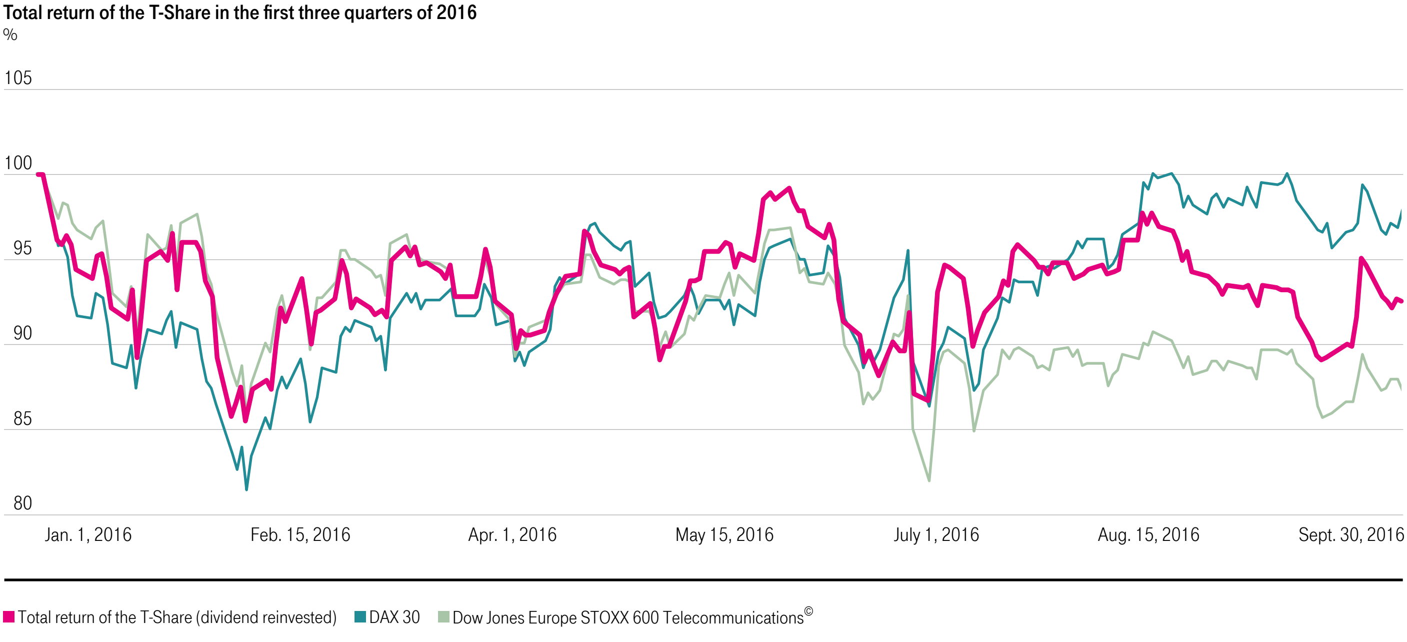
Investments in our networks also increased again in the first nine months of 2016. Cash capex excluding the payments for the acquisition of mobile spectrum licenses increased by EUR 0.4 billion compared with the prior-year period to around EUR 8.2 billion. This increase was also primarily attributable to our United States operating segment as a result of the continued build-out of the mobile network.

Net profit increased sharply by EUR 2.5 billion to EUR 4.8 billion. In addition to the improvement of around EUR 1.4 billion in adjusted EBITDA, the sale of our stake in the EE joint venture in January 2016 (EUR 2.5 billion) and the transactions for the exchange of spectrum licenses completed in the United States in 2016 (EUR 0.5 billion) contributed to the improvement in results. Increased depreciation, amortization and impairment losses and higher taxes had an offsetting effect.

In view of the financial figures for the first three quarters of 2016, Deutsche Telekom confirms its guidance for the full year.

THE T-SHARE

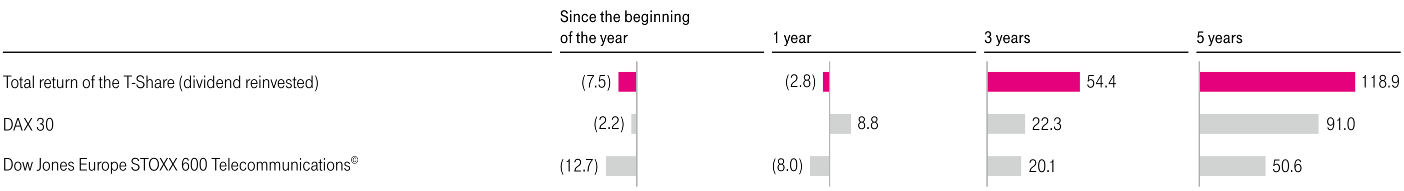
Total return of the T-Share in the first three quarters of 2016



T-Share performance

		Q1–Q3 2016	Q1–Q3 2015	FY 2015
XETRA CLOSING PRICES				
Share price on the last trading day	€	14.92	15.89	16.69
Year high	€	16.69	17.60	17.60
Year low	€	13.98	12.63	12.63
WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES				
DAX 30	%	5.5	6.1	5.9
Dow Jones Euro STOXX 50©	%	2.3	2.5	2.5
Dow Jones Europe STOXX 600 Telecommunications©	%	15.3	14.4	14.4
Market capitalization	billions of €	69.8	73.2	76.9
Number of shares issued	millions	4,677	4,607	4,607

Historical performance of the T-Share as of September 30, 2016
%



No turnaround in sight: The weak trends on the European and Asian stock markets from the first half of 2016 continued in the third quarter of the year. Interest rate policies, the economic outlook, and the outcome of the referendum on the United Kingdom's exit from the European Union continued to be the dominating issues. The Dow Jones Euro STOXX 50© lost 4.7 percent and the DAX 30 2.2 percent, while the Nikkei dropped more substantially, down 12.1 percent. The trend improvement in European indexes in the third quarter of 2016 is primarily due to the recovery from the dramatic dip that followed the United Kingdom's vote to leave the European Union. U.S. stock markets remained relatively untouched by the weakness of the European and Asian stock markets. The Dow Jones increased by 6.1 percent.

The telecommunications sector remained under great pressure, losing 12.7 percent in the year to date. In addition to the general weakness of the European stock markets, the share prices of telecommunications companies came under pressure in particular amid fears of a deteriorating regulatory environment in Europe.

The Deutsche Telekom share was also unable to escape this trend and closed the first nine months of 2016 down 7.5 percent on a total return basis.

HIGHLIGHTS IN THE THIRD QUARTER OF 2016

U.S. DOLLAR BOND ISSUE

In September 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a U.S. dollar bond for institutional investors of USD 2.75 billion in four tranches at very favorable conditions: a 3-year variable-interest tranche with a volume of USD 250 million and a mark-up of 45 basis points above the 3-month USD Libor; a 3-year fixed-interest tranche with a volume of USD 750 million and a coupon of 1.5 percent; a 5-year tranche with a volume of USD 1.0 billion and a coupon of 1.95 percent; and a 7-year tranche with a volume of USD 750 million and a coupon of 2.485 percent.

INVESTMENTS IN NETWORKS AND SPECTRUM

Payment for the acquisition of mobile spectrum in Poland. A payment of around EUR 0.5 billion was made on July 4, 2016 for mobile spectrum acquired by T-Mobile Polska in June 2016.

Exchange and acquisition of mobile spectrum licenses in the United States. An acquisition of spectrum licenses agreed with a number of competitors in the first quarter of 2016 for a total value of EUR 0.6 billion was completed in August 2016. In September 2016, T-Mobile US signed an agreement with a competitor for the exchange of spectrum licenses. In the third quarter of 2016, spectrum licenses to be exchanged in the value of EUR 0.1 billion were therefore reclassified to non-current assets and disposal groups held for sale. Similarly, in September 2016, T-Mobile US and a competitor completed the exchange of spectrum licenses agreed in the first quarter of 2016, giving rise to a non-cash gain of EUR 0.1 billion.

Gigabit speed barrier in data transfer broken. We proved ourselves once again as technology leader: In August 2016 in Warsaw, Poland, and in September 2016 in Berlin, Germany, we achieved mobile data speeds of 1.2 Gbit/s in live demonstrations of LTE Advanced Pro. LTE Advanced Pro and the reaching of gigabit speeds play a major role in preparing for future customer needs – providing a bridge to 5G and enabling network efficiencies already today that will be needed to meet the rapidly rising expectations of end users.

Commissioning of the pan-European production site in Hungary. For the new age of telecommunications, as part of our “Leading European Telco” Group strategy, we are working towards a pan-European production model with a suitable IP-based infrastructure. The commissioning of our first production sites in Budapest, Hungary, in August 2016 now marks the first cornerstone in this plan. Two more production sites will be set up in Poland and Greece in 2017. The production sites will provide services for all our European national companies in the form of product modules like voicemail, text messaging, and e-mail. Each national company can individually select these modules, in line with the needs of the respective local market. In this way, the set-up of our pan-European network ensures long-term competitiveness on the local markets while at the same time creating synergies for the Group throughout Europe.

OTHER TRANSACTIONS

During the quarter ended and subsequent to September 30, 2016, a handset original equipment manufacturer (OEM) announced recalls on certain of its smartphone devices in the United States. As a result of this, no revenues were generated by T-Mobile US in connection with sales of these devices to customers. Furthermore, the devices in inventories were measured at net realizable value. In response to this issue, the OEM has agreed to reimburse T-Mobile US. T-Mobile US offset the amount to be reimbursed by the OEM in this connection against the loss incurred in goods and services purchased, which in turn reduced trade payables.

NEW DEALS WITH CORPORATE CUSTOMERS

The Austrian highway operator **ASFINAG** has commissioned T-Systems with the operation of the central toll collection system GoMaut 2.0 from 2018. This major deal, awarded in August 2016 with a term of ten years, involves operating the toll billing IT systems, around 230 points of sale in Austria and abroad, as well as the 48 mobile control units. T-Systems will operate the hardware in its own highly secure data center, the T-Center in Vienna, as well as further develop and modernize existing applications. The company will deploy the state-of-the-art virtualization and automation technologies, with the aim of increasing safety and quality while reducing costs.

T-Systems again convinced the automotive manufacturer **Daimler** of its IT expertise, concluding a corporate customer contract with a three-digit million order volume. This major deal includes the operation and modernization of the mainframe computer as well as the car manufacturer’s key IT applications. Furthermore, T-Systems will connect more than two million vehicles around the world via Daimler’s connected car platform, and will continue to be active in the area of connected car technology in the years to come.

NEW PRODUCTS, RATE PLANS, AND SERVICES

Remodeling of the MagentaMobil Start prepay portfolio. As of October 2016, our existing and new customers in Germany can benefit from attractive offers with 50 percent larger data volumes and data speeds of up to 300 Mbit/s in the LTE network. We also offer prepay customers in the MagentaMobil Start S, M, and L rate plans a free HotSpot flat rate. In addition, the available rate plans and Surf Passes can now also be used throughout the EU at no additional cost. The new MagentaMobil Start portfolio offers a range of plans – from XS to L – for different types of use and needs by the customer.

New services in the Open Telekom Cloud. Following the successful launch of Open Telekom Cloud in the first quarter of this year, we added three new services to our offering in the third quarter of 2016: a relational database, which is easy to set up and expand, a new cloud container service, which allows customers to move entire application landscapes at the touch of a button, and a high-performance option – High Performance Flavor – for processing large data volumes.

PaketButler: receiving and sending parcels on your doorstep. Our new connected solution to make it easier to receive parcels and send back returns, the PaketButler, has been in use in the German cities of Hamburg, Munich, Cologne, and Bonn since August 2016. Going forward, it will be offered Germany-wide. We developed the PaketButler together with our partner feldsechs from Hamburg and launched it on the market in close partnership with DHL. But in principle, the PaketButler can be used by all delivery companies. The connected parcel box makes it secure, simple and convenient to receive and return parcels, even when no one is home. On the day the customer is expecting their delivery, they simply place the box outside their front door and then secure it by placing the tear-resistant belt between door and frame. The delivery company places the parcel inside the theft-proof box. The PaketButler then uses a SIM card to inform the recipient that their goods have arrived. The box is opened using a PIN that can be managed via the related app.

Unlimited data volumes with T-Mobile ONE. In September 2016, T-Mobile US introduced the latest in their Un-carrier initiatives, T-Mobile ONE and T-Mobile ONE Plus. This enables customers to make unlimited calls, send unlimited text messages and gives them an unlimited high-speed 4G/LTE data volume. On T-Mobile ONE, video typically streams at DVD (480p) quality and tethering is at maximum 3G speeds. Customers on T-Mobile ONE Plus plans also receive unlimited high-speed 4G/LTE mobile HotSpot data, unlimited High Definition Day Passes, and up to two times faster speeds when traveling abroad in more than 140 countries and destinations.

New security solution for smartphones. At the trade fair Internationale Funkausstellung (IFA) in Berlin, we presented our new security solution for smartphones, Mobile Protect Pro. Based on self-learning algorithms, the app also identifies unknown risks and detects attack vectors that were unknown or inaccessible in previous mobile device solutions. Mobile Protect Pro is for now available to companies of all sizes – in the future, it will also be available to consumers.

AWARDS

The illustration below shows the main awards received in the third quarter of 2016. For details on more awards, please go to www.telekom.com/media.

Major awards in the third quarter of 2016

Gartner Magic Quadrant: T-Systems singled out for the sixth time in a row as leading provider of cloud services in Europe.

Cloud Vendor Benchmark of the Experton Group: Deutsche Telekom again in the top spot in the area of cloud computing.

Austrian Internet Monitor survey: T-Mobile Austria took first place in customer satisfaction among Internet providers.

connect test: our TV platform Entertain rated as "very good."

JULY – SEPT.

European Connected Home New Product Innovation Award 2016: award for our QIVICON smart home platform granted by business consulting company Frost & Sullivan.

Best in Test award: P3 Communications singles out our mobile networks in Albania, Slovakia, and Greece.

Aecus Innovation Award 2016 award: Deutsche Telekom wins innovation award for its CERTUSS IoT project.

Car Connectivity Award: Deutsche Telekom wins a first place for the third time in a row in the "mobile network in the car" category.

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 2015 combined management report (2015 Annual Report, page 58 et seq.). No significant changes were recorded in this area from the Group's point of view.

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Magyar Telekom's business customer operations consist of a unit in Hungary that mainly provides ICT services for business and corporate customers. Comparative figures have been adjusted retrospectively.

For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

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 2015 financial year, focusing on macroeconomic developments in the first nine months of 2016, 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 has recovered somewhat over the course of 2016. In October 2016, the International Monetary Fund (IMF) confirmed its growth forecast for global economic development for 2016 and 2017. This trend is attributable to stable production in most industrialized nations and an economic improvement in the emerging economies. The IMF forecasts growth in the gross domestic product (GDP) of emerging and developing economies of 4.2 percent in 2016 and for industrial countries of 1.6 percent.

In our core markets, economic growth rates recorded largely positive trends in the first nine months of 2016. GDP in Germany grew by 1.7 percent in the third quarter compared with the prior-year quarter, once again supported primarily by private consumption. Unemployment was also low in September 2016 at 5.9 percent. The U.S. economy grew by 1.4 percent in the third quarter of 2016. Unemployment remained at a stable level in September 2016 at 5.0 percent. Almost all countries of our Europe operating segment continued to record positive trends in GDP growth and unemployment ratios in the third quarter of 2016. The economies profited again from rising domestic consumption and stable demand from the eurozone. The Greek economy continues to undergo major changes and is unable to benefit from the growth seen in Europe as a whole.

OUTLOOK

We continue to expect a stable economic trend in our core markets in 2016. The uncertainty arising from the aftermath of the UK referendum should only have a marginal impact on economic growth in Europe in 2017 if the exit from the European Union proceeds in an orderly fashion. In Germany, the United States, and the countries of our Europe operating segment, macroeconomic growth is robust, bolstered primarily by the positive trends in consumer spending. The economic situation in Greece is stabilizing. Growth rates in the UK economy are expected to slow down in light of the uncertainty.

OVERALL ECONOMIC RISKS

It is clear from the economic and political developments of the last few months that uncertainties regarding the development of the global economy and for our footprint countries have grown. The vote of the British people to leave the European Union and the political implementation of this decision, coupled with the danger that other countries may also seek to leave the European Union, could have a negative impact on economic development in Europe in particular, and, consequently, on the global economy. Geopolitical crises, resulting for example from the increased terror threat or large numbers of refugees, can have an adverse effect on the economies of the countries in which we operate. In addition, renewed economic weakness, especially in the emerging economies, could negatively impact on global trade and thus the markets of our operating segments. The political situation in Greece has essentially stabilized. However, risk factors remain, such as the marginal parliamentary majority of the governing coalition and potentially growing resistance to austerity policies. As such, a renewed escalation towards crisis in the political situation cannot be entirely ruled out.

TELECOMMUNICATIONS MARKET

Consolidation pressure remains high in the European telecommunications industry, primarily as a result of declining revenues due to growing competition and technological change. At the same time, high investments are needed for the network build-out, for innovation, and the acquisition of spectrum. While the UK Competition and Markets Authority approved the acquisition of EE by BT in January 2016 unconditionally and without remedies, the merger of Liberty Global and BASE in Belgium was approved only subject to strict conditions. Furthermore, the intervention of the European Commission put a stop to consolidation projects in Denmark (Telia/Telenor) and the United Kingdom (3 & O_2). In Italy, the European Commission demanded that a fourth mobile network operator be established, thereby providing a favorable market entry for Iliad. The European Commission has conditionally approved the merger of Vodafone and Liberty Global in the Netherlands.

European General Data Protection Regulation. The European General Data Protection Regulation will enter into force on May 25, 2018. The new data protection law closes a large gap in the regulation of service providers outside of the EU and imposes the same rules for all market players operating in the EU. The Regulation assures Europe of a high level of data protection and, at the same time, will pave the way for new digital business models. The General Data Protection Regulation applies directly in the member states and does not need to be transposed into national law. Contrary or redundant German law must be repealed by way of a specific act (Rechtsbereinigungsgesetz).

EU-U.S. Privacy Shield. Following the judgment of the European Court of Justice (ECJ) dated October 6, 2015, declaring the European Commission's Safe Harbor Decision to be void, the Commission put forward a successor agreement (EU-U.S. Privacy Shield) at the beginning of February 2016. As in the case of the former Safe Harbor Agreement, the Privacy Shield is intended to enable personal data of EU citizens to be transmitted to and processed in the United States. The final draft of the Privacy Shield, which was adopted by the European Commission on July 11, 2016 by majority vote of the member states, includes Privacy Principles which stipulate improved data protection requirements compared with Safe Harbor, with which U.S. companies must comply if they want to be certified under the Shield. Following criticism of the first draft of the Privacy Shield, the European Commission has endeavored in a revised draft to assuage in particular the concerns expressed recently by the Article 29 Working Party, which is comprised of representatives from national data protection authorities in Europe. It cannot be ruled out that the Privacy Shield will be referred to the ECJ again, in particular with regard to the legality of the still possible mass recording of personal data by national U.S. authorities.

IT security legislation. Within the scope of the German IT Security Act (IT-Sicherheitsgesetz – IT-SiG), a draft ordinance (KRITIS VO) was drawn up in the first quarter of 2016, which sets out the criteria that enable operators of critical infrastructure (KRITIS) from the information technology and telecommunications, water, energy, and food sectors to identify whether they are subject to the provisions of the IT-SiG. The Ordinance (TK-ÜberwachungsVO) entered into force on May 3, 2016. As a result, the provisions of the German Telecommunications Act (Telekommunikationsgesetz) must be tightened up for the telecommunications sector, so that state-of-the-art precautions are taken, in particular with regard to the failure safety of the networks and services. In our own interests, we took these precautions before the Act was amended however, and hence we have already satisfied the main obligations for safeguarding public security.

The European Parliament approved the EU Network and Information Security Directive on July 6, 2016, following which, in addition to the provisions of the IT-SiG, online marketplaces, search engine operators, and cloud service providers must also ensure compliance with minimum requirements for the security of their infrastructure and report incidents. This may give rise to a need for the German legislature to amend the IT-SiG accordingly. It remains to be seen whether such an amendment would also remedy the previous deficiency of the IT-SiG regarding the non-consideration of hardware and software vendors.

REGULATION

Further vectoring roll-out agreed. On February 23, 2015, we applied to the Federal Network Agency to provide another 6.1 million households with superfast Internet connections ("vectoring technology") in the areas near local exchanges (nearshore areas). The Federal Network Agency approved the vectoring roll-out with the publication of a regulatory order on September 1, 2016. As part of an agreement under public law, we have undertaken to roll out vectoring technology in the nearshore area in more than 7,000 service areas throughout Germany. This is tied to a fine of up to EUR 224 million that will be charged if we fail to complete this undertaking on time. The specific conditions for nearshore vectoring are currently being reviewed by the Federal Network Agency in a reference offer procedure. This is expected to be completed in mid-2017. With regard to vectoring outside of the nearshore area, in a fast-tracked decision at the end of June 2016 the Federal Network Agency extended the deadline, which now allows us also to operate vectoring up to October 31, 2016 if we alternatively offer a Layer 3 bitstream access product to competitors who will then no longer have any access to VDSL unbundled local loop lines (ULLs) at the cable distribution box in these areas. From November 1, 2016, a Layer 3 bitstream access (BSA) product will no longer be sufficient; instead we will have to offer a Layer 2 BSA product in these areas.

On October 28, 2015, the Federal Network Agency issued the **regulatory order for the bitstream market**. In addition to the current ex-post regulation for Layer 3 BSA products, this order requires an ex-ante license for Layer 2 BSA products, although it does not require cost-based regulation of rates. The Federal Network Agency also regulates the offer terms and conditions for Layer 2 BSA products in a "reference offer procedure." It issued a provisional ruling in this regard at the start of April 2016. A final decision is expected in the fourth quarter of 2016. In the first quarter of 2016, we submitted a rates proposal for the new Layer 2 BSA to the Federal Network Agency. The main rates applied for were the monthly charges for a VDSL end customer line and for the handover points on the Broadband Network Gateway (BNG). The preliminary decision in the rates approval proceedings was published on June 28, 2016. The Federal Network Agency has made adjustments to the amount and the price structure of the rates we have requested. The new rates have been provisionally approved until November 30, 2017. Final approval will be issued following the completion of the national and EU-wide consultation process. Provided the European Commission does not express any serious doubts, we expect final approval of the rates in the fourth quarter of 2016.

Federal Network Agency proceedings on MagentaZuhause Hybrid. Since the start of 2015, we have been offering MagentaZuhause Hybrid rate plans to retail customers that combine fixed-network capacities (DSL) with mobile communications (LTE) in a single access product on the basis of innovative network technology. In 2015, the Federal Network Agency rejected an application by 1&1 Telecom GmbH for us to provide a corresponding wholesale product. In the proceedings, the Federal Network Agency granted an "innovation-related competitive advantage." In January 2016, the Federal Network Agency began preliminary investigations in relation to the prices of MagentaZuhause Hybrid due to accusations made by 1&1, NetCologne, and M-net that the prices were allegedly too low. However, since the Agency found no basis for objection, these investigations were closed on March 10, 2016.

Applications for ULL monthly charges. On June 29, 2016, the Federal Network Agency published its final rulings for the monthly charges for unbundled local loop lines (ULLs) and for the related necessary passive infrastructure access products, which reduce the rates for the most important option, access to unbundled local loop lines up to the main distribution frame, by 1.7 percent compared with the previously approved rate, from EUR 10.19/month to EUR 10.02/month. The rental fees for cable ducts and dark fiber were also reduced substantially. The new rates took effect as of July 1, 2016.

Additional special taxes affecting our international subsidiaries. In addition to the already known special taxes, e.g., in Greece, Hungary, Romania, and Croatia, taxes of 5 percent on broadband Internet access and of 10 percent on pay TV were introduced in Greece as part of an additional package of measures.

AWARDING OF FREQUENCIES

The table below 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. For further information on the spectrum awards, please refer to the section "Risks and opportunities," page 32 et seq.

Main spectrum awards

	Start of award	End of award	Frequency ranges (MHz)	Award process	Acquired spectrum (MHz)	Spectrum investment
Albania	Q3/2017	Q4/2017	800	Sealed bid [a] or auction	tbd	tbd
Greece	Q4/2016	Q1/2017	1,500/1,800/2,600	Details tbd	tbd	tbd
Macedonia	Q2/2017	Q3/2017	900/1,800/3,500	Sealed bid [a] or auction	tbd	tbd
Montenegro	Q3/2016	Q3/2016	800/900/ 1,800/2,100/2,600	Auction (CCA [b])	2x20 in 800 MHz and further spectrum	€ 27.3 million
Austria	Q1/2017	Q2/2017	3,500/3,700	Auction (CCA [b] expected)	tbd	tbd
Netherlands	Q2/2014	Q1/2016	2,100	License extended until 2020	2x20	€ 24 million
Poland	Q1/2015	Q2/2016	800/2,600	Auction (SMRA [c])/ Sealed bid [a]	2x10/2x15	Approx. PLN 4 billion (around € 1.0 billion)
Slovakia	Q1/2017	Q2/2017	1,800/3,700	Auction (SMRA [c])	tbd	tbd
Czech Republic	Q2/2016	Q2/2016	1,800/2,600	Auction (SMRA [c])	2x10/1x25	€ 27 million
Czech Republic	Q1/2017	Q2/2017	3,700	Auction (SMRA [c]) (expected)	tbd	tbd
Czech Republic	Q4/2016	Q1/2017	900/1,800	Extension of licenses (expected)	tbd	tbd
United States	Q3/2016	Q1/2017 (expected)	600	Incentive auction [d]	tbd	tbd

[a] Submission of an individual bid in a sealed envelope, in some cases sequential, in several awards.
[b] Combinatorial Clock Auction, three-stage, multi-round auction for spectrum from all frequency ranges.
[c] Simultaneous electronic multi-round auction with ascending, parallel bids for all ranges.
[d] Quantity and prices of spectrum to be traded depends on spectrum surrendered by radio broadcasters.

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first nine months of the 2016 financial year, we generated net revenue of EUR 53.6 billion, a substantial increase of EUR 2.2 billion or 4.2 percent compared with the same period in the prior year. The business development of our United States operating segment contributed substantially to this positive trend: T-Mobile US' successful Un-carrier initiatives gave a strong boost to the number of new customers and thus also to service revenues. Terminal equipment revenue continued to rise: Customers increasingly chose to lease high-value terminal equipment in connection with the JUMP! On Demand business model introduced by T-Mobile US in June 2015. However, this model resulted in a decline in revenue from the sale of terminal equipment. In our home market of Germany, revenue decreased by 2.1 percent – primarily due to lower revenue from non-contract mobile devices. In the Europe operating segment, revenue also decreased by 2.3 percent against the first nine months of 2015, mainly as a result of the spin-off of the energy resale business in Hungary as of January 1, 2016. In addition, revenue continued to come under pressure from persistently intense competition in the telecommunications markets in our national companies, especially in the Netherlands. Despite the completion of the set-up phase of the toll collection system in Belgium in the first quarter of 2016, revenue in our Systems Solutions operating segment decreased 1.7 percent year-on-year. In general, the downward price trend in ICT business had a negative effect on net revenue. In our Group Headquarters & Group Services segment, revenue declined year-on-year, mainly on account of revenue lost in connection with the sale of our online platform t-online.de and our digital marketing company InteractiveMedia in November 2015 as well as the realignment of the Group Innovation+ unit.

Excluding the negative exchange rate effects of EUR 0.2 billion in total – in particular from the translation of Polish zlotys and U.S. dollars into euros – and negative effects of changes in the composition of the Group of EUR 0.2 billion, revenue increased by as much as EUR 2.5 billion or 5.0 percent. For details on the revenue trends in our Germany, United States, Europe, and Systems Solutions 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 19 et seq.

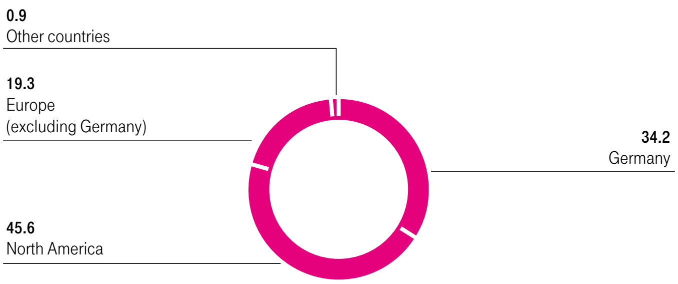
Contribution of the segments to net revenue
millions of €

	Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
NET REVENUE	**17,630**	**17,817**	**18,105**	**17,099**	**5.9 %**	**53,552**	**51,369**	**4.2 %**	**69,228**
Germany	5,452	5,406	5,551	5,593	(0.8) %	16,409	16,762	(2.1) %	22,421
United States	7,816	8,196	8,281	7,059	17.3 %	24,293	21,407	13.5 %	28,925
Europe [a]	3,080	3,106	3,223	3,261	(1.2) %	9,409	9,627	(2.3) %	13,024
Systems Solutions [a]	2,045	2,009	1,875	2,031	(7.7) %	5,929	6,031	(1.7) %	8,194
Group Headquarters & Group Services	513	542	559	555	0.7 %	1,614	1,704	(5.3) %	2,275
Intersegment revenue	(1,276)	(1,442)	(1,384)	(1,400)	1.1 %	(4,102)	(4,162)	1.4 %	(5,611)

[a] Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

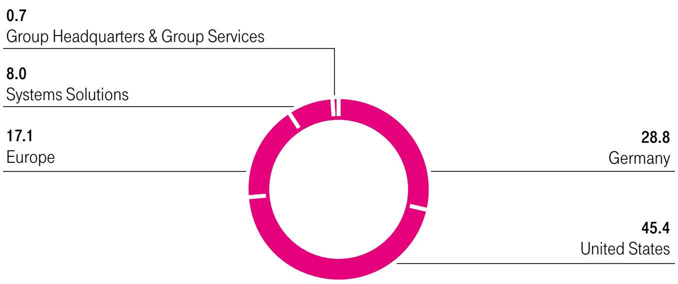
Breakdown of revenue by regions

%



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 47 and 48.

At 45.4 percent, our United States operating segment again provided the largest contribution to net revenue of the Group. This was an increase of 3.7 percentage points compared with the prior-year period, due in particular to ongoing strong customer additions. By contrast, the contributions by our other operating segments and the Group Headquarters & Group Services segment decreased. The proportion of net revenue generated internationally rose from 63.6 percent in the prior-year period to 65.8 percent.

EBITDA, ADJUSTED EBITDA

Excluding special factors, **adjusted EBITDA** increased year-on-year by EUR 1.4 billion or 9.4 percent to EUR 16.2 billion in the first three quarters of 2016. This development was driven by our United States operating segment, which recorded an increase in its adjusted EBITDA contribution of EUR 1.7 billion, mainly as a result of the continued success of the Un-carrier initiatives. The revenue effects from the JUMP! On Demand terminal equipment lease model also contributed to the increase in adjusted EBITDA as the related costs were depreciated over the lease term and thus were excluded from adjusted EBITDA. Adjusted EBITDA declined in particular in our Europe operating segment – primarily as a result of competition and regulation – and our Group Headquarters & Group Services segment, which had profited from a positive one-time effect in 2015. Exchange rate effects and effects from changes in the composition of the Group had only minimal impact on the development of adjusted EBITDA.

EBITDA increased substantially by EUR 4.4 billion year-on-year to EUR 17.7 billion; this included positive net special factors of EUR 1.5 billion, relating primarily to income of some EUR 2.5 billion from the sale of our stake in the EE joint venture on January 29, 2016. Income of EUR 0.5 billion in total was generated from transactions for the exchange of spectrum licenses between T-Mobile US and two competitors in March and September 2016. The sale of approximately 2.6 million shares in Scout24 AG that was consummated on April 18, 2016 generated income of around EUR 0.1 billion. Expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses amounted to EUR 1.2 billion and thus remained at the prior-year level. Furthermore, expenses of around EUR 0.1 billion from the decommissioning of the MetroPCS CDMA network had a negative effect in the first three quarters of 2016. In the prior-year period, these expenses amounted to EUR 0.4 billion. 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 19 et seq.

Contribution of the segments to adjusted Group EBITDA
millions of €

	Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
EBITDA (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**5,163**	**5,457**	**5,535**	**5,165**	**7.2 %**	**16,155**	**14,765**	**9.4 %**	**19,908**
Germany	2,180	2,225	2,250	2,269	(0.8) %	6,655	6,704	(0.7) %	8,790
United States	1,908	2,172	2,156	1,702	26.7 %	6,236	4,579	36.2 %	6,654
Europe [a]	986	1,038	1,100	1,157	(4.9) %	3,124	3,254	(4.0) %	4,329
Systems Solutions [a]	206	175	141	176	(19.9) %	522	524	(0.4) %	740
Group Headquarters & Group Services	(117)	(108)	(110)	(133)	17.3 %	(335)	(231)	(45.0) %	(552)
Reconciliation	–	(45)	(2)	(6)	66.7 %	(47)	(65)	27.7 %	(53)

[a] Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

EBIT

Group EBIT stood at EUR 8.2 billion, up EUR 3.2 billion against the prior-year period. This increase is due to the effects described under EBITDA. A year-on-year increase in depreciation and amortization of EUR 1.3 billion reduced EBIT and was attributable to the the build-out of the 4G/LTE network and the launch of the JUMP! On Demand program in our United States operating segment in June 2015.

PROFIT BEFORE INCOME TAXES

Profit before income taxes also increased substantially year-on-year by EUR 3.5 billion to EUR 6.7 billion. In addition to the aforementioned effects, the reason for this increase is the EUR 0.4 billion improvement in the loss from financial activities, mainly due to remeasurement effects resulting from the subsequent measurement of embedded derivatives at T-Mobile US. On January 25, 2016, we received a final dividend of around EUR 0.2 billion in connection with the sale of our stake in the EE joint venture; in the prior-year period we had recognized dividend payments of EUR 0.4 billion. Our financial stake in BT resulted in a dividend payment for the first time in 2016 of EUR 0.1 billion.

NET PROFIT

Net profit increased by EUR 2.5 billion to EUR 4.8 billion. The tax expense for the current financial year amounted to EUR 1.4 billion, up EUR 0.7 billion compared with the same period in the prior year. For further information, please refer to the interim consolidated financial statements, page 46. Profit attributable to non-controlling interests increased compared with the prior-year period by EUR 0.4 billion. In our United States operating segment, the increase in profit attributable to non-controlling interests was driven by the positive business performance as well as in particular by the aforementioned remeasurement effect in profit/loss from financial activities.

Number of employees (at the reporting date)

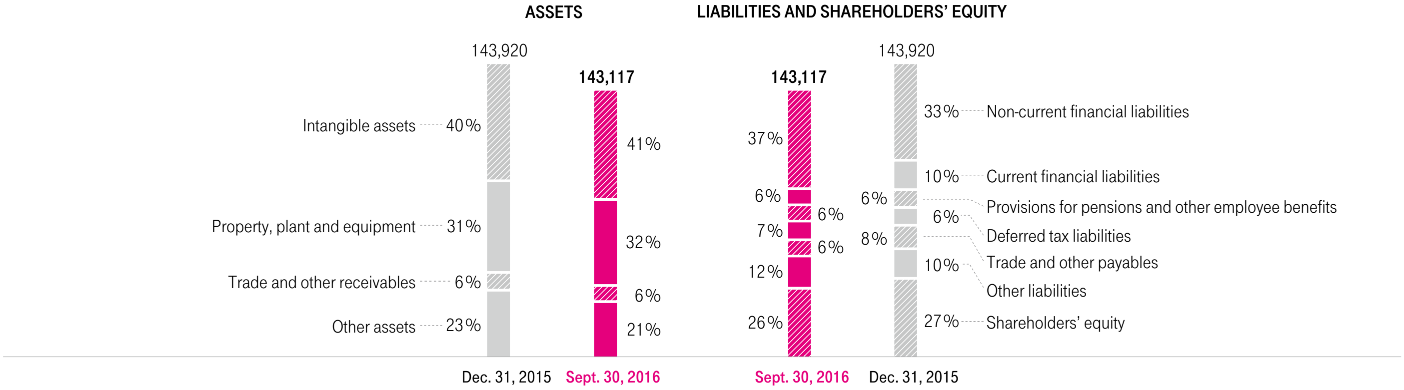
	Sept. 30, 2016	Dec. 31, 2015
Germany	67,368	68,638
United States	44,148	44,229
Europe [a]	48,706	51,125
Systems Solutions [a]	43,644	44,504
Group Headquarters & Group Services	15,388	16,747
NUMBER OF EMPLOYEES IN THE GROUP	**219,254**	**225,243**
Of which: civil servants (in Germany, with an active service relationship)	16,656	18,483

[a] Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.

The Group's headcount decreased by 2.7 percent compared with the end of 2015. Measures to enhance efficiency, a slowdown in recruitment in the operating units, and higher take-up of early retirement for civil servants reduced the headcount in our Germany operating segment. As of January 1, 2016, 480 employees in the Systems Solutions operating segment were transferred to the Germany operating segment. The total headcount in the Germany operating segment was reduced by 1.9 percent. The total number of employees in the United States operating segment decreased by 0.2 percent, due to a decrease in customer acquisition employees, partially offset by an increase in customer support, network and administrative employees. In our Europe operating segment, staff levels decreased by 4.7 percent compared with December 31, 2015, mainly as a result of efficiency enhancement measures in our operating segment, especially in Hungary, Poland, Romania, and Macedonia. The headcount in our Systems Solutions operating segment declined by 1.9 percent, largely due to staff restructuring measures in Germany and abroad, and the relocation of 480 employees to the Germany operating segment. The number of employees in the Group Headquarters & Group Services segment was down by 8.1 percent compared with the end of 2015, mainly due to the continued staff restructuring.

FINANCIAL POSITION OF THE GROUP

Structure of the consolidated statement of financial position
millions of €



Total assets amounted to EUR 143.1 billion, down only slightly against December 31, 2015.

Intangible assets increased by EUR 1.9 billion to EUR 59.0 billion, mainly due to additions totaling EUR 6.0 billion. This includes additions at T-Mobile US, largely in connection with transactions with competitors completed in March and September 2016 for the exchange of spectrum licenses totaling EUR 1.4 billion. Furthermore, there were additions from the acquisition of spectrum licenses by T-Mobile US in 2016 for around EUR 1.2 billion in total and by T-Mobile Polska for around EUR 1.0 billion. Negative exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.7 billion. Amortization of EUR 3.0 billion as well as the reclassification of assets worth EUR 0.4 billion to non-current assets and disposal groups held for sale also lowered the carrying amount.

Property, plant and equipment increased by EUR 0.5 billion compared to December 31, 2015 to EUR 45.1 billion. Additions of EUR 7.9 billion primarily in the United States and Germany operating segments increased the carrying amount. This also included EUR 1.1 billion for capitalized higher-priced mobile devices. These relate to the business model JUMP! On Demand introduced at T-Mobile US in June 2015 under which customers no longer purchase the device but lease it. By contrast, exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.3 billion. Depreciation charges of EUR 6.4 billion had a decreasing effect on the carrying amount, as did disposals of EUR 0.6 billion.

Trade and other receivables decreased by EUR 0.6 billion to EUR 8.6 billion. The factoring agreements concluded in the reporting period concerning monthly revolving sales of trade receivables due resulted in a reduction in receivables. Exchange rate effects, mainly from the translation of U.S. dollars into euros, likewise had a reducing effect. Receivables recognized in connection with the set-up phase of the electronic toll collection system in Belgium completed in the first quarter of 2016 and its transition to the operating phase had an offsetting effect.

As of September 30, 2016, **other assets** included the following significant effects: The decrease of EUR 6.7 billion in the carrying amount of **assets and disposal groups held for sale** to EUR 0.3 billion mainly resulted from the sale of our stake in the EE joint venture, which was completed on January 29, 2016 and reduced the carrying amount by EUR 5.8 billion. In this context, exchange rate effects totaling EUR 0.2 billion from the translation of pounds sterling to euros also lowered the net carrying amount compared with December 31, 2015. Secondly, the transaction agreed in the third quarter of 2015 for the exchange of spectrum licenses between T-Mobile US and a competitor with the aim of improving the mobile network coverage of T-Mobile US was completed in March 2016. This transaction reduced the net carrying amount by EUR 0.7 billion. A transaction agreed between T-Mobile US and a competitor in the third quarter of 2016 for the exchange of spectrum licenses, also aimed at improving the mobile network coverage of T-Mobile US, had an increasing effect of EUR 0.1 billion on the carrying amount. Overall, current and non-current other financial assets increased by EUR 3.4 billion compared with December 31, 2015 to EUR 12.8 billion. In return for our stake in the EE joint venture, we received a cash payment as well as a financial stake of 12.0 percent in BT. This addition increased the carrying amount by EUR 7.4 billion. The subsequent measurement of this exchange-traded financial stake resulted in a carrying amount as of September 30, 2016 of EUR 5.4 billion. A refundable cash deposit of around EUR 2.0 billion recorded in the second quarter of 2016 in connection with a potential asset purchase in the United States and positive remeasurement effects of EUR 0.5 billion from embedded options in bonds issued by T-Mobile US also increased this item. U.S. government bonds with a volume of EUR 2.8 billion that fell due and were repaid in the first half of 2016 reduced the carrying amount of other financial assets. The premature cancellation in June 2016 of interest rate derivatives with a fair value of EUR 0.6 billion also lowered the carrying amount. Accordingly, the settlement payment was presented under net cash from operating activities in the amount of EUR 0.3 billion and under net cash used in financing activities in the amount of EUR 0.3 billion.

Our current and non-current **financial liabilities** decreased slightly by EUR 0.1 billion compared with the end of 2015 to a total of EUR 62.3 billion. On March 23, 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 4.5 billion in three tranches under a debt issuance program: a 4-year variable-interest tranche with a volume of EUR 1.25 billion and a mark-up of 35 basis points above the 3-month Euribor, a 7-year fixed-interest tranche with a volume of EUR 1.75 billion and a coupon of 0.625 percent, and a 12-year tranche with a volume of EUR 1.5 billion and a fixed coupon of 1.5 percent. On April 1, 2016, T-Mobile US issued Senior Notes with a total volume of USD 1.0 billion. T-Mobile US expects to use the net proceeds from this offering for the purchase of 700 MHz A-block spectrum and other spectrum purchases. Also in

April 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 0.5 billion under a debt issuance program. Furthermore, in July 2016, Deutsche Telekom AG took out a loan of EUR 0.5 billion from the European Investment Bank with a term of six years and a fixed interest rate of 0.318 percent.

In addition, in September 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a U.S. dollar bond of USD 2.75 billion (around EUR 2.5 billion) in four tranches: a 3-year variable-interest tranche with a volume of USD 250 million and a mark-up of 45 basis points above the 3-month USD Libor; a 3-year fixed-interest tranche with a volume of USD 750 million and a coupon of 1.5 percent; a 5-year tranche with a volume of USD 1.0 billion and a coupon of 1.95 percent; and a 7-year tranche with a volume of USD 750 million and a coupon of 2.485 percent.

In the first nine months of 2016, two U.S. dollar bonds were repaid in a total amount of USD 2.25 billion (around EUR 2.0 billion), as were Eurobonds totaling EUR 0.9 billion, a bond in Swiss francs for CHF 0.4 billion (around EUR 0.4 billion), commercial paper in the amount of EUR 3.3 billion (net), and promissory notes in the amount of EUR 0.4 billion (net). The decrease in liabilities to banks of EUR 0.1 billion also reduced the carrying amount of the financial liabilities. For the other main effects on financial liabilities, please refer to net cash used in financing activities on pages 46 and 47 of the interim consolidated financial statements.

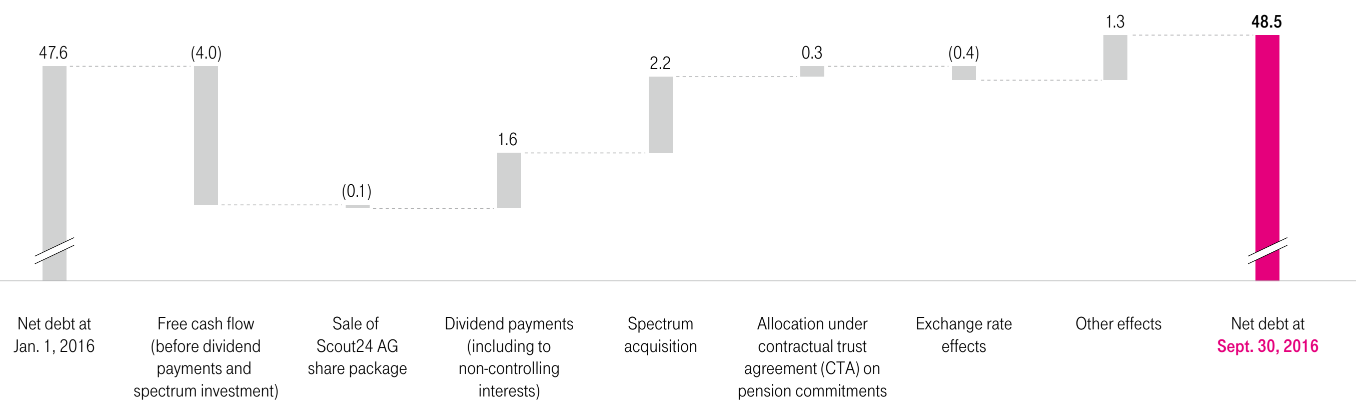
Deutsche Telekom AG issued an irrevocable and temporary loan commitment to T-Mobile US in March, and another in April 2016, each for up to another USD 2.0 billion (around EUR 1.8 billion) with no effect on financial liabilities.

The EUR 1.1 billion increase in **provisions for pensions and other employee benefits** to EUR 9.1 billion was mainly due to interest rate adjustments which resulted in an actuarial loss to be recognized directly in equity of EUR 1.3 billion (before taxes). An increase in the plan assets by EUR 0.3 billion in Germany in the first quarter of 2016 (allocation under contractual trust agreement) reduced the provisions for pensions and other employee benefits.

Trade and other payables decreased by EUR 2.2 billion compared with the end of 2015 to EUR 8.9 billion. Apart from the reduction in the portfolio of liabilities at the national companies of the Europe operating segment and at T-Mobile US, this decrease was also attributable to exchange rate effects from the translation of U.S. dollars into euros.

Shareholders' equity decreased by EUR 0.5 billion compared with December 31, 2015 to EUR 37.6 billion. Profit after taxes of EUR 5.3 billion had an increasing effect. Currency translation effects recognized directly in equity had a decreasing effect of EUR 1.5 billion. As a result of the consummation of the sale of our stake in the EE joint venture on January 29, 2016, the gains of EUR 0.9 billion from the translation of pounds sterling into euros that had until this date been disclosed in shareholders' equity were reclassified through profit or loss to the consolidated income statement. Shareholders' equity was also reduced by losses of EUR 2.0 billion from the remeasurement of available-for-sale financial assets due to the subsequent measurement of our financial stake in BT, and EUR 0.9 billion from the recognition of actuarial losses (after taxes). Dividend payments for the 2015 financial year to Deutsche Telekom AG shareholders of EUR 2.5 billion and to non-controlling interests of EUR 0.1 billion also reduced equity. This was partially offset by a capital increase of EUR 1.0 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.

Changes in net debt
billions of €



Other effects of EUR 1.3 billion include, among other items, liabilities for the lease of network equipment classified as a finance lease primarily in our United States operating segment and liabilities for the acquisition of broadcasting rights. In addition, other effects include to a smaller extent financing options under which the payments for trade payables become due at a later point in time by involving banks in the process. These payables are now shown under financial liabilities in the statement of financial position. For more information on net debt, please refer to the disclosures on the reconciliation of the pro forma figures in the section "Additional information," page 58 et seq.

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

	Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
CASH GENERATED FROM OPERATIONS	**4,497**	**4,513**	**5,185**	**4,479**	**15.8%**	**14,195**	**13,288**	**6.8%**	**17,496**
Interest received (paid)	(1,001)	(582)	(628)	(533)	(17.8)%	(2,211)	(2,163)	(2.2)%	(2,499)
NET CASH FROM OPERATING ACTIVITIES	**3,496**	**3,931**	**4,557**	**3,946**	**15.5%**	**11,984**	**11,125**	**7.7%**	**14,997**
Cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment (CASH CAPEX)	(2,831)	(2,664)	(2,739)	(2,698)	(1.5)%	(8,234)	(7,803)	(5.5)%	(10,818)
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	157	53	86	60	43.3%	296	226	31.0%	367
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)	**822**	**1,320**	**1,904**	**1,308**	**45.6%**	**4,046**	**3,548**	**14.0%**	**4,546**

Free cash flow. Free cash flow in the Group before dividend payments and spectrum investment increased EUR 0.5 billion against the prior-year period to EUR 4.0 billion. On the one hand, net cash from operating activities increased by EUR 0.9 billion. On the other hand, cash outflows for investments in intangible assets (excluding goodwill and before spectrum investment) and property, plant and equipment also increased by EUR 0.4 billion.

The increase in net cash from operating activities was mainly attributable to the positive business development of the United States operating segment. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of trade receivables. Compared with the prior-year period, factoring agreements resulted in positive effects of EUR 0.4 billion on net cash from operating activities. This mainly relates to factoring agreements in the United States and Germany operating segments. Cash inflows from the cancellation of or changes in the terms of interest rate derivatives had a positive effect of EUR 0.2 billion compared with the prior-year period. A year-on-year decrease of EUR 0.1 billion in the payment for income taxes also had a positive impact. By contrast, the trend in net cash from operating activities was negatively affected by a EUR 0.2 billion decrease in the dividend payment from the former EE joint venture. The dividend payment received in 2016 for the first time from BT of EUR 0.1 billion was matched in the prior-year period by the dividend of a corresponding amount received from the Scout24 group.

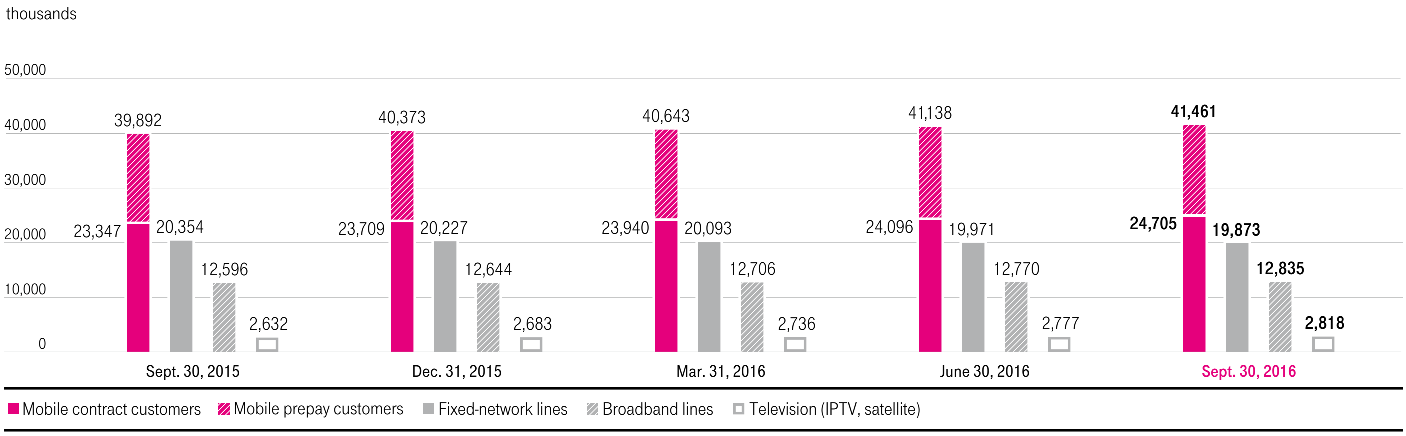
The increase in cash capex (excluding goodwill and before spectrum investment) compared with the prior-year period was mainly attributable to the United States operating segment in connection with the network modernization, including the roll-out of the 4G/LTE network.

For further information on the statement of cash flows, please refer to the interim consolidated financial statements, pages 46 and 47.

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

CUSTOMER DEVELOPMENT



thousands

	Sept. 30, 2016	June 30, 2016	Change Sept. 30, 2016/ June 30, 2016 %	Dec. 31, 2015	Change Sept. 30, 2016/ Dec. 31, 2015 %	Sept. 30, 2015	Change Sept. 30, 2016/ Sept. 30, 2015 %
TOTAL							
Mobile customers	41,461	41,138	0.8 %	40,373	2.7 %	39,892	3.9 %
Contract customers	24,705	24,096	2.5 %	23,709	4.2 %	23,347	5.8 %
Prepay customers	16,756	17,042	(1.7) %	16,665	0.5 %	16,545	1.3 %
Fixed-network lines	19,873	19,971	(0.5) %	20,227	(1.8) %	20,354	(2.4) %
Of which: retail IP-based	8,435	7,958	6.0 %	6,887	22.5 %	6,354	32.8 %
Broadband lines	12,835	12,770	0.5 %	12,644	1.5 %	12,596	1.9 %
Of which: optical fiber	3,857	3,577	7.8 %	2,923	32.0 %	2,613	47.6 %
Television (IPTV, satellite)	2,818	2,777	1.5 %	2,683	5.0 %	2,632	7.1 %
Unbundled local loop lines (ULLs)	7,431	7,648	(2.8) %	8,050	(7.7) %	8,231	(9.7) %
Wholesale unbundled lines	3,905	3,621	7.8 %	3,015	29.5 %	2,752	41.9 %
Of which: optical fiber	2,274	2,028	12.1 %	1,444	57.5 %	1,222	86.1 %
Wholesale bundled lines	179	192	(6.8) %	227	(21.1) %	246	(27.2) %
OF WHICH: CONSUMERS							
Mobile customers	29,061	28,996	0.2 %	29,016	0.2 %	28,870	0.7 %
Contract customers	18,054	17,526	3.0 %	17,297	4.4 %	16,933	6.6 %
Prepay customers	11,007	11,470	(4.0) %	11,719	(6.1) %	11,937	(7.8) %
Fixed-network lines	15,609	15,695	(0.5) %	15,900	(1.8) %	16,003	(2.5) %
Of which: retail IP-based	7,236	6,872	5.3 %	6,076	19.1 %	5,653	28.0 %
Broadband lines	10,355	10,302	0.5 %	10,209	1.4 %	10,162	1.9 %
Of which: optical fiber	3,316	3,080	7.7 %	2,530	31.1 %	2,262	46.6 %
Television (IPTV, satellite)	2,626	2,585	1.6 %	2,492	5.4 %	2,441	7.6 %
OF WHICH: BUSINESS CUSTOMERS							
Mobile customers	12,400	12,142	2.1 %	11,358	9.2 %	11,022	12.5 %
Contract customers	6,651	6,570	1.2 %	6,412	3.7 %	6,414	3.7 %
Prepay customers (M2M)	5,749	5,572	3.2 %	4,946	16.2 %	4,608	24.8 %
Fixed-network lines	3,275	3,288	(0.4) %	3,339	(1.9) %	3,340	(1.9) %
Of which: retail IP-based	1,126	1,025	9.9 %	773	45.7 %	667	68.8 %
Broadband lines	2,099	2,096	0.1 %	2,093	0.3 %	2,092	0.3 %
Of which: optical fiber	525	484	8.5 %	385	36.4 %	343	53.1 %
Television (IPTV, satellite)	191	190	0.5 %	190	0.5 %	189	1.1 %

Total

In Germany we continue to be market leader 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 technology – as attested for the fixed network for example by the network test of the magazine connect, Issue 8/2016, and for mobile communications for example by the connect network test, Issue 1/2016 – and with a broad product portfolio.

So far, we have won 2.6 million customers for our integrated product, MagentaEins, comprising fixed-network and mobile components.

In mobile communications, we won another 1.1 million customers in the first three quarters of 2016. We recorded 1.0 million contract customer additions, thanks to the strong demand for mobile rate plans with integrated data volumes.

With our "network of the future," we provide state-of-the-art connection technology. By the end of 2018, we want to convert our entire network to IP technology. By the end of the third quarter of 2016, we had migrated 12.0 million retail and wholesale lines to IP, which corresponds to a migration rate of 49 percent.

We continued to record strong demand for our fiber-optic products: For example, the number of these lines rose by 1.8 million in the first three quarters of 2016 to a total of 6.1 million. In the last twelve months, we have connected 2.3 million households in Germany to our fiber-optic network. With the progress in fiber-optic roll-out and innovative vectoring technology, we successfully drove forward the marketing of substantially higher bandwidths – and will continue to do so more and more in the future. With our contingent model, we continue to 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

We are generating momentum with our excellent network quality and our broad product portfolio for high-value contract customers. We offer our customers the best possible mobility, with an improved service package and transparent, fair offers. Our new MagentaMobil portfolio offers our customers wide-ranging benefits: more high-speed volumes, a HotSpot flat rate, and free roaming in other EU countries.

Since the end of 2015, we have won a total of 996 thousand new contract customers. In our branded contract customer business, we recorded 386 thousand additions under the Deutsche Telekom and congstar brands. The contract customer reseller business (service providers) recorded 562 thousand net additions. The number of prepay customers has increased by 91 thousand since the end of 2015, with the growth in business customers compensating for the reduction in the number of consumers.

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. The success bears us out: The number of broadband lines increased by 191 thousand compared with the end of the prior year. 22.0 percent of our broadband customers are TV customers; with 135 thousand TV customer additions in the first three quarters of 2016 alone. In the traditional fixed network, the number of lines decreased by 354 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. Since we launched this innovative product Germany-wide in March 2015, we have won 265 thousand customers, primarily in rural areas.

We have also connected around 162 thousand apartments to our network through our partnerships in the housing sector.

Consumers

As of the end of the third quarter of 2016, the number of mobile customers was on a par with the prior-year level at 29.1 million. The number of prepay customers decreased by 712 thousand, with some customers switching to our mobile contracts, for example to our cost-effective congstar rate plans. However, we added 757 thousand contract customers, with 147 thousand of these net additions under our own brand. The high acceptance of our MagentaMobil rate plans and the AllnetFlat rate plans at congstar in particular resulted in this contract customer growth. Contract customer reseller business (service providers) increased by 562 thousand from the start of the year.

In the fixed network environment, competition remains intense. We migrated 1.2 million customers to IP-based retail lines in the first three quarters of 2016. We won 134 thousand new TV customers compared with the end of 2015. Of the 10.4 million broadband lines, around 3.3 million customers use fiber-optic lines – an increase of 786 thousand in the first three quarters of 2016 alone.

Business Customers

The positive trend in the Business Customers segment from the prior year continued: Since the beginning of the year, we have recorded 1.0 million mobile customer additions, 239 thousand of whom were high-value contract customers. In mobile Internet, customers are increasingly opting for plans with more bandwidth, in conjunction with higher-quality terminal equipment. We added 803 thousand new M2M SIM cards in a very aggressively priced market. This growth was due to the increased use of SIM cards, especially in the automotive and logistics industries. The number of customers with fixed-network lines declined slightly compared with the end of 2015. At 2.1 million, broadband lines remained at the same level as at the end of 2015, with the number of fiber-optic lines increasing by 36.4 percent.

There was a positive trend in demand for IT cloud products, where we recorded revenue growth of 9.7 percent. We also recorded growth in new IP-based products from our DeutschlandLAN product range, such as IP Start and IP Voice/Data.

Wholesale

At the end of the third quarter of 2016, fiber-optic lines accounted for 19.7 percent of all lines – 6.9 percentage points higher than at the end of 2015. The strong growth in our wholesale unbundled lines by 890 thousand or 29.5 percent compared with the end of 2015 was primarily attributable to the strong demand as part of the contingent model. By contrast, the number of bundled wholesale lines decreased by 48 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 619 thousand or 7.7 percent compared with year-end 2015. 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 and in some cases also to mobile-based lines. The total number of lines in the wholesale sector increased slightly compared with the end of 2015 to 11.5 million.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
TOTAL REVENUE		5,452	5,406	5,551	5,593	(0.8)%	16,409	16,762	(2.1)%	22,421
Consumers		2,922	2,863	2,967	3,028	(2.0)%	8,752	9,112	(4.0)%	12,146
Business Customers		1,447	1,451	1,489	1,486	0.2%	4,387	4,432	(1.0)%	5,942
Wholesale		933	943	936	934	0.2%	2,812	2,760	1.9%	3,685
Other		150	149	159	145	9.7%	458	458	0.0%	648
Profit from operations (EBIT)		1,074	882	1,190	1,227	(3.0)%	3,146	3,573	(12.0)%	4,490
EBIT margin	%	19.7	16.3	21.4	21.9		19.2	21.3		20.0
Depreciation, amortization and impairment losses		(948)	(964)	(937)	(919)	(2.0)%	(2,849)	(2,800)	(1.8)%	(3,755)
EBITDA		2,022	1,846	2,127	2,146	(0.9)%	5,995	6,373	(5.9)%	8,245
Special factors affecting EBITDA		(158)	(379)	(123)	(123)	0.0%	(660)	(331)	(99.4)%	(545)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		2,180	2,225	2,250	2,269	(0.8)%	6,655	6,704	(0.7)%	8,790
EBITDA margin (adjusted for special factors)	%	40.0	41.1	40.5	40.8		40.5	40.1		39.2
CASH CAPEX		(908)	(909)	(1,083)	(1,073)	(0.9)%	(2,900)	(4,644)	37.6%	(5,609)

The Value-Added Services segment was dissolved as of January 1, 2016, and the revenue allocated to Consumers, Business Customers, and Other. Prior-year figures have been adjusted accordingly.

Total revenue
Revenue decreased by 2.1 percent compared with the prior-year period. This development was mainly driven by non-contract terminal equipment revenue in mobile business. Mobile business declined by 4.6 percent, due in particular to terminal equipment revenue. Increased IT revenues had a positive impact on fixed-network revenue development. However, this was not sufficient to completely offset declines in other areas, such that revenue in the fixed-network business decreased by 1.6 percent.

Revenue from Consumers decreased by 4.0 percent year-on-year. Volume-related revenue decreases continued to dominate traditional fixed-network business, which declined by 2.0 percent, mainly due to lower variable charges and voice revenue. By contrast, revenue from broadband business increased by 1.7 percent. Mobile revenues decreased by 6.1 percent, driven mainly by the decline in terminal equipment business. Our mobile service revenues declined by 0.3 percent compared with the prior-year level, with the increase in service revenues under the congstar brand almost offsetting the decline in revenue from prepay business.

Revenue from Business Customers decreased by 1.0 percent, mainly due to falling mobile revenues, which were down 1.1 percent. This decrease was primarily driven by service revenues. Fixed-network revenue from traditional voice telephony also declined. By contrast, there was a positive trend in IT revenues; although this was not sufficient to offset the revenue losses from other areas.

Wholesale revenue was up 1.9 percent on the prior-year level, primarily due to higher revenue from unbundled lines, mainly as a result of the contingent model.

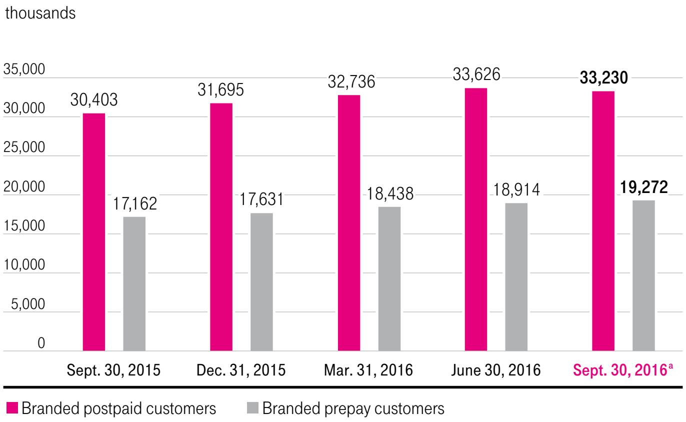
EBITDA, adjusted EBITDA
EBITDA adjusted for special factors decreased by 0.7 percent year-on-year in the first three quarters of 2016 to EUR 6.7 billion, due entirely to lower revenue, which was almost offset by efficiency enhancement measures in all functions. With an adjusted EBITDA margin of 40.5 percent, we are at our expected target level. EBITDA amounted to EUR 6.0 billion in the reporting period, a decline of 5.9 percent against the prior-year period, due mainly to higher special factors for expenses in connection with our staff restructuring. The take-up of the instrument of early retirement for civil servants in particular is substantially higher in 2016.

EBIT
Profit from operations decreased by 12.0 percent year-on-year to EUR 3.1 billion. This was mainly attributable to higher expenses incurred in connection with staff-related measures. EBIT was also reduced by a slight increase in depreciation, amortization and impairment losses.

Cash capex
Cash capex was down EUR 1.7 billion compared with the same period of 2015, due in particular to the acquisition of spectrum at auction in June 2015. Excluding spectrum investment, cash capex was down EUR 0.2 billion year-on-year.

We again made significant investments in the broadband and fiber-optic roll-out, our IP transformation, and our mobile infrastructure as part of our integrated network strategy.

UNITED STATES
CUSTOMER DEVELOPMENT



[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. Ending customers as of September 30, 2016 reflect the transfers in connection with the transaction.

thousands

	Sept. 30, 2016	June 30, 2016	Change Sept. 30, 2016/ June 30, 2016 %	Dec. 31, 2015	Change Sept. 30, 2016/ Dec. 31, 2015 %	Sept. 30, 2015	Change Sept. 30, 2016/ Sept. 30, 2015 %
UNITED STATES							
Mobile customers	69,354	67,384	2.9%	63,282	9.6%	61,220	13.3%
Branded customers [a]	52,502	52,540	(0.1)%	49,326	6.4%	47,565	10.4%
Branded postpaid [a]	33,230	33,626	(1.2)%	31,695	4.8%	30,403	9.3%
Branded prepay [a]	19,272	18,914	1.9%	17,631	9.3%	17,162	12.3%
Wholesale customers [a]	16,852	14,844	13.5%	13,956	20.8%	13,655	23.4%

[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. Ending customers as of September 30, 2016 reflect the transfers in connection with the transaction.

At September 30, 2016, the United States operating segment (T-Mobile US) had 69.4 million customers compared to 63.3 million customers at December 31, 2015. Net customer additions were 6.1 million for the nine months ended September 30, 2016, compared to 6.2 million net customer additions for the nine months ended September 30, 2015 due to the factors described below.

Branded customers. Excluding the sale of marketing and distribution rights to certain of T-Mobile US' existing co-branded customers to a current wholesale partner (the MVNO Transaction) branded postpaid net customer additions were 2,900 thousand for the nine months ended September 30, 2016, compared to 3,218 thousand branded postpaid net customer additions for the nine months ended September 30, 2015. Branded postpaid net customer additions remained strong for the nine months ended September 30, 2016 driven by strong customer response to T-Mobile US' Un-carrier initiatives, ongoing improvements to network quality, and promotional activities. Branded postpaid net customer additions for the nine months ended September 30, 2016 were lower compared to the nine months ended September 30, 2015, primarily due to higher deactivations resulting from a growing branded postpaid customer base, partially offset by a lower branded postpaid churn rate as well as an increase in the number of qualified branded prepay customers migrating to branded postpaid plans.

Branded prepay net customer additions were 1,967 thousand (excluding the MVNO Transaction) for the nine months ended September 30, 2016, compared to 846 thousand branded prepay net customer additions for the nine months ended September 30, 2015. The increase was primarily attributable to the success of the MetroPCS brand promotional activities and continued growth in new markets, partially offset by an increase in the number of qualified branded prepay customers migrating to branded postpaid plans.

Wholesale customers. Wholesale net customer additions were 1,205 thousand (excluding the MVNO Transaction) for the nine months ended September 30, 2016, compared to wholesale net customer additions of 2,138 thousand for the nine months ended September 30, 2015. The decrease was primarily attributable to higher deactivations resulting from a growing customer base and lower gross customer additions.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
TOTAL REVENUE		7,816	8,196	8,281	7,059	17.3 %	24,293	21,407	13.5 %	28,925
Profit from operations (EBIT)		956	821	926	537	72.4 %	2,703	1,538	75.7 %	2,454
EBIT margin	%	12.2	10.0	11.2	7.6		11.1	7.2		8.5
Depreciation, amortization and impairment losses		(1,312)	(1,302)	(1,315)	(931)	(41.2) %	(3,929)	(2,622)	(49.8) %	(3,775)
EBITDA		2,268	2,123	2,241	1,468	52.7 %	6,632	4,160	59.4 %	6,229
Special factors affecting EBITDA		360	(49)	85	(234)	n. a.	396	(419)	n. a.	(425)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		1,908	2,172	2,156	1,702	26.7 %	6,236	4,579	36.2 %	6,654
EBITDA margin (adjusted for special factors)	%	24.4	26.5	26.0	24.1		25.7	21.4		23.0
CASH CAPEX		(1,756)	(1,251)	(1,671)	(1,103)	(51.5) %	(4,678)	(5,062)	7.6 %	(6,381)

Total revenue
Total revenue for the United States operating segment of EUR 24,3 billion in first nine months of 2016 increased by 13.5 percent compared to EUR 21.4 billion in the first nine months of 2015. In U.S. dollars, T-Mobile US' total revenues increased by 13.7 percent year-on-year due primarily to service revenue growth resulting from increases in the customer base from the strong customer response to T-Mobile US' Un-carrier initiatives, the success of MetroPCS promotional activities and continued growth in new markets. Equipment revenues increased due primarily to higher lease revenues resulting from the launch of the JUMP! On Demand program at the end of the second quarter of 2015. With JUMP! On Demand, revenues associated with leased devices are recognized over the term of the lease rather than when the device is delivered to the customer. An additional factor driving the increase in equipment revenues included an increase in the number of devices and accessories sold, partially offset by a lower average revenue per device sold resulting from promotions for devices and the impact of the JUMP! On Demand program launched at the end of the second quarter of 2015.

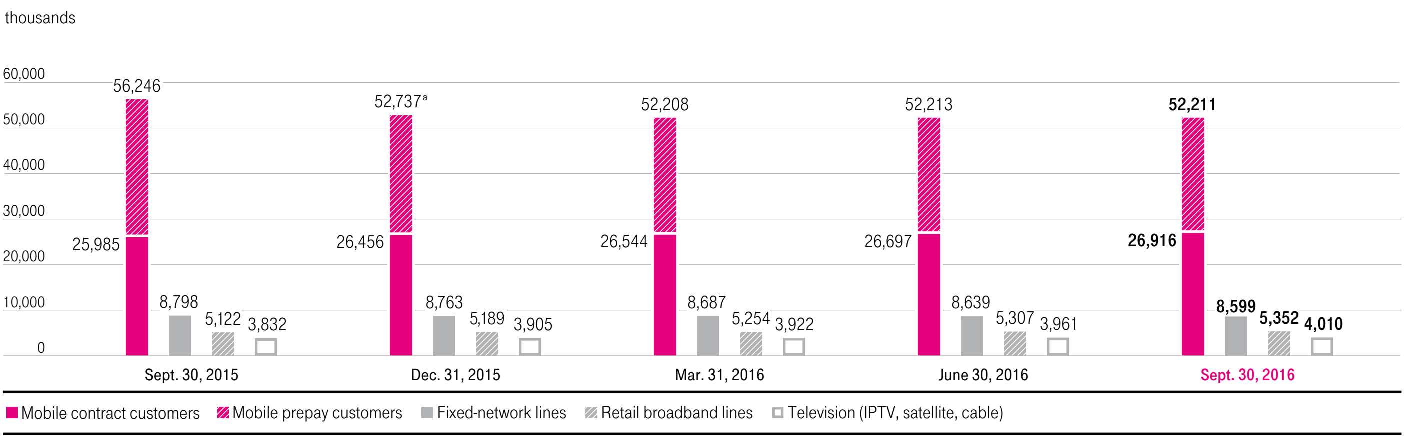
EBITDA, adjusted EBITDA, adjusted EBITDA margin
Adjusted EBITDA increased by 36.2 percent to EUR 6.2 billion in the first nine months of 2016, compared to EUR 4.6 billion in the first nine months of 2015. In U.S. dollars, adjusted EBITDA increased by 36.9 percent in the first nine months of 2016, compared to the first nine months of 2015. Adjusted EBITDA was positively impacted by increased branded postpaid and prepay service revenues resulting from strong customer response to T-Mobile US' Un-carrier initiatives and the ongoing success of promotional activities; lower losses on equipment driven by the impact of customers leasing devices with JUMP! On Demand as the related costs of leased devices are capitalized and depreciated over the lease term and are excluded from adjusted EBITDA. Additionally, focused cost control and synergies realized from the decommissioning of the MetroPCS Code Division Multiple Access (CDMA) network contributed to the adjusted EBITDA increase during the first nine months of 2016. These effects were partially offset by an increase in costs to support T-Mobile US' growing total customer base, including higher employee-related costs, higher commissions driven by an increase in T-Mobile US' branded customer additions, and higher promotional costs. Adjusted EBITDA margin increased to 25.7 percent in the first nine months of 2016, compared to 21.4 percent in the first nine months of 2015 due to the factors described above.

Adjusted EBITDA in the first nine months of 2016 excludes EUR 0.4 billion of special factors primarily related to non-cash gains from spectrum license transactions, partially offset by costs relating to the decommissioning of the MetroPCS CDMA network and stock-based compensation costs. Overall, EBITDA increased to EUR 6.6 billion in the first nine months of 2016, compared to EUR 4.2 billion in the first nine months of 2015 due to the factors described above, including the impact of special factors.

EBIT
EBIT increased to EUR 2.7 billion in the first nine months of 2016, compared to EUR 1.5 billion in the first nine months of 2015. This was driven by higher adjusted EBITDA, partially offset by higher depreciation expense from devices leased under T-Mobile US' JUMP! On Demand program launched at the end of the second quarter of 2015, as well as increases resulting from the build-out of T-Mobile US' 4G/LTE network resulted in increased depreciation expense in the first nine months of 2016.

Cash capex
Cash capex decreased to EUR 4.7 billion in the first nine months of 2016, compared to EUR 5.1 billion in the first nine months of 2015, due primarily to EUR 2.2 billion of spectrum licenses acquired primarily through the U.S. FCC auction in January 2015 offset by payments of EUR 1.2 billion for the acquisition of spectrum licenses during the first nine months of 2016 as T-Mobile US continues to invest in network capex for the build-out of the 4G/LTE network.

EUROPE
CUSTOMER DEVELOPMENT
Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.



[a] In the fourth quarter of 2015, the number of mobile customers in Poland decreased by 3,838 thousand in connection with the deactivation of inactive prepaid SIM cards.

thousands

		Sept. 30, 2016	June 30, 2016	Change Sept. 30, 2016/ June 30, 2016 %	Dec. 31, 2015	Change Sept. 30, 2016/ Dec. 31, 2015 %	Sept. 30, 2015	Change Sept. 30, 2016/ Sept. 30, 2015 %
EUROPE, TOTAL[a]	Mobile customers	52,211	52,213	0.0 %	52,737	(1.0) %	56,246	(7.2) %
	Fixed-network lines	8,599	8,639	(0.5) %	8,763	(1.9) %	8,798	(2.3) %
	Of which: IP-based	4,757	4,514	5.4 %	4,132	15.1 %	3,973	19.7 %
	Retail broadband lines	5,352	5,307	0.8 %	5,189	3.1 %	5,122	4.5 %
	Television (IPTV, satellite, cable)	4,010	3,961	1.2 %	3,905	2.7 %	3,832	4.6 %
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,234	2,239	(0.2) %	2,239	(0.2) %	2,241	(0.3) %
	Wholesale bundled lines	122	124	(1.6) %	121	0.8 %	121	0.8 %
	Wholesale unbundled lines	237	227	4.4 %	199	19.1 %	181	30.9 %
GREECE	Mobile customers	7,666	7,610	0.7 %	7,399	3.6 %	7,428	3.2 %
	Fixed-network lines	2,569	2,576	(0.3) %	2,586	(0.7) %	2,577	(0.3) %
	Broadband lines	1,646	1,611	2.2 %	1,531	7.5 %	1,480	11.2 %
ROMANIA	Mobile customers	5,869	5,909	(0.7) %	5,992	(2.1) %	5,905	(0.6) %
	Fixed-network lines	1,998	2,029	(1.5) %	2,091	(4.4) %	2,117	(5.6) %
	Broadband lines	1,198	1,204	(0.5) %	1,186	1.0 %	1,181	1.4 %
HUNGARY	Mobile customers	5,301	5,344	(0.8) %	5,504	(3.7) %	5,482	(3.3) %
	Fixed-network lines	1,650	1,655	(0.3) %	1,674	(1.4) %	1,677	(1.6) %
	Broadband lines	1,044	1,035	0.9 %	1,023	2.1 %	1,010	3.4 %
POLAND[a]	Mobile customers	11,221	11,635	(3.6) %	12,056	(6.9) %	15,696	(28.5) %
	Fixed-network lines	20	18	11.1 %	18	11.1 %	17	17.6 %
	Broadband lines	16	15	6.7 %	15	6.7 %	13	23.1 %
CZECH REPUBLIC	Mobile customers	6,002	6,008	(0.1) %	6,019	(0.3) %	5,981	0.4 %
	Fixed-network lines	147	140	5.0 %	154	(4.5) %	147	–
	Broadband lines	133	133	–	134	(0.7) %	138	(3.6) %
CROATIA	Mobile customers	2,332	2,246	3.8 %	2,233	4.4 %	2,323	0.4 %
	Fixed-network lines	1,004	1,009	(0.5) %	1,004	–	1,020	(1.6) %
	Broadband lines	771	762	1.2 %	741	4.0 %	733	5.2 %
NETHERLANDS	Mobile customers	3,703	3,671	0.9 %	3,677	0.7 %	3,686	0.5 %
SLOVAKIA	Mobile customers	2,226	2,227	0.0 %	2,235	(0.4) %	2,204	1.0 %
	Fixed-network lines	847	848	(0.1) %	855	(0.9) %	858	(1.3) %
	Broadband lines	625	618	1.1 %	599	4.3 %	587	6.5 %
AUSTRIA	Mobile customers	4,365	4,275	2.1 %	4,323	1.0 %	3,962	10.2 %
OTHER[b]	Mobile customers	3,525	3,287	7.2 %	3,299	6.9 %	3,579	(1.5) %
	Fixed-network lines	364	365	(0.3) %	381	(4.5) %	385	(5.5) %
	Broadband lines	284	284	–	285	(0.4) %	289	(1.7) %

[a] In the fourth quarter of 2015, the number of mobile customers in Poland decreased by 3,838 thousand in connection with the deactivation of inactive prepaid SIM cards.
[b] "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 national companies of our Europe operating segment once again had to face the challenge of a highly competitive market environment in the first nine months of 2016. Thanks to our convergent product portfolio MagentaOne, we had around 1.2 million FMC customers as of September 30, 2016 – 35.0 percent more than as of the end of December 2015. One key success factor of our convergent product portfolio is the joint marketing of fixed-network and mobile communications for a seamless telecommunications experience. The TV business in particular is a guarantee for success in this regard. The key to this successful marketing is, on the one hand, the wide variety of our TV services and, on the other, the provision of high bandwidths, which we achieve through a mix of technologies depending on the telecommunications infrastructure available in each of our national companies. For this reason, we are systematically driving forward the roll-out of fast, fiber-optic lines (FTTH, FTTB and FTTC) in the fixed network. In mobile communications, we can already offer our customers in a number of countries transmission rates of up to 375 Mbit/s via LTE Advanced/4G+. We scored big in the contract customer segment with high speeds combined with a broad rate portfolio that includes the latest and most high-performance smartphones, and recorded an increase of 1.7 percent compared with the end of 2015. As part of our pan-European network strategy, we also increased the number of IP lines – primarily thanks to the successful migration from traditional PSTN lines to IP technology.

We also aim to be the best integrated provider for our customers with regard to the Internet of Things (IoT). In machine-to-machine (M2M) communications, we offer customer-oriented solution components along the value chain. Here, we benefit from the solutions and integration expertise of T-Systems, a strong partner network, and the commencing implementation of our Smart Cities strategy.

Mobile communications

As of September 30, 2016, we had a total mobile customer base of 52.2 million – down slightly by 1.0 percent compared with the end of 2015. This decline is attributable to customer losses in the prepay business, which is under pressure due to intense competition. In addition, the prepay registration requirement introduced by the Polish government at the end of July 2016 also had a negative impact on the prepay segment. In line with our strategy of focusing on high-value contract customers, we recorded a slight increase of 1.7 percent in this segment, which corresponds to growth of around 460 thousand customers. Thus we maintained the growth trend in the contract customer business from the first two quarters in the third quarter of 2016. Overall, the number of contract customers increased compared with year-end 2015 to 26.9 million. Almost all of our national companies contributed to this result, in particular Austria, the Netherlands, and Romania. At the end of the third quarter of 2016, contract customers accounted for 51.6 percent of the total customer base.

This success is attributable to our high-performance networks. We are positioning ourselves in the relevant markets as a quality provider with the best service – and in many countries also as the provider with the best mobile network. This is borne out by regular independent mobile communications tests, including Best in Test from P3 Communications. In addition to the Netherlands, the F.Y.R.O. Macedonia, and Montenegro, the companies in Greece, Slovakia, and Albania have now also received this prestigious certificate for their outstanding network quality. Part of our network strategy is to systematically build out our mobile networks with 4G/LTE technology, to increase transmission rates in all our national companies. Thanks to investments in our 4G/LTE network, our customers enjoy better network coverage with fast mobile broadband. As of the end of the first nine months of 2016, we already covered 78 percent of the population in the countries of our operating segment with LTE, thus reaching more than 101 million people in total. By 2018, we want to achieve total network coverage of between 75 and 95 percent. Not only the high level of data volumes used, but also the sales figures for mobile devices prove that our customers actually use these high bandwidths, with smartphones accounting again for a high proportion – 78 percent – of all devices sold as of the end of the third quarter of 2016.

Fixed network

Our TV and entertainment offerings have evolved into an important pillar of the consumer business, which is why we continuously invest in improving our entertainment services. This entails, on the one hand, a portfolio with an impressive selection of film, sports, and TV content. However, we are also working hard on providing services that our customers can use in high quality – anywhere and on all devices. Since April of this year, our customers in Greece, for example, have been benefiting from a new hybrid TV service that combines the advantages of satellite TV and IPTV. Our customers endorse our innovations: In the first nine months of 2016, the number of TV customers increased by 2.7 percent compared with the end of December 2016 to 4.0 million; compared with the prior-year quarter, the number of TV customers increased by as much as 4.6 percent. The majority of the 178 thousand net additions were customers in Greece, Romania, Hungary, and Slovakia.

As an integrated telecommunications provider, we want to drive forward the convergence of fixed-network and mobile technology (FMC) and are offering the convergent product MagentaOne to customers in all our integrated countries with great success. As of September 30, 2016, we had won more than 1.2 million FMC customers, an increase of 35.0 percent. Greece, Romania, and Croatia in particular contributed to this growth. After focusing on the consumer segment, we are now also extending the MagentaOne offering to the business customer segment: As of the third quarter of 2016, we now also offer MagentaOne Business in Montenegro – in addition to Slovakia, Hungary, Romania, the F.Y.R.O. Macedonia, Croatia, and Greece. The technical basis for FMC products is a simplified and standardized network; this requires the national companies with a fixed-network architecture to migrate to IP technology. And implementation is proving successful: The IP migration in Slovakia and the F.Y.R.O. Macedonia in 2014 was followed by Montenegro and Croatia in 2015. The conversion to IP technology in Hungary was already well advanced as of the end of the third quarter of 2016; we expect the migration of PSTN lines to be completed by the end of the year. Consequently, as of September 30, 2016, we recorded 4.8 million IP-based lines – up 15.1 percent compared with the end of 2015. At segment level, IP-based lines accounted for 55.3 percent of all lines, significantly more than PSTN-based lines. As of the end of the reporting period, 8.6 million customers in our Europe operating segment were using a fixed-network line, 1.9 percent fewer than at the end of 2015. The main reason for this decline is line losses in traditional telephony (PSTN).

The number of retail broadband lines continued to grow apace, increasing by 3.1 percent in the first nine months of 2016 to 5.4 million lines, up 4.5 percent compared with the prior-year period. Thanks to the high proportion of DSL technology in the last few quarters, the number of broadband lines has grown steadily. Our commitment to invest more in fiber-optic-based lines in the integrated countries of our operating segment is being well received by customers: In the first three quarters of 2016, we generated strong double-digit growth compared with the end of 2015, especially thanks to successful marketing in Romania, Hungary, and Slovakia. Household coverage with optical fiber increased again overall, reaching 23 percent at the reporting date. By 2018, we want 50 percent of households in our integrated national companies to have access to fiber-optic lines (FTTx), i.e., transmission rates of up to 100 Mbit/s.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
TOTAL REVENUE		3,080	3,106	3,223	3,261	(1.2)%	9,409	9,627	(2.3)%	13,024
Greece		685	701	745	721	3.3%	2,131	2,117	0.7%	2,878
Romania		234	242	242	239	1.3%	718	721	(0.4)%	984
Hungary		403	408	415	432	(3.9)%	1,226	1,330	(7.8)%	1,848
Poland		378	343	373	391	(4.6)%	1,094	1,158	(5.5)%	1,544
Czech Republic		229	233	239	242	(1.2)%	701	699	0.3%	958
Croatia		220	230	238	249	(4.4)%	688	682	0.9%	909
Netherlands		324	319	332	346	(4.0)%	975	1,054	(7.5)%	1,394
Slovakia		187	186	191	199	(4.0)%	564	571	(1.2)%	783
Austria		208	208	219	207	5.8%	635	609	4.3%	829
Other[a]		270	293	296	300	(1.3)%	859	850	1.1%	1,136
Profit from operations (EBIT)		326	377	426	466	(8.6)%	1,129	1,183	(4.6)%	1,476
EBIT margin	%	10.6	12.1	13.2	14.3		12.0	12.3		11.3
Depreciation, amortization and impairment losses		(636)	(639)	(651)	(641)	(1.6)%	(1,926)	(1,903)	(1.2)%	(2,632)
EBITDA		962	1,016	1,077	1,107	(2.7)%	3,055	3,086	(1.0)%	4,108
Special factors affecting EBITDA		(24)	(22)	(23)	(50)	54.0%	(69)	(168)	58.9%	(221)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)		986	1,038	1,100	1,157	(4.9)%	3,124	3,254	(4.0)%	4,329
Greece		267	268	299	297	0.7%	834	827	0.8%	1,118
Romania		38	38	53	48	10.4%	129	152	(15.1)%	205
Hungary		126	144	145	142	2.1%	415	402	3.2%	526
Poland		120	100	125	164	(23.8)%	345	439	(21.4)%	580
Czech Republic		99	100	103	100	3.0%	302	285	6.0%	390
Croatia		82	95	103	102	1.0%	280	273	2.6%	367
Netherlands		88	102	91	125	(27.2)%	281	382	(26.4)%	500
Slovakia		78	79	83	83	0.0%	240	232	3.4%	296
Austria		69	70	78	64	21.9%	217	195	11.3%	259
Other[a]		20	42	18	35	(48.6)%	80	67	19.4%	88
EBITDA margin (adjusted for special factors)	%	32.0	33.4	34.1	35.5		33.2	33.8		33.2
CASH CAPEX		(1,009)	(391)	(907)	(403)	n. a.	(2,307)	(1,204)	(91.6)%	(1,667)

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/GNF business of the local business units, GNF (Global Network Factory), GTS Central Europe group in Romania, Europe Headquarters, Group Technology, and Pan-Net.

Total revenue

Our Europe operating segment generated total revenue of EUR 9.4 billion in the first nine months of 2016, a year-on-year decrease of 2.3 percent. In organic terms, i.e., excluding the spin-off of the energy resale business in Hungary as of January 1, 2016 and assuming constant exchange rates, segment revenue stabilized at more or less the prior-year level. Excluding the development of business in the Netherlands, organic revenue in the Europe operating segment would have increased slightly by 0.4 percent on the prior-year level.

Decisions by regulatory authorities continued to impact our organic revenue in the first nine months of 2016 due to reduced mobile termination rates, especially in Hungary, as well as lower roaming charges in many countries of our segment. Intense competition also had a negative impact on the telecommunications markets of our national companies.

The decline in revenue at segment level was mitigated by the strategic growth areas, where revenue increased by 3.0 percent. Thus the growth areas accounted for 30.0 percent of segment revenue. Revenue from mobile data business increased by 4.9 percent compared with the prior-year period to EUR 1.4 billion. Most countries of our operating segment made a contribution to this growth, especially Austria, the Czech Republic, Hungary, and Croatia. The majority of absolute revenue growth from mobile data business was attributable to consumers. The use of data services, especially by contract customers, remained at a high level thanks to attractive rate plans combined with a broad portfolio of terminal equipment as well as high bandwidths. Thanks to our innovative TV and program management, the TV business continued its upward trend of the past few quarters: In the first nine months of 2016, TV revenue increased by 11.0 percent and accounted for some 40 percent of the revenue increases generated in the growth areas, making it the second biggest growth driver after the mobile data business. B2B/ICT revenues remained stable compared with the first nine months of the prior year.

In addition to the growth areas, we recorded increases in revenue both in sales of mobile terminal equipment and in wholesale business; the latter we achieved mainly through a volume-driven increase in the termination of telephone calls.

Considered by country, the organic revenue trend was hit hardest by the decline in operations in the Netherlands in the first nine months of 2016. Reduced charges on account of the roaming regulation and competition-driven price reductions – both in voice telephony and in data business – had a negative impact on revenue development. There are signs of positive effects from a substantial increase in net customer additions in the third quarter of 2016. Increases in visitor revenues (revenues from third parties for roaming in our home network) also made a positive contribution to revenue.

Poland and Slovakia also recorded revenue losses on an organic basis. In Poland, revenue from mobile voice telephony declined on account of lower volumes as well as lower prices, due in particular to lower roaming charges. These decreases were only partially offset by higher revenues from visitors and from sales of mobile terminal equipment. As of the end of the third quarter of 2016, Slovakia recorded an overall decline in total revenues, despite growth in mobile revenues. Lower revenues, mainly in the B2B/ICT business were only partially offset by the increase in revenue from TV business.

The national companies in Hungary, Austria, and Greece made particularly positive contributions to organic segment revenue, thereby almost offsetting the declines.

EBITDA, adjusted EBITDA

Our Europe operating segment generated adjusted EBITDA of EUR 3.1 billion in the first nine months of 2016, a year-on-year decrease of 4.0 percent. In organic terms, i.e., excluding the spin-off of the energy resale business in Hungary as of January 1, 2016 and assuming constant exchange rates, adjusted EBITDA decreased by 3.4 percent. Excluding the development of business in the Netherlands, organic adjusted EBITDA in the Europe operating segment stabilized at the prior-year level.

Adjusted EBITDA was impacted, on the one hand, by the overall decrease in organic revenue at segment level and, on the other, by the increase in direct costs, partly due to higher interconnection costs and partly to higher market investments. Changes in legislation, e.g., taxes and duties, national austerity programs, as in Greece for example, and regulatory decisions put additional pressure on our earnings. Indirect costs were at the same level as in the prior year.

Considering adjusted EBITDA by country, the decline was mainly attributable to the Netherlands, Poland, and Romania, and the Greek mobile operations. By contrast, the adjusted EBITDA generated in particular in Austria, Hungary, and the Czech Republic, as well as in the fixed-network business in Greece, increased.

Our EBITDA decreased slightly year-on-year by 1.0 percent to EUR 3.1 billion, thanks to two offsetting effects. In the prior-year period, EBITDA was impacted by higher negative special effects: in particular in Greece, due to expenses for staff-related measures, primarily in the fixed-network business, and in Slovakia, due to the expense to settle a claim for damages against Slovak Telekom. This effect was offset by the mainly revenue-related decrease in adjusted EBITDA in the first nine months of 2016.

Development of operations in selected countries

In view of our aim of becoming the leading European telecommunications provider, the majority of our national companies are pursuing the strategy of developing into integrated all-IP players that provide the best customer experience – regardless of their respective market position. To this end, we are establishing a production model with the help of a pan-European, fully IP-based network infrastructure, the best network access, and optimized processes and customer interfaces. Most of our national companies already operate in both fixed-network and mobile communications in their respective markets. We present the following three national companies by way of example:

Greece. In Greece, revenue was up slightly year-on-year by 0.7 percent in the first nine months of 2016 at EUR 2.1 billion. The positive revenue trend in the fixed-network business completely offset the decline in mobile business. The TV business in particular proved to be a steady growth driver: Innovative TV services with a huge variety of programs won over customers, which is reflected in double-digit customer growth. As a result, TV revenue also increased by 44 percent compared with the prior-year period – despite the tax levied by the government on pay TV. The FMC product CosmoteOne also contributed to revenue growth. Broadband business also benefited from the increased number of DSL lines. In addition, the business customer segment B2B/ICT made a positive contribution to fixed-network revenue, which more than offset the negative effects from the decline in voice telephony.

Mobile revenues continued to be adversely affected in the first nine months of 2016 by the still strained economic situation, the intensely competitive environment, and the new tax legislation. The price- and volume-driven decline in revenue from voice telephony in particular impacted negatively on service revenues. A higher increase in the customer base only partially offset this decline. Increased revenue from mobile data services – partly as a result of increased data volumes – and from visitors had a positive effect on service revenues. Revenue from the sale of mobile terminal equipment declined compared with the prior-year period.

In the first nine months of 2016, adjusted EBITDA in Greece stood at EUR 834 million, a moderate increase, driven mainly by revenue, of 0.8 percent against the prior-year period. Although the net margin remained more or less stable, savings in indirect costs – mainly due to lower personnel costs – contributed to the increase in earnings.

Hungary. In Hungary, revenue decreased by 7.8 percent year-on-year to EUR 1.2 billion. Excluding the spin-off of the energy resale business and assuming constant exchange rates, revenue increased by 2.3 percent on an organic basis. This growth is attributable to both mobile communications and the fixed network.

In mobile communications, significantly higher revenues from sales of mobile terminal equipment completely offset the slight decline in service revenues, which was due to offsetting effects: lower mobile termination and roaming charges contributed to a reduction in voice revenues. This was contrasted by higher revenues from mobile data services, which increased by 8.0 percent compared with the prior-year period. This positive development is, among other factors, the result of our high-speed mobile network and its huge reach. The positive trend in the fixed-network business is mainly due to higher revenue from TV and broadband business, which accounted for 48 percent of total fixed-network revenues in the first nine months of 2016. The number of broadband lines increased gradually, due in particular to the roll-out of fiber-optic lines. Our TV business also profited from this, attracting customers with its innovative services across all screens and by the variety of programs. The MagentaOne offering in the consumer and the business customer segment also contributed to this trend. Thanks to these positive contributions, we more than offset the revenue declines in both traditional telephony and the business customer segment B2B/ICT.

Adjusted EBITDA increased by 3.2 percent year-on-year in the first three quarters of 2016 to EUR 415 million. In organic terms, adjusted EBITDA grew by as much as 4.8 percent, due in part to higher organic revenue. This effect was partly offset by higher direct costs. Indirect costs were at the same level as in the prior year.

Austria. In Austria, we generated revenue of EUR 635 million in the first nine months of 2016, up 4.3 percent compared with the first nine months of the prior year. This increase is largely attributable to higher revenue from mobile data business: the contract customer additions increased the usage of data services. Data services accounted for 28 percent of total revenue. In addition, increased visitor revenues as well as higher revenues from the sale of mobile terminal equipment had a positive impact on revenue development. Overall, the positive effects more than offset the revenue declines in voice telephony, which are mainly attributable to lower roaming charges.

Adjusted EBITDA increased by 11.3 percent year-on-year in the first nine months of 2016 to EUR 217 million. Higher revenue offset an increase in direct costs attributable to market investments. Indirect costs were up slightly on the prior-year period.

EBIT

EBIT in our Europe operating segment decreased by 4.6 percent as of the end of the third quarter of 2016 to EUR 1.1 billion, due to the decline in EBITDA. EBIT was also reduced by an increase in depreciation, amortization and impairment losses.

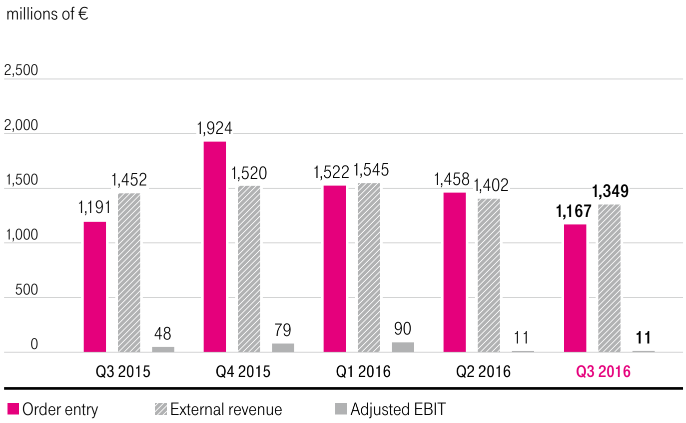
Cash capex

In the first nine months of 2016, our Europe operating segment reported cash capex of EUR 2.3 billion, an increase of EUR 1.1 billion, mainly due to the acquisition of mobile spectrum in Poland, the Czech Republic, and Montenegro in 2016, as well as the frequency extension in the Netherlands.

SYSTEMS SOLUTIONS

SELECTED KPIs

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively. For more information, please refer to the disclosures under segment reporting in the interim consolidated financial statements, pages 47 and 48.



		Sept. 30, 2016	June 30, 2016	Change Sept. 30, 2016/ June 30, 2016 %	Dec. 31, 2015	Change Sept. 30, 2016/ Dec. 31, 2015 %	Sept. 30, 2015	Change Sept. 30, 2016/ Sept. 30, 2015 %
ORDER ENTRY	millions of €	4,147	2,980	n. a.	5,608	n. a.	3,684	12.6 %
COMPUTING & DESKTOP SERVICES								
Number of servers managed and serviced	units	71,886	66,002	8.9 %	62,590	14.9 %	62,521	15.0 %
Number of workstations managed and serviced	millions	1.77	1.73	2.3 %	1.71	3.5 %	1.67	6.0 %
SYSTEMS INTEGRATION								
Hours billed	millions	5.3	3.6	n. a.	5.3	n. a.	4.0	32.5 %
Utilization rate	%	83.3	83.4	(0.1) %p	82.9	0.4 %p	80.9	2.4 %p

Development of business

In the first nine months of 2016, our Systems Solutions operating segment recorded a slight decline compared with the prior-year period, although the Market Unit profited from the completion of the set-up phase in connection with our corporate customer project to set up and operate an electronic toll collection system in Belgium. Strengthened by the realignment, our standard solutions from the growth area of cloud computing in particular won out over the competition and its aggressive pricing. Another key component in the expansion of our cloud business is strategic partnerships. This means we offer our partners' services from our data centers in Germany in order to meet our customers' needs. The aspects of security and high availability play a key role for T-Systems and our customers.

To meet the requirements from the new deals, we are continuously modernizing and consolidating our ICT resources. Against this background, the number of servers managed and serviced increased by 15.0 percent compared with the prior-year period. 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 6.0 percent compared with the prior-year period.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
TOTAL REVENUE	2,045	2,009	1,875	2,031	(7.7) %	5,929	6,031	(1.7) %	8,194
Profit (loss) from operations (EBIT)	30	(99)	(75)	(99)	24.2 %	(144)	(406)	64.5 %	(541)
Special factors affecting EBIT	(60)	(110)	(86)	(147)	41.5 %	(256)	(499)	48.7 %	(713)
EBIT (adjusted for special factors)	90	11	11	48	(77.1) %	112	93	20.4 %	172
EBIT margin (adjusted for special factors) %	4.4	0.5	0.6	2.4		1.9	1.5		2.1
Depreciation, amortization and impairment losses	(116)	(164)	(146)	(133)	(9.8) %	(426)	(495)	13.9 %	(634)
EBITDA	146	65	71	34	n. a.	282	89	n. a.	93
Special factors affecting EBITDA	(60)	(110)	(70)	(142)	50.7 %	(240)	(435)	44.8 %	(647)
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	206	175	141	176	(19.9) %	522	524	(0.4) %	740
EBITDA margin (adjusted for special factors) %	10.1	8.7	7.5	8.7		8.8	8.7		9.0
CASH CAPEX	(237)	(260)	(241)	(282)	14.5 %	(738)	(806)	8.4 %	(1,151)

Total revenue

Total revenue in our Systems Solutions operating segment in the reporting period amounted to EUR 5.9 billion, a year-on-year decrease of 1.7 percent.

Revenue of the Market Unit, i.e., essentially business with external customers, was down 1.4 percent year-on-year to EUR 4.9 billion. Both national and international revenue in this unit declined, despite the completion of the set-up phase of the toll collection system in Belgium in the first quarter of 2016. The general downward price trend in ICT business and exchange rate effects had a negative impact on Market Unit's revenue.

In the Telekom IT business unit, which mainly pools the Group's domestic internal IT activities, revenue was down 3.2 percent to EUR 1.1 billion against the prior year. Telekom IT's revenue is expected to decrease below the prior-year level over the course of the year due to planned further IT cost savings by the Group.

EBITDA, adjusted EBITDA

Adjusted EBITDA in our Systems Solutions operating segment remained at the prior-year level in the reporting period. The substantially higher contribution from the Market Unit (up 11.8 percent) largely offset the decline within Telekom IT. The increase in the Market Unit's earnings was primarily attributable to the successful completion in the first quarter of 2016 of the set-up phase for the toll collection system in Belgium. By contrast, the accounting treatment of risks from individual corporate customer contracts had a negative impact. Adjusted EBITDA at Telekom IT decreased year-on-year by 39.2 percent to EUR 76 million, mainly due to the lower intragroup onward charging of costs from the licensing of the Group-wide ERP system. The adjusted EBITDA margin of our Systems Solutions operating segment increased from 8.7 percent in the prior-year period to 8.8 percent.

EBITDA increased by EUR 193 million compared with the prior-year period to EUR 282 million, mainly due to the effects described under adjusted EBITDA and to a EUR 195 million decrease in special factors, primarily due to restructuring programs in the prior year.

EBIT, adjusted EBIT

Adjusted EBIT increased by EUR 19 million compared with the prior-year period to EUR 112 million, due in particular to the one-time effect in the Market Unit described under EBITDA. The adjusted EBIT margin improved from 1.5 to 1.9 percent in the reporting period. Decreases in depreciation, amortization and impairment losses due to the migration of IT platforms also impacted positively on adjusted EBIT.

Cash capex

Cash capex decreased by 8.4 percent year-on-year, due to enhanced efficiency, for example as a result of the standardization of the ICT platforms and the consolidation of data centers. Our level of investment remains high at EUR 738 million and is attributable to the increasing advancement of the digitization of enterprises. For this reason, we are investing in growth areas such as connected car and healthcare, as well as in cutting-edge digital innovation areas like cloud computing and cyber security.

GROUP HEADQUARTERS & GROUP SERVICES

Group Headquarters & Group Services comprises all Group units that cannot be allocated directly to one of the operating segments. For more information, please refer to the section "Group structure" in the 2015 Annual Report, page 58 et seq.

millions of €

	Q1 2016	Q2 2016	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
TOTAL REVENUE	513	542	559	555	0.7 %	1,614	1,704	(5.3) %	2,275
Profit (loss) from operations (EBIT)	2,139	(436)	(311)	(341)	8.8 %	1,392	(824)	n. a.	(860)
Depreciation, amortization and impairment losses	(130)	(129)	(130)	(174)	25.3 %	(389)	(456)	14.7 %	(627)
EBITDA	2,269	(307)	(181)	(167)	(8.4) %	1,781	(368)	n. a.	(233)
Special factors affecting EBITDA	2,386	(199)	(71)	(34)	n. a.	2,116	(137)	n. a.	319
EBITDA (ADJUSTED FOR SPECIAL FACTORS)	(117)	(108)	(110)	(133)	17.3 %	(335)	(231)	(45.0) %	(552)
CASH CAPEX	(60)	(51)	(64)	(69)	7.2 %	(175)	(230)	23.9 %	(342)

Total revenue
Total revenue in our Group Headquarters & Group Services segment in the first three quarters of 2016 decreased by 5.3 percent year-on-year, mainly due to revenue lost in connection with the sale of our online platform t-online.de and our digital marketing company InteractiveMedia in November 2015 as well as the realignment of the Group Innovation+ unit. In addition, intragroup revenue decreased due to the continued efforts to optimize the use of land and buildings.

EBITDA, adjusted EBITDA
Adjusted EBITDA in the Group Headquarters & Group Services segment decreased by EUR 104 million year-on-year in the reporting period, mainly due to income of EUR 175 million recorded in the first quarter of 2015 in connection with an agreement to settle a complaints procedure under anti-trust law. Excluding this one-time effect, adjusted EBITDA was up EUR 71 million compared with the prior-year period, primarily due to lower personnel costs as a result of continued staff restructuring, especially at Vivento. Additional positive effects result from the realignment of the Group Innovation+ unit and the reversal of provisions. By contrast, the adjusted EBITDA trend was negatively impacted by continued efforts to optimize the use of land and buildings. The loss of positive contributions in connection with the sale of t-online.de and InteractiveMedia and reduced income from reimbursements related to the sale of our EE joint venture to the UK company BT completed in January 2016, also had a negative impact on adjusted EBITDA in the reporting period.

In the reporting period, EBITDA was affected by positive special factors of EUR 2.1 billion. These factors resulted primarily from the sale of our EE joint venture to the UK company BT, which was completed in January 2016. We generated income of some EUR 2.5 billion from this sale. The sale of shares in Scout24 AG in April 2016 also generated income of some EUR 0.1 billion. By contrast, expenses of around EUR 0.4 billion, especially for staff-related measures, had a negative impact on EBITDA in the reporting period. Special factors in the prior-year period of some EUR 0.1 billion consisted primarily of expenses for staff-related measures.

EBIT
The year-on-year increase in EBIT by EUR 2.2 billion is primarily attributable to income from the disposal of our EE joint venture recorded in the reporting period. Depreciation, amortization and impairment losses were down EUR 67 million on the prior-year level, mainly due to lower depreciation and impairment losses on land and buildings as a result of our continued optimization of the real estate portfolio.

Cash capex
Cash capex decreased year-on-year by EUR 55 million, due to the purchase of fewer vehicles and licenses.

EVENTS AFTER THE REPORTING PERIOD (SEPTEMBER 30, 2016)

For information on developments in the legal proceedings for the **claims relating to charges for the shared use of cable ducts**, please refer to the section "Risks and opportunities," page 32 et seq.

FORECAST

The statements in this section reflect the current views of our management. To date, there is no evidence that the forecasts published in the 2015 combined management report have significantly changed (2015 Annual Report, page 116 et seq.). Accordingly, the statements made therein remain valid. For additional information and recent changes in the economic situation, please refer to the section "The economic environment" in this interim Group management report. Readers are also referred to the Disclaimer at the end of this report.

RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report for the 2015 financial year (2015 Annual Report, page 125 et seq.). Readers are also referred to the Disclaimer at the end of this report.

INDUSTRY, COMPETITION, AND STRATEGY

New consumer credit regulations in the Netherlands. The Supreme Court of the Netherlands (Hoge Raad der Nederlanden) found in the final instance that mobile contracts that are bundled with a free or discounted device such that the price of the device is not apparent for the customer, are to be treated as consumer credit or installment purchases. Accordingly, such contracts are subject to Dutch consumer credit law. As a consequence, contracts that do not comply with these specific consumer credit provisions can be rescinded. T-Mobile Netherlands is currently examining the consequences of this decision. At present the financial impact cannot be assessed with sufficient certainty.

LITIGATION

Toll Collect arbitration proceedings. In the Toll Collect arbitration proceedings another hearing took place in June 2016. There is no reason to adjust the provisions for risk recognized in 2014 in the statement of financial position.

Claims by partnering publishers of telephone directories. Five partnering publishers of telephone directories, whose civil actions are still pending, have been pursuing their claims in parallel since June 2016 through administrative court actions against the Federal Network Agency.

Claims relating to charges for the shared use of cable ducts. The claim of Unitymedia Hessen GmbH & Co. KG and other plaintiffs against Telekom Deutschland GmbH was dismissed in the first instance by the Cologne Regional Court on October 11, 2016. The ruling is not yet legally binding.

Monthly charges for the unbundled local loop. The new rulings issued and the withdrawal of claims following the implementation of settlement agreements with (former) plaintiffs (please refer to "Regulation," pages 33 and 34) result in deeming the remaining risk from the proceedings concerning the ULL monthly and one-time charges to be low. As a result, we will not report further about the proceedings which are still pending in the future.

Claim for damages in Malaysia despite earlier, contrary, legally binding arbitration ruling. Celcom Malaysia Berhad (Celcom) and Technology Resources Industries Berhad are pursuing actions with the state courts in Kuala Lumpur, Malaysia, against eleven defendants in total, including DeTeAsia Holding GmbH, a subsidiary of Deutsche Telekom AG. The plaintiffs are demanding damages and compensation of USD 232 million plus interest. DeTeAsia Holding GmbH had enforced this amount against Celcom in 2005 on the basis of a final ruling in its favor. The main first-instance proceedings originally planned for October 2016 are now expected to take place in spring 2017. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

PROCEEDINGS CONCLUDED IN 2016

Claims for damages concerning the charges for the provision of subscriber data. In 2005, telegate AG filed a claim against Deutsche Telekom AG for damages of approximately EUR 86 million plus interest. telegate AG alleged that Deutsche Telekom AG charged excessive prices for the provision of subscriber data between 1997 and 1999. Also in 2005, Dr. Harisch, founder of telegate AG, filed a claim against Deutsche Telekom AG for damages of most recently around EUR 612 million plus interest. After both Dr. Harisch and telegate AG had lost their cases in the courts of first and second instance, the complaint filed by Dr. Harisch against the non-allowance of appeal was dismissed by the Federal Court of Justice in April 2015. The Federal Court of Justice has now also dismissed the complaint by telegate AG against non-allowance of appeal in a ruling dated April 12, 2016. Thus both claims have now been dismissed with final and binding effect and the proceedings have thus been terminated.

Claim for compensation against OTE. In the legal action that Lannet Communications S. A. took against OTE claiming compensation for damages amounting to around EUR 176 million plus interest, the relevant court in Athens ruled in favor of OTE on April 8, 2016, and requested that the claimant withdraw its claim. The decision has now become final and legally binding, the proceedings have thus been terminated.

ANTI-TRUST PROCEEDINGS

Claims for damages against Slovak Telekom following the European Commission's decision to impose fines. Following the fining decision of the European Commission dated October 15, 2014, in addition to Orange Slovensko and SWAN, Slovanet has now also filed a damage action against Slovak Telekom with the civil court in Bratislava. Slovanet is claiming compensation for alleged damages of EUR 63 million plus interest. The action by Slovanet has not been formally served upon Slovak Telekom as of yet. In the proceedings against Orange Slovensko and SWAN, Slovak Telekom has in each case submitted a detailed statement of defense, rejecting the respective claims for damages in full. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

FINANCIAL RISKS

There is as yet no objective evidence of an impairment loss on Deutsche Telekom's financial stake in BT to be recognized in profit or loss. Nevertheless, we are monitoring the ongoing development of the fair value of the BT share – depending on the further development of the exchange rate and/or the share price – for signs of any impairment.

REGULATION

Consumer protection. In February 2014, the Federal Network Agency had presented a draft regulation designed to achieve more transparency and greater cost control in telecommunications services. The draft regulation is expected to be adopted by the end of the fourth quarter of 2016 following agreement with the relevant ministries. Back in September 2015, the Federal Network Agency launched its measuring system that enables consumers to measure the bandwidths available on their fixed-network and mobile lines. A report on the line bandwidths achieved throughout Germany was published in June 2016 without much press reaction. The regulation will enter into force after a six-month transposition period. For some rules an extended transposition period of twelve months is envisaged.

Retrospective new ruling on rate approvals. The settlement agreements concluded in 2015 with plaintiffs concerning the ULL one-time charges, in which the originally approved charges were agreed and the contractual parties undertook to withdraw pending claims, were implemented in full by April 2016. On this basis, we submitted corresponding rate applications to the Federal Network Agency on September 23, 2015 and November 30, 2015, which were approved on November 5, 2015 and February 1, 2016. Thus the past ULL one-time charges in the amount of the original approval have now become legal and binding for almost the entire market.

Awarding of frequencies. With regard to risks and opportunities in relation to spectrum regulation, particular note should be made of the proceedings currently in preparation or in planning in some countries for the awarding of spectrum. The allocations mainly relate to the auctioning of spectrum in the 0.8 GHz and 0.9 GHz ranges, as well as to 1.8 GHz, 3.5 GHz, and 3.7 GHz. Award procedures are currently being prepared in Albania, Austria, the Czech Republic, Greece, the F.Y.R.O. Macedonia, Slovakia, and the United Kingdom, which are expected to be held by mid-2017. The multi-stage 0.8/0.9/1.8/2.0 and 2.6 GHz auction launched in July 2016 in Montenegro came to its conclusion in August 2016. In this process, Crnogorski Telekom succeeded in acquiring 2x20 MHz in the 0.8 GHz range, 2x10 MHz in the 0.9 GHz range, 2x25 MHz in the 1.8 GHz range, 2x20 MHz in the 2.1 GHz range, and 2x10 MHz in the 2.6 GHz range. In the Czech Republic, T-Mobile Czech Republic was able to secure 2x10 MHz and a block of 25 MHz of spectrum in the 2.6 GHz range as additional capacity in an auction in June 2016. A decision on the extension of the rights of use for T-Mobile Czech Republic's existing 0.9/1.8 GHz spectrum is expected by the end of 2016. In addition, there are plans for the award of 3.7 GHz spectrum, which is expected by spring 2017. In the United States, the first phase of the Incentive Auction to reallocate former broadcast spectrum to mobile communications usage with a commercial target of 126 MHz and a possible price of more than USD 86 billion was completed in June 2016. This first phase of the auction was aimed at broadcasters, while the second phase T-Mobile US has prepared for focuses on the sale of released spectrum to interested mobile communications providers. This second phase started in fall 2016.

On October 27, 2015, the EU parliament and the European Council adopted the **EU Regulation concerning the single market for electronic communications**, which contains provisions on net neutrality, international roaming, and obligations to provide information.

- **Net neutrality.** On August 30, 2016, the Body of European Regulators for Electronic Communications (BEREC) published guidelines for implementing the EU Regulation on net neutrality (Telecoms Single Market Regulation). As expected, the BEREC guidelines apply a highly restrictive interpretation of the Regulation. It remains to be seen how the national regulatory authorities apply these guidelines in practice.

- **Information requirements.** In addition to the provisions on net neutrality, the BEREC guidelines published for consultation also include far-reaching provisions on obligations to provide information that significantly constrict the legal framework of the EU regulation. Under these provisions, all customers are to be able to access all information on bandwidths; the information would also have to be made available to all existing customers retrospectively. Both of these measures entail corresponding revenue risks. However, since the guidelines are not binding in law, the national implementation remains to be seen.

- **International roaming.** In the first quarter of 2016, the European Commission completed a consultation on further measures to abolish roaming surcharges and on June 15, 2016, published a legislative proposal for the further regulation of wholesale roaming charges. Under this proposal, some regulated wholesale roaming charges are to be very significantly reduced as of June 15, 2017. The draft bill is to be adopted by the European Council and Parliament by mid-2017. Changes to the current draft are possible. Under the latest proposals from the European Parliament, wholesale charges would even fall substantially below the level proposed by the Commission. A current proposal of the European Council also provides for clear reductions, some above, but some below the levels proposed by the Commission. Furthermore, the Commission has published a proposal for fair usage policies, under which roaming surcharges can still be applied in rare cases. The reduction in regulated wholesale roaming charges gives rise to revenue risks – e.g., from the misuse of the international roaming mechanism to circumvent national terms and conditions – for us and our international subsidiaries.

On March 15, 2016, the European Commission launched a public consultation to evaluate the **termination rate recommendation** dated May 7, 2009, with a deadline of June 7, 2016. This consultation was intended, on the one hand, to examine the effects of the "pure LRIC cost standard" introduced with the previous termination rate recommendation, and, on the other, to ask questions about the future regulatory measures. With the proposals published by the European Commission on September 14, 2016 on reworking the applicable EU legal framework for telecommunications, the European Commission also included for the first time an article on termination rates, in which it now makes the contents of the recommendation from 2009 the subject of a binding directive and also plans to set maximum price caps for termination rates with absolute values for mobile (MTR) and fixed-network termination (FTR).

In Germany, the Federal Network Agency is now also planning to apply the "pure LRIC cost standard" for setting mobile and fixed-network termination rates in accordance with the termination rate recommendation of the European Commission. A corresponding draft consultation for the regulatory order for mobile termination was put out for national consultation in the second quarter of 2016 and the European Commission was notified. The draft regulatory order for fixed-network termination was put out for national consultation in the third quarter of 2016. There are concerns that the rates approval proceedings on a "pure LRIC" basis pending in the fourth quarter of 2016 will lead to substantial rate reductions.

EU legal framework for telecommunications. On September 14, 2016, the European Commission published legislative proposals for revising the EU legal framework for telecommunications, which will be passed on to the European Parliament and Council for further discussion. The legal framework comprises the central EU regulations for the telecommunications sector, in particular price and access regulation, the spectrum policy, sector-specific consumer protection rules, the provisions on universal service, and the institutional framework. The new rules are expected to be adopted at the earliest in the first half of 2018. They would then have to be transposed into national law, which would take at least a year. At present, it is very difficult to predict the outcome of the extensive legislative process. The proposals of the European Commission give rise to both opportunities and risks.

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 €

	Sept. 30, 2016	Dec. 31, 2015	Change	Change %	Sept. 30, 2015
ASSETS					
CURRENT ASSETS	**23,891**	**32,184**	**(8,293)**	**(25.8) %**	**27,747**
Cash and cash equivalents	7,527	6,897	630	9.1 %	4,510
Trade and other receivables	8,607	9,238	(631)	(6.8) %	10,289
Current recoverable income taxes	105	129	(24)	(18.6) %	117
Other financial assets	4,194	5,805	(1,611)	(27.8) %	2,386
Inventories	1,599	1,847	(248)	(13.4) %	1,775
Other assets	1,609	1,346	263	19.5 %	1,461
Non-current assets and disposal groups held for sale	250	6,922	(6,672)	(96.4) %	7,209
NON-CURRENT ASSETS	**119,226**	**111,736**	**7,490**	**6.7 %**	**107,482**
Intangible assets	58,951	57,025	1,926	3.4 %	56,049
Property, plant and equipment	45,148	44,637	511	1.1 %	42,173
Investments accounted for using the equity method	782	822	(40)	(4.9) %	424
Other financial assets	8,583	3,530	5,053	n. a.	3,097
Deferred tax assets	5,136	5,248	(112)	(2.1) %	5,315
Other assets	626	474	152	32.1 %	424
TOTAL ASSETS	**143,117**	**143,920**	**(803)**	**(0.6) %**	**135,229**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES	**26,010**	**33,548**	**(7,538)**	**(22.5) %**	**31,734**
Financial liabilities	8,959	14,439	(5,480)	(38.0) %	13,685
Trade and other payables	8,893	11,090	(2,197)	(19.8) %	9,846
Income tax liabilities	247	197	50	25.4 %	230
Other provisions	2,850	3,367	(517)	(15.4) %	3,180
Other liabilities	4,962	4,451	511	11.5 %	4,751
Liabilities directly associated with non-current assets and disposal groups held for sale	99	4	95	n. a.	42
NON-CURRENT LIABILITIES	**79,486**	**72,222**	**7,264**	**10.1 %**	**66,987**
Financial liabilities	53,349	47,941	5,408	11.3 %	43,402
Provisions for pensions and other employee benefits	9,091	8,028	1,063	13.2 %	8,281
Other provisions	3,189	2,978	211	7.1 %	2,518
Deferred tax liabilities	9,514	9,205	309	3.4 %	8,787
Other liabilities	4,343	4,070	273	6.7 %	3,999
LIABILITIES	**105,496**	**105,770**	**(274)**	**(0.3) %**	**98,721**
SHAREHOLDERS' EQUITY	**37,621**	**38,150**	**(529)**	**(1.4) %**	**36,508**
Issued capital	11,973	11,793	180	1.5 %	11,793
Treasury shares	(50)	(51)	1	2.0 %	(53)
	11,923	**11,742**	**181**	**1.5 %**	**11,740**
Capital reserves	53,348	52,412	936	1.8 %	52,408
Retained earnings including carryforwards	(39,174)	(38,969)	(205)	(0.5) %	(38,986)
Total other comprehensive income	(2,459)	(178)	(2,281)	n. a.	(506)
Total other comprehensive income directly associated with non-current assets and disposal groups held for sale	–	1,139	(1,139)	n. a.	1,109
Net profit (loss)	4,799	3,254	1,545	47.5 %	2,308
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	**28,437**	**29,400**	**(963)**	**(3.3) %**	**28,073**
Non-controlling interests	9,184	8,750	434	5.0 %	8,435
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**143,117**	**143,920**	**(803)**	**(0.6) %**	**135,229**

CONSOLIDATED INCOME STATEMENT

millions of €

	Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
NET REVENUE	**18,105**	**17,099**	**5.9 %**	**53,552**	**51,369**	**4.2 %**	**69,228**
Other operating income	386	233	65.7 %	3,823	967	n. a.	2,008
Changes in inventories	1	1	0.0 %	7	9	(22.2) %	(11)
Own capitalized costs	532	515	3.3 %	1,530	1,480	3.4 %	2,041
Goods and services purchased	(8,975)	(8,624)	(4.1) %	(26,402)	(26,400)	0.0 %	(35,706)
Personnel costs	(3,836)	(3,857)	0.5 %	(12,263)	(11,791)	(4.0) %	(15,856)
Other operating expenses	(879)	(786)	(11.8) %	(2,549)	(2,359)	(8.1) %	(3,316)
Depreciation, amortization and impairment losses	(3,178)	(2,796)	(13.7) %	(9,471)	(8,218)	(15.2) %	(11,360)
PROFIT FROM OPERATIONS	**2,156**	**1,785**	**20.8 %**	**8,227**	**5,057**	**62.7 %**	**7,028**
Finance costs	(646)	(579)	(11.6) %	(1,931)	(1,756)	(10.0) %	(2,363)
Interest income	53	43	23.3 %	163	164	(0.6) %	246
Interest expense	(699)	(622)	(12.4) %	(2,094)	(1,920)	(9.1) %	(2,609)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1)	(18)	94.4 %	0	(7)	n. a.	24
Other financial income (expense)	107	(60)	n. a.	431	(101)	n. a.	89
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(540)**	**(657)**	**17.8 %**	**(1,500)**	**(1,864)**	**19.5 %**	**(2,250)**
PROFIT BEFORE INCOME TAXES	**1,616**	**1,128**	**43.3 %**	**6,727**	**3,193**	**n. a.**	**4,778**
Income taxes	(394)	(260)	(51.5) %	(1,442)	(777)	(85.6) %	(1,276)
PROFIT (LOSS)	**1,222**	**868**	**40.8 %**	**5,285**	**2,416**	**n. a.**	**3,502**
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	1,053	809	30.2 %	4,799	2,308	n. a.	3,254
Non-controlling interests	169	59	n. a.	486	108	n. a.	248

EARNINGS PER SHARE

		Q3 2016	Q3 2015	Change %	Q1–Q3 2016	Q1–Q3 2015	Change %	FY 2015
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	1,053	809	30.2 %	4,799	2,308	n. a.	3,254
Weighted average number of ordinary shares (basic/diluted)	millions	4,615	4,543	1.6 %	4,615	4,543	1.6 %	4,553
EARNINGS PER SHARE BASIC/DILUTED	€	**0.23**	**0.18**	**27.8 %**	**1.04**	**0.51**	**n. a.**	**0.71**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q3 2016	Q3 2015	Change	Q1–Q3 2016	Q1–Q3 2015	Change	FY 2015
PROFIT (LOSS)	**1,222**	**868**	**354**	**5,285**	**2,416**	**2,869**	**3,502**
Items not reclassified to the income statement retrospectively							
Gain (loss) from the remeasurement of defined benefit plans	(244)	(228)	(16)	(1,322)	197	(1,519)	230
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	75	68	7	407	(63)	470	(60)
	(169)	**(160)**	**(9)**	**(915)**	**134**	**(1,049)**	**170**
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	(948)	4	(952)	4
Change in other comprehensive income (not recognized in income statement)	43	(312)	355	(590)	1,541	(2,131)	2,000
Available-for-sale financial assets							
Recognition of other comprehensive income in income statement	2	(1)	3	7	(1)	8	0
Change in other comprehensive income (not recognized in income statement)	(525)	13	(538)	(1,970)	17	(1,987)	31
Gains (losses) from hedging instruments							
Recognition of other comprehensive income in income statement	117	127	(10)	415	(212)	627	(255)
Change in other comprehensive income (not recognized in income statement)	(167)	(52)	(115)	(507)	600	(1,107)	653
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	(2)	0	(2)	5	0	5	0
Change in other comprehensive income (not recognized in income statement)	(1)	(3)	2	0	0	0	25
Income taxes relating to components of other comprehensive income	15	(22)	37	29	(119)	148	(127)
	(518)	**(250)**	**(268)**	**(3,559)**	**1,830**	**(5,389)**	**2,331**
OTHER COMPREHENSIVE INCOME	**(687)**	**(410)**	**(277)**	**(4,474)**	**1,964**	**(6,438)**	**2,501**
TOTAL COMPREHENSIVE INCOME	**535**	**458**	**77**	**811**	**4,380**	**(3,569)**	**6,003**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	385	409	(24)	443	3,887	(3,444)	5,221
Non-controlling interests	150	49	101	368	493	(125)	782

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, 2015	**11,611**	**(53)**	**51,778**	**(39,783)**	**2,924**
Changes in the composition of the Group					
Transactions with owners			(396)		
Unappropriated profit (loss) carried forward				2,924	(2,924)
Dividends				(2,257)	
Capital increase at Deutsche Telekom AG	182		906		
Capital increase from share-based payment			120		
Share buy-back/shares held in a trust deposit					
Profit (loss)					2,308
Other comprehensive income				132	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				(2)	
BALANCE AT SEPTEMBER 30, 2015	**11,793**	**(53)**	**52,408**	**(38,986)**	**2,308**
BALANCE AT JANUARY 1, 2016	**11,793**	**(51)**	**52,412**	**(38,969)**	**3,254**
Changes in the composition of the Group					
Transactions with owners			(58)		
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			155		
Share buy-back/shares held in a trust deposit		1		2	
Profit (loss)					4,799
Other comprehensive income				(900)	
TOTAL COMPREHENSIVE INCOME					
Transfer to retained earnings				(38)	
BALANCE AT SEPTEMBER 30, 2016	**11,973**	**(50)**	**53,348**	**(39,174)**	**4,799**

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			
(1,247)	**(62)**	**79**	**340**	**(42)**	**(108)**	**25,437**	**8,629**	**34,066**
						–	–	–
196	(2)					(202)	(650)	(852)
						0	–	0
						(2,257)	(98)	(2,355)
						1,088	–	1,088
						120	61	181
						–	–	–
						2,308	108	2,416
1,162		16	388		(119)	1,579	385	1,964
						3,887	**493**	**4,380**
	2					0	–	0
111	**(62)**	**95**	**728**	**(42)**	**(227)**	**28,073**	**8,435**	**36,508**
427	**(62)**	**110**	**738**	**(17)**	**(235)**	**29,400**	**8,750**	**38,150**
						–	(1)	(1)
(2)						(60)	81	21
						0	–	0
						(2,523)	(97)	(2,620)
						1,019	–	1,019
						155	83	238
						3	–	3
						4,799	486	5,285
(1,434)	2	(1,966)	(92)	5	29	(4,356)	(118)	(4,474)
						443	**368**	**811**
				38		0	–	0
(1,009)	**(60)**	**(1,856)**	**646**	**26**	**(206)**	**28,437**	**9,184**	**37,621**

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q3 2016	Q3 2015	Q1 – Q3 2016	Q1 – Q3 2015	FY 2015
PROFIT BEFORE INCOME TAXES	**1,616**	**1,128**	**6,727**	**3,193**	**4,778**
Depreciation, amortization and impairment losses	3,178	2,796	9,471	8,218	11,360
(Profit) loss from financial activities	540	657	1,500	1,864	2,250
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	(7)	1	(583)
(Income) loss from the sale of stakes accounted for using the equity method	12	–	(2,550)	–	–
Other non-cash transactions	94	41	258	157	243
(Gain) loss from the disposal of intangible assets and property, plant and equipment	(108)	48	(507)	23	(87)
Change in assets carried as working capital	410	(787)	244	(705)	(1,438)
Change in provisions	(14)	252	(408)	(124)	112
Change in other liabilities carried as working capital	(580)	445	(772)	471	878
Income taxes received (paid)	(113)	(187)	(380)	(487)	(695)
Dividends received	150	86	330	576	578
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	289	101	100
CASH GENERATED FROM OPERATIONS	**5,185**	**4,479**	**14,195**	**13,288**	**17,496**
Interest paid	(774)	(676)	(2,835)	(2,828)	(3,464)
Interest received	146	143	624	665	965
NET CASH FROM OPERATING ACTIVITIES	**4,557**	**3,946**	**11,984**	**11,125**	**14,997**
Cash outflows for investments in					
Intangible assets	(1,862)	(759)	(4,393)	(5,593)	(6,446)
Property, plant and equipment	(2,023)	(2,054)	(6,091)	(5,979)	(8,167)
Non-current financial assets	(51)	(73)	(404)	(186)	(493)
Payments to acquire control of subsidiaries and associates	0	(18)	0	(27)	(28)
Proceeds from disposal of					
Intangible assets	0	1	0	2	4
Property, plant and equipment	86	59	296	224	363
Non-current financial assets	19	9	172	45	446
Proceeds from the loss of control of subsidiaries and associates	(6)	0	5	(8)	(58)
Net change in short-term investments and marketable securities and receivables	(526)	119	89	2,047	(638)
Other	(1)	2	(5)	0	2
NET CASH USED IN INVESTING ACTIVITIES	**(4,364)**	**(2,714)**	**(10,331)**	**(9,475)**	**(15,015)**
Proceeds from issue of current financial liabilities	8,900	13,115	24,248	27,961	33,490
Repayment of current financial liabilities	(11,982)	(15,060)	(32,525)	(31,599)	(36,944)
Proceeds from issue of non-current financial liabilities	3,346	599	9,182	1,199	5,247
Repayment of non-current financial liabilities	0	0	0	(157)	(207)
Dividends (including to non-controlling interests)	(40)	(24)	(1,596)	(1,255)	(1,256)
Repayment of lease liabilities	(94)	(53)	(257)	(149)	(224)
Deutsche Telekom AG share buy-back	–	–	–	–	(15)
Sale of Deutsche Telekom AG treasury shares	–	–	–	–	31
Cash inflows from transactions with non-controlling entities	10	6	22	41	43
Cash outflows from transactions with non-controlling entities	(4)	(88)	(50)	(988)	(1,041)
Other	0	88	0	0	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**136**	**(1,417)**	**(976)**	**(4,947)**	**(876)**
Effect of exchange rate changes on cash and cash equivalents	(9)	23	(47)	305	267
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	–	(22)	–	(21)	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**320**	**(184)**	**630**	**(3,013)**	**(626)**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	**7,207**	**4,694**	**6,897**	**7,523**	**7,523**
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	**7,527**	**4,510**	**7,527**	**4,510**	**6,897**

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

The entry into force of the German Act Implementing the European Directive amending the Transparency Directive (Gesetz zur Umsetzung der europäischen Transparenzrichtlinie-Änderungsrichtlinie) on November 26, 2015 resulted in the deletion of the legal requirements governing the preparation and publication of quarterly statements and quarterly financial reports that were previously set out in § 37x of the old version of the German Securities Trading Act (WpHG). However, the Frankfurter Wertpapierbörse (Frankfurt stock exchange) still mandates quarterly financial reporting for the companies listed in the Prime Standard, though following the amendment of its exchange rules with effect from November 26, 2015 only in the form of a quarterly statement (§ 51a (1) of the Exchange Rules for the Frankfurter Wertpapierbörse (FWB) as amended). Yet, the obligation to publish a quarterly statement does not apply if the company voluntarily prepares a quarterly financial report in accordance with § 37w WpHG (§ 51a (6) of the FWB Exchange Rules as amended). In accordance with the amended § 51a (6) of the FWB Exchange Rules, Deutsche Telekom AG continues to voluntarily prepare a quarterly financial report that still comprises interim consolidated financial statements and an interim Group management report. The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the WpHG.

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended September 30, 2016 have been prepared voluntarily in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2015. All IFRSs applied by Deutsche Telekom have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the notes to the consolidated financial statements as of December 31, 2015 for the accounting policies applied for the Group's financial reporting (2015 Annual Report, page 161 et seq.).

INITIAL APPLICATION OF NEW STANDARDS AND INTERPRETATIONS AS WELL AS AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD RELEVANT FOR THE 2016 FINANCIAL YEAR

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Impact on the presentation of Deutsche Telekom's results of operations, financial position, or cash flows
Amendments to IAS 1	Disclosure Initiative	Jan. 1, 2016	The amendments will allow disclosures in the financial statements to be simplified, with a focus on materiality.	No material impact.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	Jan. 1, 2016	A revenue-based depreciation method for property, plant and equipment is not permissible, whereas for intangible assets there is only a refutable assumption that such a method is not appropriate.	No material impact.
Amendments to IAS 16 and IAS 41	Bearer Plants	Jan. 1, 2016		No relevance for Deutsche Telekom.
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions	Jan. 1, 2016	By revising IAS 19, the IASB aims to simplify the accounting for contributions from employees or third parties to a defined benefit plan. The simplified accounting permits such contributions to be recognized as a reduction in the current service cost in the period in which the related service is rendered if the amounts of the contributions is independent of the number of years of service.	No material impact.
Amendments to IAS 27	Equity Method in Separate Financial Statements	Jan. 1, 2016		No relevance for Deutsche Telekom.
Amendments to IFRS 10, IFRS 12, and IAS 28	Investment Entities: Applying the Consolidation Exception	Jan. 1, 2016	Investment entities are not covered by IFRS 10 and are therefore exempt from the provisions on consolidation in this standard. The consolidation exception was substantiated in four points.	No material impact.
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016	When an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3, is acquired, all of the principles on business combinations accounting in IFRS 3 and other IFRSs are to be applied, except for those principles that conflict with the guidance in IFRS 11.	Since the amendments concern only future transactions, it is not possible to make a general statement on their impact on the presentation of Deutsche Telekom's results of operations or financial position.
Annual Improvements Project	Annual Improvements to IFRSs 2010-2012 Cycle	Jan. 1, 2016	Clarification of many published standards.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2012–2014 Cycle	Jan. 1, 2016	Clarification of many published standards.	No material impact.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section "Summary of accounting policies" in the notes to the consolidated financial statements on page 161 et seq. of the 2015 Annual Report.

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

To harmonize Deutsche Telekom's internal management structure, the presentation of the consolidated income statement was changed from the cost-of-sales method to the performance-related total cost method as of January 1, 2016. The change to the total cost method is a voluntary change in accounting policy within the meaning of IAS 8.14b. To ensure comparability with prior-year periods, the corresponding figures were adjusted retrospectively.

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Magyar Telekom's business customer operations consist of a unit in Hungary that mainly provides ICT services for business and corporate customers. Comparative figures have been adjusted retrospectively.

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

Sale of the EE joint venture

After the British Competition and Markets Authority (CMA) had approved the sale of the EE joint venture to the UK company BT unconditionally and without remedies in January 2016, Deutsche Telekom AG and the French telecommunications provider Orange consummated the transaction on January 29, 2016 at a purchase price of GBP 13.2 billion. In return for its stake in the EE joint venture, Deutsche Telekom AG received a financial stake of 12.0 percent in BT and a cash payment of ultimately GBP 15.7 million. The sale generated income of approximately EUR 2.5 billion. Around EUR 0.9 billion of this amount resulted from effects recognized directly in equity in prior years. In addition, on January 25, 2016, the shareholders received a final dividend totaling GBP 0.3 billion from the former EE joint venture, in which Deutsche Telekom AG participated with its capital share at that date of 50 percent. The financial stake in BT received in connection with this transaction is disclosed as available-for-sale financial assets under other financial assets. The financial stake is measured at fair value directly in equity. For more information, please refer to "Other financial assets" in the section "Selected notes to the consolidated statement of financial position," page 44, and to "Disclosures on financial instruments" in the section "Other disclosures," page 50 et seq.

Other transactions

During the quarter ended and subsequent to September 30, 2016, a handset original equipment manufacturer (OEM) announced recalls on certain of its smartphone devices in the United States. As a result of this, no revenues were generated by T-Mobile US in connection with sales of these devices to customers. Furthermore, the devices in inventories were measured at net realizable value. In response to this issue, the OEM has agreed to reimburse T-Mobile US. T-Mobile US offset the amount to be reimbursed by the OEM in this connection against the loss incurred in goods and services purchased, which in turn reduced trade payables.

PRESENTATION OF THE QUANTITATIVE EFFECTS ON THE COMPOSITION OF THE GROUP IN THE FIRST THREE QUARTERS OF 2016

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

The presented effects in the Europe operating segment resulted from the spin-off of the energy resale business in Hungary as of January 1, 2016.

The presented effects in the Group Headquarters & Group Services segment resulted from the sale of the online platform t-online.de and the digital marketing company InteractiveMedia in the fourth quarter of 2015.

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 Q1–Q3 2016	Q1–Q3 2015 Total	Germany	United States	Europe	Systems Solutions	Group Headquarters & Group Services	Reconciliation	Pro-forma [a]	Organic change Q1–Q3 2016
Net revenue	53,552	51,369			(119)		(73)		51,177	2,375
Other operating income	3,823	967			0		3		970	2,853
Changes in inventories	7	9			0		0		9	(2)
Own capitalized costs	1,530	1,480			0		(2)		1,478	52
Goods and services purchased	(26,402)	(26,400)			115		5		(26,280)	(122)
Personnel costs	(12,263)	(11,791)			1		33		(11,757)	(506)
Other operating expenses	(2,549)	(2,359)			1		22		(2,336)	(213)
Depreciation, amortization and impairment losses	(9,471)	(8,218)			0		3		(8,215)	(1,256)
PROFIT (LOSS) FROM OPERATIONS	**8,227**	**5,057**	**0**	**0**	**(2)**	**0**	**(9)**	**0**	**5,046**	**3,181**
Finance costs	(1,931)	(1,756)			0		0		(1,756)	(175)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	0	(7)			0		0		(7)	7
Other financial income (expense)	431	(101)			0		0		(101)	532
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	**(1,500)**	**(1,864)**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,864)**	**364**
PROFIT (LOSS) BEFORE INCOME TAXES	**6,727**	**3,193**	**0**	**0**	**(2)**	**0**	**(9)**	**0**	**3,182**	**3,545**
Income taxes	(1,442)	(777)			0		0		(777)	(665)
PROFIT (LOSS)	**5,285**	**2,416**	**0**	**0**	**(2)**	**0**	**(9)**	**0**	**2,405**	**2,880**

[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 0.6 billion to EUR 8.6 billion. Factoring agreements concluded in the reporting period concerning monthly revolving sales of trade receivables due resulted in a reduction in receivables. Exchange rate effects, mainly from the translation of U.S. dollars into euros, likewise had a reducing effect. Receivables recognized in connection with the set-up phase of the electronic toll collection system in Belgium completed in the first quarter of 2016 and its transition to the operating phase had an offsetting effect. For further information on the toll collection system in Belgium, please refer to “Service concession arrangements” in the section “Other disclosures,” page 55.

INVENTORIES

Inventories decreased by EUR 0.2 billion compared to December 31, 2015 to EUR 1.6 billion. This was due in particular to lower stock levels of terminal equipment (above all higher-priced smartphones) at T-Mobile US at the reporting date and exchange rate effects from the translation of U.S. dollars into euros.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The decrease in the carrying amount of the non-current assets and disposal groups held for sale of EUR 6.7 billion to EUR 0.3 billion is largely due to the following effects. Firstly, the sale consummated on January 29, 2016 of the stake in the EE joint venture, which has been reclassified since December 2014, reduced the net carrying amount by EUR 5.8 billion. In this context, exchange rate effects totaling EUR 0.2 billion from the translation of pounds sterling to euros also lowered the net carrying amount compared with December 31, 2015. Secondly, the transaction agreed in the third quarter of 2015 for the exchange of spectrum licenses between T-Mobile US and a competitor with the aim of improving the mobile network coverage of T-Mobile US was completed in March 2016. This transaction reduced the net carrying amount by EUR 0.7 billion. A transaction agreed between T-Mobile US and a competitor in the third quarter of 2016 for the exchange of spectrum licenses, also aimed at improving the mobile network coverage of T-Mobile US, had an increasing effect of EUR 0.1 billion on the carrying amount.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets increased by EUR 1.9 billion to EUR 59.0 billion, mainly due to additions totaling EUR 6.0 billion. This includes additions at T-Mobile US, largely in connection with transactions with competitors completed in March and September 2016 for the exchange of spectrum licenses totaling EUR 1.4 billion. Furthermore, there were additions from the acquisition of spectrum licenses by T-Mobile US in 2016 for around EUR 1.2 billion in total and by T-Mobile Polska for around EUR 1.0 billion. Negative exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.7 billion. Amortization of EUR 3.0 billion as well as the reclassification of assets worth EUR 0.4 billion to non-current assets and disposal groups held for sale also lowered the carrying amount.

Property, plant and equipment increased by EUR 0.5 billion compared to December 31, 2015 to EUR 45.1 billion. Additions of EUR 7.9 billion primarily in the United States and Germany operating segments increased the carrying amount. This also included EUR 1.1 billion of capitalized higher-priced mobile devices. These relate to the business model JUMP! On Demand introduced at T-Mobile US in June 2015 under which customers no longer purchase the device but lease it. By contrast, exchange rate effects, primarily from the translation of U.S. dollars into euros, reduced the carrying amount by EUR 0.3 billion. Depreciation charges of EUR 6.4 billion had a decreasing effect on the carrying amount, as did disposals of EUR 0.6 billion.

OTHER FINANCIAL ASSETS

Other financial assets increased by EUR 3.4 billion compared with December 31, 2015 to EUR 12.8 billion. The increase is mainly attributable to the addition of EUR 7.4 billion in connection with the 12.0 percent financial stake in the form of shares in BT resulting from the sale of the stake in the EE joint venture that was consummated on January 29, 2016. The carrying amount of EUR 5.4 billion as of September 30, 2016 resulted from the subsequent measurement of this exchange-traded financial stake that is measured at fair value directly in equity and classified as an available-for-sale financial asset. For more information, please refer to “Disclosures on financial instruments” in the section “Other disclosures,” page 50 et seq. A refundable cash deposit of around EUR 2.0 billion recorded in the second quarter of 2016 in connection with a potential asset purchase in the United States and positive remeasurement effects of EUR 0.5 billion from embedded options in bonds issued by T-Mobile US also increased this item. U.S. government bonds with a volume of EUR 2.8 billion that fell due and were repaid in the first half of 2016 reduced the carrying amount of other financial assets. The premature cancellation in June 2016 of interest rate derivatives with a fair value of EUR 0.6 billion also lowered the carrying amount. In the consolidated statement of cash flows, payments from derivatives are reported in the same item as the associated hedged items. Accordingly, the settlement payment was presented under net cash from operating activities in the amount of EUR 0.3 billion and under net cash used in financing activities in the amount of EUR 0.3 billion.

TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 2.2 billion compared with the end of 2015 to EUR 8.9 billion. Apart from the reduction in the portfolio of liabilities at the national companies of the Europe operating segment and at T-Mobile US, this decrease was also attributable to exchange rate effects from the translation of U.S. dollars into euros.

FINANCIAL LIABILITIES

Financial liabilities decreased slightly by EUR 0.1 billion compared with the end of 2015 to a total of EUR 62.3 billion.

On March 23, 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 4.5 billion in three tranches under a debt issuance program: a 4-year variable-interest tranche with a volume of EUR 1.25 billion and a mark-up of 35 basis points above the 3-month Euribor, a 7-year fixed-interest tranche with a volume of EUR 1.75 billion and a coupon of 0.625 percent, and a 12-year tranche with a volume of EUR 1.5 billion and a fixed coupon of 1.5 percent. On April 1, 2016, T-Mobile US issued Senior Notes with a total volume of USD 1.0 billion. T-Mobile US expects to use the net proceeds from this offering for the purchase of 700 MHz A-block spectrum and other spectrum purchases. Also in April 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a Eurobond of EUR 0.5 billion under a debt issuance program. Furthermore, in July 2016, Deutsche Telekom AG took out a loan of EUR 0.5 billion from the European Investment Bank with a term of six years and a fixed interest rate of 0.318 percent.

In addition, in September 2016, Deutsche Telekom International Finance B.V. with the guarantee of Deutsche Telekom AG issued a U.S. dollar bond of USD 2.75 billion (around EUR 2.5 billion) in four tranches: a 3-year variable-interest tranche with a volume of USD 250 million and a mark-up of 45 basis points above the 3-month USD Libor; a 3-year fixed-interest tranche with a volume of USD 750 million and a coupon of 1.5 percent; a 5-year tranche with a volume of USD 1.0 billion and a coupon of 1.95 percent; and a 7-year tranche with a volume of USD 750 million and a coupon of 2.485 percent.

In the first nine months of 2016, two U.S. dollar bonds were repaid in a total amount of USD 2.25 billion (around EUR 2.0 billion), as were Eurobonds totaling EUR 0.9 billion, a bond in Swiss francs for CHF 0.4 billion (around EUR 0.4 billion), commercial paper in the amount of EUR 3.3 billion (net), and promissory notes in the amount of EUR 0.4 billion (net). The decrease in liabilities to banks of EUR 0.1 billion also reduced the carrying amount of the financial liabilities.

The following table shows the composition and maturity structure of financial liabilities as of September 30, 2016:

millions of €

	Sept. 30, 2016	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	49,014	4,178	18,990	25,846
Liabilities to banks	4,065	1,218	2,104	743
Finance lease liabilities	2,378	451	1,242	685
Liabilities to non-banks from promissory notes	556	34	204	318
Liabilities with the right of creditors to priority repayment in the event of default	1,766	18	72	1,676
Other interest-bearing liabilities	1,922	1,365	375	182
Other non-interest-bearing liabilities	1,567	1,411	155	1
Derivative financial liabilities	1,040	284	193	563
FINANCIAL LIABILITIES	**62,308**	**8,959**	**23,335**	**30,014**

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other employee benefits increased by EUR 1.1 billion to EUR 9.1 billion, mainly due to interest rate adjustments which resulted in an actuarial loss of EUR 1.3 billion to be recognized directly in equity. An increase in the plan assets by EUR 0.3 billion in Germany in the first quarter of 2016 (allocation under contractual trust agreement) reduced the provisions for pensions and other employee benefits.

Deutsche Telekom reduced the yield on the capital accounts in its company pension plan in Germany from an annual 3.75 percent to 3.50 percent by changing the plan in March 2016. The objective of the change is to achieve a standard Group-wide market return on the contributions to the capital account using a capital market-based interest rate. As interest rates had fallen sharply, the return was no longer in line with the market. The change in the interest rate will be applied prospectively and will result in an insignificant positive one-time effect in the 2016 consolidated income statement.

SHAREHOLDERS' EQUITY

The resolution on the dividend payout of EUR 0.55 per share for the 2015 financial year gave shareholders the choice between payment in cash or having their dividend entitlement converted into Deutsche Telekom AG shares. In June 2016, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.0 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 2016. This increased capital reserves by EUR 0.8 billion, the number of shares by 70.3 million.

As a result of the consummation of the sale of the EE joint venture on January 29, 2016, the gain of EUR 0.9 billion from the translation of pounds sterling into euros that had until this date been disclosed in shareholders' equity under other comprehensive income were reclassified through profit or loss to the consolidated income statement and disclosed under other operating income. The losses recognized directly in equity of EUR 2.0 billion from the remeasurement of available-for-sale financial assets resulted from the subsequent measurement of the financial stake in BT.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER OPERATING INCOME

millions of €

	Q1–Q3 2016	Q1–Q3 2015
Income from the disposal of non-current assets	620	106
Income from insurance compensation	68	41
Income from reimbursements	156	202
Income from ancillary services	28	36
Miscellaneous other operating income	2,951	582
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	2,557	–
	3,823	**967**

Income from the disposal of non-current assets increased by EUR 0.5 billion compared with the prior-year period. This was attributable to income of EUR 0.4 billion from a transaction completed in March 2016 between T-Mobile US and a competitor for the exchange of spectrum licenses and income of EUR 0.1 billion from another transaction completed in September 2016 between T-Mobile US and another competitor for the exchange of spectrum licenses. Miscellaneous other operating income increased year-on-year by EUR 2.4 billion to a total of EUR 3.0 billion. One of the main items driving this increase was income from divestitures and from the sale of stakes accounted for using the equity method of 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. Income of around EUR 0.1 billion from the sale of approximately 2.6 million shares of Scout24 AG that was consummated on April 18, 2016 also increased this item. In the prior-year period, miscellaneous other operating income had included income of EUR 175 million from an agreement to settle a complaints procedure under anti-trust law.

OTHER OPERATING EXPENSES

millions of €

	Q1–Q3 2016	Q1–Q3 2015
Legal and audit fees	(158)	(146)
Losses from asset disposals	(114)	(129)
Expenses from measurement of receivables	(635)	(656)
Other taxes	(329)	(294)
Miscellaneous other operating expenses	(1,313)	(1,134)
	(2,549)	**(2,359)**

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses increased by EUR 1.3 billion year-on-year to EUR 9.5 billion. This increase was attributable to the the build-out of the 4G/LTE network and the launch of the JUMP! On Demand program in the United States operating segment in June 2015. Together these led to a higher depreciation and amortization base.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

Other financial income improved year-on-year, mainly as a result of remeasurement effects resulting from the subsequent measurement of the options (termination rights) embedded in bonds issued by T-Mobile US. In addition, effects resulting from the subsequent measurement of embedded derivatives contained in the Mandatory Convertible Preferred Stocks of T-Mobile US had a less pronounced negative effect. Other financial income includes a final dividend payment of EUR 0.2 billion received from the former EE joint venture. In the prior-year period, a dividend payment of EUR 0.4 billion had been recognized as income under this item. The financial stake in BT resulted in a dividend payment for the first time in 2016 of EUR 0.1 billion.

INCOME TAXES

In the first nine months of 2016, a tax expense of EUR 1.4 billion was recorded. The comparatively low tax ratio is in particular due to the fact that the sale of the stake in the EE joint venture is tax-free. The tax expense increased year-on-year by EUR 0.7 billion, primarily as a result of a higher profit before income taxes.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities

Net cash from operating activities increased by EUR 0.9 billion year-on-year to EUR 12.0 billion, mainly as a result of the positive business development of the United States operating segment. During the reporting period, factoring agreements were concluded concerning monthly revolving sales of trade receivables. Factoring agreements resulted in positive effects of EUR 1.0 billion on net cash from operating activities in the reporting period. This mainly relates to factoring agreements in the United States and Germany operating segments. The effect from factoring agreements in the prior-year period totaled EUR 0.6 billion. Cash inflows of EUR 0.3 billion from the cancellation of or changes in the terms of interest rate derivatives had a positive effect in the reporting period (prior-year period: EUR 0.1 billion). A year-on-year decrease of EUR 0.1 billion in the payment for income taxes also had a positive impact. By contrast, the trend in net cash from operating activities was negatively affected by a EUR 0.2 billion decrease in the dividend payment from the former EE joint venture. The dividend payment received for the first time from BT of EUR 0.1 billion was matched in the prior-year period by the dividend of a corresponding amount received from the Scout24 group.

Net cash used in investing activities

millions of €

	Q1 – Q3 2016	Q1 – Q3 2015
Cash capex		
Germany operating segment	(2,900)	(4,644)
United States operating segment	(4,678)	(5,062)
Europe operating segment	(2,307)	(1,204)
Systems Solutions operating segment	(738)	(806)
Group Headquarters & Group Services	(175)	(230)
Reconciliation	314	374
	(10,484)	**(11,572)**
Net cash flows for collateral deposited for hedging transactions	(2,768)	1,558
Proceeds from the disposal of property, plant and equipment	296	224
Allocation under contractual trust agreement (CTA) on pension commitments	(250)	–
Acquisition/sale of government bonds, net	2,788	164
Other	87	151
	(10,331)	**(9,475)**

Cash capex decreased by EUR 1.1 billion to EUR 10.5 billion. In the reporting period, mobile spectrum licenses were acquired for a total of EUR 2.2 billion, primarily in the United States and Europe operating segments. In the prior-year period, the United States and Germany operating segments in particular had acquired mobile spectrum licenses for EUR 3.8 billion. In addition, cash capex, excluding spectrum investment, increased primarily in the United States operating segment in connection with the network modernization, including the roll-out of the 4G/LTE network.

Net cash used in financing activities

millions of €

	Q1 – Q3 2016	Q1 – Q3 2015
Repayment of bonds	(3,235)	(3,764)
Dividends (including to non-controlling interests)	(1,596)	(1,255)
Repayment of financial liabilities from financed capex and opex	(213)	(814)
Repayment of EIB loans	(650)	(412)
Net cash flows for collateral deposited for hedging transactions	529	(289)
Repayment of lease liabilities	(257)	(149)
Repayment of financial liabilities for media broadcasting rights	(162)	(159)
Cash deposits from the EE joint venture, net	(220)	(226)
Money market loans, net	(150)	(160)
Cash flows from continuing involvement factoring, net	5	39
Loans taken out with the EIB	889	1,199
Promissory notes, net	(582)	(179)
Issuance of bonds	8,293	–
Commercial paper, net	(3,276)	2,576
Cash inflows from transactions with non-controlling entities		
T-Mobile US capital increase	–	–
T-Mobile US stock options	22	41
	22	**41**
Cash outflows from transactions with non-controlling entities		
Acquisition of the remaining shares in Slovak Telekom	–	(900)
T-Mobile US share buy-back	(47)	(88)
Other	(3)	–
	(50)	**(988)**
Other	(323)	(407)
	(976)	**(4,947)**

Non-cash transactions in the consolidated statement of cash flows
In June 2016, dividend entitlements of Deutsche Telekom AG shareholders in the amount of EUR 1.0 billion did not have an effect on net cash used in financing activities when fulfilled; rather, they were substituted by shares from authorized capital (please refer to the section "Shareholders' equity" in the selected notes to the consolidated statement of financial position, page 45). The dividend entitlements of Deutsche Telekom AG shareholders having an effect on cash flows totaled EUR 1.5 billion. In the previous year, dividend entitlements of Deutsche Telekom AG shareholders amounting to EUR 1.1 billion did not have an impact on cash flows, while dividend entitlements of EUR 1.2 billion did have an effect on cash flows.

In the first three quarters of 2016, Deutsche Telekom chose financing options totaling EUR 0.2 billion under which the payments for trade payables from operating and investing activities become due at a later point in time mainly by involving banks in the process (Q1– Q3 2015: EUR 0.7 billion). These payables are now shown under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in financing activities.

In the first three quarters of 2016, Deutsche Telekom leased network equipment in particular in the United States operating segment for a total of EUR 0.7 billion (Q1– Q3 2015: EUR 0.4 billion), which is classified as a finance lease. The finance lease is shown under financial liabilities in the statement of financial position. Future repayments of the liabilities will be recognized in net cash used in financing activities.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion were recognized in the first three quarters of 2016 for future consideration for acquired broadcasting rights (Q1– Q3 2015: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in financing activities.

In the United States operating segment, mobile devices amounting to EUR 1.1 billion were recognized under property, plant and equipment in the reporting period. These relate to the business model JUMP! On Demand introduced at T-Mobile US in the previous year 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 agreed between T-Mobile US and a competitor was completed in March 2016 and spectrum licenses with a value of EUR 1.1 billion were acquired in a non-cash transaction. Also in the United States operating segment, another exchange of spectrum licenses was completed in September 2016 and spectrum licenses with a value of EUR 0.4 billion were acquired in a non-cash transaction.

From the sale of the EE joint venture to the UK company BT, which was consummated on January 29, 2016, Deutsche Telekom received the purchase price of GBP 13.2 billion for its stake in the form of a financial stake of 12.0 percent in BT and a cash payment of ultimately GBP 15.7 million.

SEGMENT REPORTING

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first three quarters of 2016 and 2015.

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Magyar Telekom's business customer operations consist of a unit in Hungary that mainly provides ICT services for business and corporate customers. Comparative figures have been adjusted retrospectively.

The measurement principles for Deutsche Telekom's segment reporting structure are primarily based on the IFRSs adopted in the consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on revenue and profit or loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are settled on the basis of market prices. As a rule, services provided by Telekom IT are charged at cost. Development services commissioned after January 1, 2016 are not charged but capitalized at segment level in accordance with the internal control logic.

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 19 et seq.

Segment information in the first three quarters
millions of €

		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]	Investments accounted for using the equity method[a]
Germany	Q1–Q3 2016	15,420	989	16,409	3,146	(2,836)	(13)	32,861	26,304	20
	Q1–Q3 2015	15,748	1,014	16,762	3,573	(2,793)	(7)	33,552	26,270	20
United States	Q1–Q3 2016	24,293	0	24,293	2,703	(3,929)	0	63,225	45,833	205
	Q1–Q3 2015	21,406	1	21,407	1,538	(2,623)	1	62,534	46,087	215
Europe	Q1–Q3 2016	9,178	231	9,409	1,129	(1,915)	(11)	31,021	12,511	62
	Q1–Q3 2015	9,448	179	9,627	1,183	(1,901)	(2)	30,437	12,543	61
Systems Solutions	Q1–Q3 2016	4,296	1,633	5,929	(144)	(426)	0	9,032	6,204	21
	Q1–Q3 2015	4,307	1,724	6,031	(406)	(469)	(26)	8,701	5,870	21
Group Headquarters & Group Services	Q1–Q3 2016	365	1,249	1,614	1,392	(369)	(20)	43,417	51,006	474
	Q1–Q3 2015	460	1,244	1,704	(824)	(390)	(66)	44,532	50,830	504
TOTAL	**Q1–Q3 2016**	**53,552**	**4,102**	**57,654**	**8,226**	**(9,475)**	**(44)**	**179,556**	**141,858**	**782**
	Q1–Q3 2015	**51,369**	**4,162**	**55,531**	**5,064**	**(8,176)**	**(100)**	**179,756**	**141,600**	**821**
Reconciliation	Q1–Q3 2016	–	(4,102)	(4,102)	1	48	–	(36,439)	(36,362)	–
	Q1–Q3 2015	–	(4,162)	(4,162)	(7)	58	–	(35,836)	(35,830)	1
GROUP	**Q1–Q3 2016**	**53,552**	**–**	**53,552**	**8,227**	**(9,427)**	**(44)**	**143,117**	**105,496**	**782**
	Q1–Q3 2015	**51,369**	**–**	**51,369**	**5,057**	**(8,118)**	**(100)**	**143,920**	**105,770**	**822**

[a] Figures relate to the reporting dates of September 30, 2016 and December 31, 2015, 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 2015 financial year.

Claims by partnering publishers of telephone directories. Five partnering publishers of telephone directories, whose civil actions are still pending, are now pursuing their claims in parallel through administrative court actions against the Federal Network Agency.

Claims relating to charges for the shared use of cable ducts. The claim of Unitymedia Hessen GmbH & Co. KG and other plaintiffs against Telekom Deutschland GmbH was dismissed in the first instance by the Cologne Regional Court on October 11, 2016. The ruling is not yet legally binding.

Claim for damages in Malaysia despite earlier, contrary, legally binding arbitration ruling. Celcom Malaysia Berhad (Celcom) and Technology Resources Industries Berhad are pursuing actions with the state courts in Kuala Lumpur, Malaysia, against eleven defendants in total, including DeTeAsia Holding GmbH, a subsidiary of Deutsche Telekom AG. The plaintiffs are demanding damages and compensation of USD 232 million plus interest. DeTeAsia Holding GmbH had enforced this amount against Celcom in 2005 on the basis of a final ruling in its favor. The main first-instance proceedings originally planned for October 2016 are now expected to take place in spring 2017. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

Claim for compensation against OTE. In the legal action that Lannet Communications S. A. took against OTE claiming compensation for damages amounting to around EUR 176 million plus interest, the relevant court in Athens ruled in favor of OTE on April 8, 2016, and requested that the plaintiff withdraw its claim. The decision has now become final and legally binding, the proceedings have thus been terminated.

Claims for damages against Slovak Telekom following the European Commission's decision to impose fines. Following the fining decision of the European Commission dated October 15, 2014, in addition to Orange Slovensko and SWAN, Slovanet has now also filed a damage action against Slovak Telekom with the civil court in Bratislava. Slovanet is claiming compensation for alleged damages of EUR 63 million plus interest. The action by Slovanet has not been formally served upon Slovak Telekom as of yet. In the proceedings against Orange Slovensko and SWAN, Slovak Telekom has in each case submitted a detailed statement of defense, rejecting the respective claims for damages in full. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

New consumer credit regulations in the Netherlands. The Supreme Court of the Netherlands (Hoge Raad der Nederlanden) found in the final instance that mobile contracts that are bundled with a free or discounted device such that the price of the device is not apparent for the customer, are to be treated as consumer credit or installment purchases. Accordingly, such contracts are subject to Dutch consumer credit law. As a consequence, contracts that do not comply with these specific consumer credit provisions can be rescinded. T-Mobile Netherlands is currently examining the consequences of this decision. At present the financial impact cannot be assessed with sufficient certainty.

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 September 30, 2016:

millions of €

	Sept. 30, 2016
Future obligations from operating leases	20,678
Purchase commitments regarding property, plant and equipment	2,310
Purchase commitments regarding intangible assets	914
Firm purchase commitments for inventories	3,270
Other purchase commitments and similar obligations	10,956
Payment obligations to the Civil Service Pension Fund	4,072
Purchase commitments for interests in other companies	1
Miscellaneous other obligations	26
	42,227

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 Sept. 30, 2016	Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss
ASSETS						
Cash and cash equivalents	LaR	7,527	7,527			
Trade receivables	LaR	8,303	8,303			
Originated loans and receivables	LaR/n. a.	4,490	4,314			
Of which: collateral paid	LaR	117	117			
Other non-derivative financial assets						
Held-to-maturity investments	HtM	5	5			
Available-for-sale financial assets	AfS	6,001		168	5,833	
Derivative financial assets						
Derivatives without a hedging relationship	FAHfT	1,535				1,535
Of which: termination rights embedded in bonds issued	FAHfT	872				872
Derivatives with a hedging relationship	n. a.	745			262	483
LIABILITIES						
Trade payables	FLAC	8,840	8,840			
Bonds and other securitized liabilities	FLAC	49,014	49,014			
Liabilities to banks	FLAC	4,065	4,065			
Liabilities to non-banks from promissory notes	FLAC	556	556			
Liabilities with the right of creditors to priority repayment in the event of default	FLAC	1,766	1,766			
Other interest-bearing liabilities	FLAC	1,922	1,922			
Of which: collateral received	FLAC	935	935			
Other non-interest-bearing liabilities	FLAC	1,567	1,567			
Finance lease liabilities	n. a.	2,378				
Derivative financial liabilities						
Derivatives without a hedging relationship	FLHfT	988				988
Of which: conversion rights embedded in Mandatory Convertible Preferred Stock	FLHfT	477				477
Of which: options granted to third parties for the purchase of shares in subsidiaries	FLHfT	–				
Derivatives with a hedging relationship	n. a.	52			31	21
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale	FLHfT	46				46
Of which: aggregated by category in accordance with IAS 39						
Loans and receivables	LaR	20,144	20,144			
Held-to-maturity investments	HtM	5	5			
Available-for-sale financial assets	AfS	6,001		168	5,833	
Financial assets held for trading	FAHfT	1,535				1,535
Financial liabilities measured at amortized cost	FLAC	67,730	67,730			
Financial liabilities held for trading	FLHfT	1,034				1,034

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

Trade receivables include receivables amounting to EUR 1.3 billion (December 31, 2015: EUR 1.0 billion) due in more than one year. The fair value generally equates to the carrying amount. The available-for-sale financial assets measured at cost relate to equity instruments for which there is no quoted market price in an active market and the fair value of which cannot be reliably measured.

Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Sept. 30, 2016[a]	Category in accordance with IAS 39	Carrying amounts Dec. 31, 2015	Amounts recognized in the statement of financial position in accordance with IAS 39				Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2015[a]
				Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in profit or loss		
	–	LaR	6,897	6,897					–
	–	LaR	8,752	8,752					–
176	4,534	LaR/n. a.	3,283	3,076				207	3,318
	–	LaR	98	98					–
	–	HtM	10	10					–
	5,833	AfS	3,354		156	3,198			3,198
	1,535	FAHfT	1,526				1,526		1,526
	872	FAHfT	390				390		390
	745	n. a.	1,160			870	290		1,160
	–	FLAC	11,037	11,037					–
	55,595	FLAC	47,766	47,766					52,194
	4,168	FLAC	4,190	4,190					4,247
	710	FLAC	934	934					1,069
	1,822	FLAC	1,822	1,822					1,830
	1,954	FLAC	3,009	3,009					3,059
	–	FLAC	1,740	1,740					–
	–	FLAC	1,798	1,798					–
2,378	2,742	n. a.	1,927					1,927	2,166
	988	FLHfT	817				817		817
	477	FLHfT	298				298		298
	–	FLHfT	39				39		39
	52	n. a.	117			107	10		117
	46		–						–
	4,358	LaR	18,725	18,725					3,111
	–	HtM	10	10					–
	5,833	AfS	3,354		156	3,198			3,198
	1,535	FAHfT	1,526				1,526		1,526
	64,249	FLAC	70,556	70,556					62,399
	1,034	FLHfT	817				817		817

Financial instruments measured at fair value
millions of €

	Sept. 30, 2016				Dec. 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Available-for-sale financial assets (AfS)	5,564		269	**5,833**	2,931		267	**3,198**
Financial assets held for trading (FAHfT)		663	872	**1,535**		1,136	390	**1,526**
Derivative financial assets with a hedging relationship		745		**745**		1,160		**1,160**
LIABILITIES								
Financial liabilities held for trading (FLHfT)		511	477	**988**		480	337	**817**
Derivative financial liabilities with a hedging relationship		52		**52**		117		**117**
Derivative financial liabilities directly associated with non-current assets and disposal groups held for sale			46	**46**				**–**

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. The total volume of instruments recognized as Level 1 amounting to EUR 5,564 million (December 31, 2015: EUR 2,931 million) comprises two separate classes of financial instruments. The first comprises listed debt securities with a carrying amount equivalent to around EUR 0.1 billion. The second is a strategic financial stake of 12 percent in BT, received in the reporting period, with a carrying amount equivalent to around EUR 5.4 billion. The vote of the British people at the end of June 2016 in favor of the United Kingdom leaving the European Union and the political implementation of this vote gave rise to uncertainty and a marked increase in volatility on the international financial markets, which is also impacting on the fair value of the financial stake in BT. Whether these reactions will be sustained is nevertheless impossible to foresee at the present time. BT's share price remained within the limits of its normal volatility overall and there are no apparent negative company-specific reasons for the existence of impairment. Since the negative share price trend has not yet persisted for long enough, there is still no objective indication as at the reporting date of a permanent impairment of the carrying amount of this stake to be recognized in profit or loss. In each case, the fair values of the total volume of instruments recognized as Level 1 are the price quotations at the reporting date.

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

	Available-for-sale financial assets (AfS)	Financial assets held for trading (FAHfT): Early redemption options embedded in bonds	Financial liabilities held for trading (FLHfT): Conversion rights embedded in Mandatory Convertible Preferred Stock
Carrying amount as of January 1, 2016	**267**	**390**	**(298)**
Additions (including first-time categorization as Level 3)	28	34	–
Value decreases recognized in profit/loss	(7)	(219)	(219)
Value increases recognized in profit/loss	–	677	35
Value decreases recognized directly in equity	(3)	–	–
Value increases recognized directly in equity	6	–	–
Disposals	(22)	–	–
Currency translation effects recognized directly in equity	–	(10)	5
CARRYING AMOUNT AS OF SEPTEMBER 30, 2016	**269**	**872**	**(477)**

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 269 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers executed transactions involving shares in those companies to have the greatest relevance. Executed 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 133 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 September 30, 2016. In the case of investments with a carrying amount of EUR 114 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 22 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, measurement on the basis of transactions 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 EUR 7 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 52 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 872 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 2.0 and 2.7 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 2.2 and 3.7 percent for the maturities of the bonds and between 1.1 and 1.8 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 81 million higher (EUR 59 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 244 million lower (EUR 328 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 23 million lower (EUR 15 million higher) when translated into euros. In the reporting period, net income of EUR 458 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. Please refer to the table on page 52 for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period are 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 financial liabilities with a carrying amount of EUR 477 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 132 million lower (EUR 129 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 10 million lower (EUR 10 million higher) when translated into euros. In the reporting period, a net expense of EUR 184 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 52 for the development of the carrying amount in the reporting period. The changes in value recognized in profit or loss in the reporting period are mainly due to fluctuations in the share price of T-Mobile US. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

The financial liabilities assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 46 million resulting from an option granted to third parties in the 2015 financial year for the purchase of shares in a subsidiary of Deutsche Telekom. The term ends in 2017 and no notable fluctuations in value are expected in future. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments. In the reporting period, the derivative financial liabilities were reclassified as derivative financial liabilities directly associated with non-current assets and disposal groups held for sale.

Disclosures on credit risk. In line with the contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. 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 935 million (December 31, 2015: EUR 1,740 million). The credit risk was thus reduced by EUR 929 million because on the reporting date the collateral received is offset by corresponding net derivative positions in this amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 1,408 million as of the reporting date (December 31, 2015: EUR 2,296 million) had a maximum credit risk of EUR 37 million (December 31, 2015: EUR 79 million) as of September 30, 2016. There is no danger of default on embedded derivatives held. 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 117 million (December 31, 2015: EUR 98 million) to counterparties pursuant to collateral agreements. 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 124 million at the reporting date, which is why it was not exposed to any credit risks in any 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. Following Viapass' acceptance of the system on March 30, 2016, the set-up phase was completed on March 31, 2016. As a result, income of EUR 0.1 billion from the construction contract was recognized as of March 31, 2016. Trade receivables amounted to EUR 0.5 billion. Total expenses of EUR 0.4 billion were associated with the construction contract for the system. With the operation phase having started on April 1, 2016, the separate fees for operation and maintenance services will in the future be recognized as revenue in the respective periods in accordance with the provisions of IAS 18. Net revenue of EUR 0.2 billion was recorded in the first nine months of 2016.

RELATED-PARTY DISCLOSURES

There were no significant changes at September 30, 2016 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2015, with the exception of the matters described in the following.

Since the consummation of the sale on January 29, 2016, the EE joint venture is no longer a related party of Deutsche Telekom AG. At the December 31, 2015 reporting date, there were loan commitments of EUR 0.3 billion. The arrangement concerning the loan commitments allowed for unilateral termination by Deutsche Telekom with immediate effect upon consummation of the sale. At the closing date of the transaction, Deutsche Telekom AG exercised this termination right. As a result, obligations from the loan commitment no longer exist. The loan guarantees and guarantee statements of EUR 0.9 billion given to external contracting parties of the former EE joint venture that were disclosed as of December 31, 2015 are fully covered as of September 30, 2016 with contractual recourse claims vis-à-vis BT.

Net funds of EUR 0.2 billion that had been invested by the former EE joint venture were repaid to the company by Deutsche Telekom upon consummation of the sale on January 29, 2016.

The Federal Republic of Germany (Federal Republic) and KfW Bankengruppe requested their dividend entitlements for the 2015 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, 16,491 thousand shares were transferred to the Federal Republic and 15,055 thousand shares to KfW Bankengruppe in June 2016. As of September 30, 2016, the Federal Republic held a share of 14.5 percent and KfW Bankengruppe a share of 17.5 percent in Deutsche Telekom AG.

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 will be headed by Claudia Nemat effective January 1, 2017, who is currently 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.

Changes in the composition of the Supervisory Board

Waltraud Litzenberger resigned her position as member of the Supervisory Board of Deutsche Telekom AG effective midnight December 31, 2015. Nicole Koch was court-appointed to the Supervisory Board of Deutsche Telekom AG effective January 1, 2016. Dr. Hubertus von Grünberg's term of office on the Supervisory Board expired at the end of the 2016 shareholders' meeting. Dr. Helga Jung was elected to the Supervisory Board by the 2016 shareholders' meeting.

EVENTS AFTER THE REPORTING PERIOD (SEPTEMBER 30, 2016)

For information on developments in the legal proceedings for the claims relating to charges for the shared use of cable ducts, please refer to the section "Contingent liabilities," pages 48 and 49.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, November 10, 2016

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Reinhard Clemens

Niek Jan van Damme

Thomas Dannenfeldt

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 and 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 September 30, 2016, which are part of the quarterly financial report pursuant to § 37w of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to the interim financial reporting as adopted by the EU and to the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, November 10, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Thomas Tandetzki
Wirtschaftsprüfer	Wirtschaftsprüfer

ADDITIONAL INFORMATION

RECONCILIATION OF PRO FORMA FIGURES

SPECIAL FACTORS

The following table presents a reconciliation of EBITDA, EBIT, and net profit/loss to the respective figures adjusted for special factors. Reconciliations are presented for the reporting period, the prior-year period, and the full 2015 financial year:

millions of €

	EBITDA Q1–Q3 2016	EBIT Q1–Q3 2016	EBITDA Q1–Q3 2015	EBIT Q1–Q3 2015	EBITDA FY 2015	EBIT FY 2015
EBITDA/EBIT	**17,698**	**8,227**	**13,275**	**5,057**	**18,388**	**7,028**
GERMANY	**(660)**	**(660)**	**(331)**	**(331)**	**(545)**	**(545)**
Staff-related measures	(616)	(616)	(242)	(242)	(402)	(402)
Non-staff-related restructuring	(31)	(31)	(92)	(92)	(112)	(112)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Other	(13)	(13)	3	3	(31)	(31)
UNITED STATES	**396**	**396**	**(419)**	**(419)**	**(425)**	**(425)**
Staff-related measures	(10)	(10)	(46)	(46)	(50)	(50)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	406	406	(379)	(379)	(382)	(382)
Impairment losses	–	0	–	0	–	0
Other	0	0	6	6	7	7
EUROPE	**(69)**	**(69)**	**(168)**	**(168)**	**(221)**	**(264)**
Staff-related measures	(91)	(91)	(153)	(153)	(177)	(177)
Non-staff-related restructuring	(3)	(3)	(5)	(5)	(14)	(14)
Effects of deconsolidations, disposals and acquisitions	25	25	36	36	31	31
Impairment losses	–	0	–	0	–	(43)
Other	0	0	(46)	(46)	(61)	(61)
SYSTEMS SOLUTIONS	**(240)**	**(256)**	**(435)**	**(499)**	**(647)**	**(713)**
Staff-related measures	(144)	(144)	(224)	(224)	(367)	(367)
Non-staff-related restructuring	(10)	(10)	(202)	(205)	(259)	(263)
Effects of deconsolidations, disposals and acquisitions	0	0	(6)	(6)	(4)	(4)
Other	(86)	(102)	(3)	(64)	(17)	(79)
GROUP HEADQUARTERS & GROUP SERVICES	**2,116**	**2,116**	**(137)**	**(153)**	**319**	**303**
Staff-related measures	(308)	(308)	(120)	(120)	(213)	(213)
Non-staff-related restructuring	(28)	(28)	(44)	(44)	(48)	(48)
Effects of deconsolidations, disposals and acquisitions	2,497	2,497	4	4	574	574
Impairment losses	–	0	–	0	–	0
Other	(45)	(45)	23	7	6	(10)
GROUP RECONCILIATION	**0**	**1**	**0**	**0**	**(1)**	**(1)**
Staff-related measures	(1)	0	0	0	(1)	(1)
Non-staff-related restructuring	0	0	0	0	0	1
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	1	1
Other	1	1	0	0	(1)	(2)
TOTAL SPECIAL FACTORS	**1,543**	**1,528**	**(1,490)**	**(1,570)**	**(1,520)**	**(1,645)**
EBITDA/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**16,155**	**6,699**	**14,765**	**6,627**	**19,908**	**8,673**
Profit (loss) from financial activities (adjusted for special factors)		(1,492)		(1,846)		(2,233)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**5,207**		**4,781**		**6,440**
Income taxes (adjusted for special factors)		(1,645)		(1,382)		(1,927)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**3,562**		**3,399**		**4,513**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		3,141		3,154		4,113
Non-controlling interests (adjusted for special factors)		421		245		400

GROSS AND NET DEBT

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

millions of €

	Sept. 30, 2016	Dec. 31, 2015	Change	Change %	Sept. 30, 2015
Financial liabilities (current)	8,959	14,439	(5,480)	(38.0)%	13,685
Financial liabilities (non-current)	53,349	47,941	5,408	11.3%	43,402
FINANCIAL LIABILITIES	**62,308**	**62,380**	**(72)**	**(0.1)%**	**57,087**
Accrued interest	(793)	(1,014)	221	21.8%	(856)
Other	(828)	(857)	29	3.4%	(798)
GROSS DEBT	**60,687**	**60,509**	**178**	**0.3%**	**55,433**
Cash and cash equivalents	7,527	6,897	630	9.1%	4,510
Available-for-sale financial assets/ financial assets held for trading	99	2,877	(2,778)	(96.6)%	124
Derivative financial assets	2,280	2,686	(406)	(15.1)%	2,330
Other financial assets	2,297	479	1,818	n. a.	601
NET DEBT	**48,484**	**47,570**	**914**	**1.9%**	**47,868**

RECONCILIATION FOR THE CHANGE IN DISCLOSURE OF KEY FIGURES FOR THE PRIOR-YEAR COMPARATIVE PERIOD IN THE FIRST THREE QUARTERS OF 2016

millions of €

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA	Adjusted EBITDA	Depreciation and amortization	Impairment losses	Segment assets [a]	Segment liabilities [a]
Q1 – Q3 2015/SEPTEMBER 30, 2015 PRESENTATION AS OF SEPTEMBER 30, 2015 – AS REPORTED								
Germany	16,762	3,573	6,373	6,704	(2,793)	(7)	33,552	26,270
United States	21,407	1,538	4,160	4,579	(2,623)	1	62,534	46,087
Europe	9,440	1,164	3,057	3,225	(1,891)	(2)	30,296	12,595
Systems Solutions	6,282	(387)	118	553	(479)	(26)	9,067	6,043
Group Headquarters & Group Services	1,704	(824)	(368)	(231)	(390)	(66)	44,532	50,830
TOTAL	**55,595**	**5,064**	**13,340**	**14,830**	**(8,176)**	**(100)**	**179,981**	**141,825**
Reconciliation	(4,226)	(7)	(65)	(65)	58	–	(36,061)	(36,055)
GROUP	**51,369**	**5,057**	**13,275**	**14,765**	**(8,118)**	**(100)**	**143,920**	**105,770**
Q1 – Q3 2015/SEPTEMBER 30, 2015 +/– CHANGE IN DISCLOSURE OF MAGYAR TELEKOM AS OF JANUARY 1, 2015								
Germany	–	–	–	–	–	–	–	–
United States	–	–	–	–	–	–	–	–
Europe	187	19	29	29	(10)	–	141	(52)
Systems Solutions	(251)	(19)	(29)	(29)	10	–	(366)	(173)
Group Headquarters & Group Services	–	–	–	–	–	–	–	–
TOTAL	**(64)**	**–**	**–**	**–**	**–**	**–**	**(225)**	**(225)**
Reconciliation	64	–	–	–	–	–	225	225
GROUP	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Q1 – Q3 2015/SEPTEMBER 30, 2015 = PRESENTATION AS OF SEPTEMBER 30, 2016								
Germany	16,762	3,573	6,373	6,704	(2,793)	(7)	33,552	26,270
United States	21,407	1,538	4,160	4,579	(2,623)	1	62,534	46,087
Europe	9,627	1,183	3,086	3,254	(1,901)	(2)	30,437	12,543
Systems Solutions	6,031	(406)	89	524	(469)	(26)	8,701	5,870
Group Headquarters & Group Services	1,704	(824)	(368)	(231)	(390)	(66)	44,532	50,830
TOTAL	**55,531**	**5,064**	**13,340**	**14,830**	**(8,176)**	**(100)**	**179,756**	**141,600**
Reconciliation	(4,162)	(7)	(65)	(65)	58	–	(35,836)	(35,830)
GROUP	**51,369**	**5,057**	**13,275**	**14,765**	**(8,118)**	**(100)**	**143,920**	**105,770**

[a] Figures relate to the reporting date December 31, 2015.

GLOSSARY

For definitions, please refer to the 2015 Annual Report and the glossary therein (page 251 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 any other aspects.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents non-GAAP financial 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 non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

FINANCIAL CALENDAR [a]

November 10, 2016	March 2, 2017	May 11, 2017
Publication of the Interim Group Report as of September 30, 2016	Publication of the 2016 Annual Report	Publication of the Interim Group Report as of March 31, 2017
May 31, 2017	**August 3, 2017**	**November 9, 2017**
2017 Shareholders' meeting	Publication of the Interim Group Report as of June 30, 2017	Publication of the Interim Group Report as of September 30, 2017

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

CONTACTS

Deutsche Telekom AG
Corporate Communications
D-53262 Bonn

Phone +49 (0) 228 181 4949
Fax +49 (0) 228 181 94004
E-mail media@telekom.de
www.telekom.com

Please refer all questions relating to the T-Share to:
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/geschaeftsbericht2015
www.telekom.com/annualreport2015

The English version of the Interim Group Report for January 1 to September 30, 2016 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.

KNr. 642 100 016A (German)
KNr. 642 100 017A (English)

Printed on chlorine-free bleached paper using mineral oil-free inks.

If your mobile phone has QR recognition software you can directly access our Investor Relations website by scanning this code.