Reconciliation of pro forma figures.

- **EBITDA**
- **EBITDA after adjustment for special factors**
- **Free cash flow**
- **Gross and net debt**

Reconciliation of pro forma figures.

- EBITDA, EBITDA adjusted for special factors, the EBITDA margin, the EBITDA margin adjusted for special factors, free cash flow, and gross and net debt, are all “pro forma figures”.

- Pro forma figures are not governed by German or U.S. GAAP. As other companies may not compute the pro forma figures presented by Deutsche Telekom in the same way, Deutsche Telekom’s pro forma figures are only comparable with similarly designated disclosures by other companies to a limited extent.

- Pro forma figures should not be viewed in isolation or as an alternative to net income/loss, results from ordinary business activities, net cash provided by operating activities, debt (in accordance with the consolidated balance sheet), or other Deutsche Telekom figures reported under German or U.S. GAAP.

EBITDA and EBITDA adjusted for special factors.

EBITDA of the divisions and the Group as a whole is derived from the results from ordinary business activities. This measure of earnings before minority interest in income/loss and before income taxes is additionally adjusted for other taxes, net financial expense, and depreciation and amortization. It should be noted that Deutsche Telekom's definition of EBITDA may differ from that used by other companies.

In this definition, net financial expense includes net interest expense, income/loss related to associated and related companies, and write-downs of financial assets and marketable securities. As it is based on the results from ordinary business activities, this method of computation allows EBITDA to be derived in a uniform way on the basis of an accepted accounting measure of earnings published for the divisions and the Group as a whole.

EBITDA is an important indicator used by Deutsche Telekom’s senior operating decision-makers to manage Deutsche Telekom’s operating activities and measure the performance of the individual units.

Deutsche Telekom defines **EBITDA adjusted for special factors** as the results from ordinary business activities excluding other taxes, net financial income/expense, amortization and depreciation, and before the effects of any special factors. Deutsche Telekom uses EBITDA adjusted for special factors as an internal performance indicator for the management of its operational business activities, and in order to better evaluate and compare developments over several reporting periods. More detailed explanations of the effects of special factors on Group EBITDA, the EBITDA of the divisions, and net income/loss are contained in the following section “Special factors”.

In order to compare the EBITDA earnings power of results-oriented units of different sizes, the EBITDA margin is presented in addition to EBITDA. The EBITDA margin represents the ratio of EBITDA or EBITDA adjusted for special factors to net revenue (EBITDA divided by net revenue).

Special factors.

- Deutsche Telekom's net income/loss and the EBITDA of the Deutsche Telekom Group and of the divisions were affected by a range of special factors in both the period under review and the previous periods.
- The underlying concept involves the elimination of special factors that affect ordinary business activities and thus impair the comparability of EBITDA and net income/loss with previous years.
- The adjustments are made irrespective of whether the relevant income and expenses are reported in the results from ordinary business activities, in extraordinary income/loss, or in tax expense. Income and expenses directly relating to the items being adjusted are also adjusted.
- The following tables show how Deutsche Telekom derives EBITDA adjusted for special factors for the Group and for its divisions from the results from ordinary business activities. The special factors have been defined and quantified both for the year under review and for the previous year. At Group level, we have provided a multi-year review for the period 1999 to 2003.

Reconciliation of Group EBITDA, 1999 to 2003

(billions of €)	**2003**	2002	Change	% [1]	2001	2000	1999
Net revenue	**55.8**	53.7	2.1	4.0	48.3	40.9	35.5
Results from ordinary business activities	**1.4**	(27.2)	28.6	n.a.	(2.5)	6.4	3.1
Financial income/(expense), net	**(4.0)**	(6.0)	2.0	33.1	(5.3)	(1.2)	(2.9)
Depreciation and amortization	**(12.9)**	(36.9)	24.0	65.1	(15.2)	(13.0)	(8.4)
Other taxes	**(0.2)**	(0.4)	0.2	55.5	(0.1)	(0.1)	(0.1)
EBITDA[1]	***18.5***	*16.1*	*2.4*	*14.6*	*18.1*	*20.7*	*14.5*
EBITDA margin (%)[1]	***33.1***	*30.0*			*37.4*	*50.6*	*41.0*
Special factors affecting EBITDA	**0.2**	(0.2)	0.4	n.a.	3.0	7.8	-
EBITDA adjusted for special factors[1]	***18.3***	*16.3*	*2.0*	*12.1*	*15.1*	*12.9*	*14.5*
EBITDA margin adjusted for special factors (%)[1]	***32.8***	*30.4*			*31.3*	*31.6*	*41.0*

[1] Calculated and rounded on the basis of millions for the sake of greater precision.

Special factors that positively affected EBITDA in the **2003 financial year** include income of EUR 0.4 billion from the sale of the remaining cable companies in the T-Com division. In conjunction with the sale of the cable business, this income is partly offset by additions to accruals and transaction costs totaling EUR 0.2 billion, which reduced EBITDA in the period under review.

Income from the sale of the T-Systems subsidiaries TELECASH GmbH and T-Systems SIRIS S.A.S. (EUR 0.1 billion) and from the sale of the stake in Mobile TeleSystems (MTS) (EUR 0.4 billion) in the T-Mobile division also had a positive effect on EBITDA. Additional income of EUR 0.3 billion resulted from the sale of minority interests in Eutelsat S.A., Ukrainian Mobile Communications (UMC), Celcom (Malaysia) Bhd., Globe Telecom, and Inmarsat Ventures plc.

In addition to the recognition of an additional minimum liability (AML), and an addition to the accrual for payments to the Civil Service Health Insurance Fund (PBeaKK), due to the adjustment of the discount rate applied, the loss on the sale of T-Systems MultiLink SA and T-Systems CS AG, Card Services, and restructuring expenses in the T-Com division due to personnel reduction at the Croatian subsidiary Hrvatske telekomunikacije (HT) totaling EUR 0.7 billion reduced EBITDA in the period under review.

There was an additional special factor, also attributable to accruals for employee severance payments totaling EUR 0.1 billion, in the T-Com division, relating to domestic business, and to Vivento at Group Headquarters & Shared Services.

By contrast, the special factors affecting EBITDA in the **previous year** were negative, amounting to EUR 0.2 billion. These primarily included the book gain of EUR 0.2 billion on the sale of the PT Satelindo investment, as well as income of EUR 0.3 billion from the sale of T-Online shares. Special factors that reduced EBITDA included expenses for restructuring measures in the T-Com and T-Systems divisions amounting to EUR 0.4 billion, as well as transaction costs and the recognition of an additional minimum liability (AML) totaling EUR 0.3 billion.

In addition, the intragroup sale of t-info to DeTeMedien (T-Com division) had an EBITDA effect in the T-Online division in the period under review that, however, had no impact at Group level; in the previous year, there was a gain from the intragroup sale of T-Motion to T-Mobile. An expense at the T-Com division and a gain at Group Headquarters & Shared Services resulting from internal staff transfer payments for Vivento amounting to EUR 0.1 billion also had a neutral effect in the Group in the 2003 financial year.

The following special factors impacted EBITDA in the previous years **(2001 - 1999)**:

2001: Income from the sale of the interests in Sprint-FON and Sprint-PCS (including sale costs) in the total amount of EUR 1.9 billion, a book gain on the sale of the Baden-Württemberg cable TV company (EUR 0.9 billion), income from the sale of regional cable service companies (EUR 0.1 billion), and from the reversal of accruals (EUR 0.3 billion). EBITDA was reduced by the recognition of an additional minimum liability of EUR 0.2 billion.

2000: Income from the sale of Atlas/Global One (EUR 2.8 billion) and of the North Rhine-Westphalia and Hesse cable companies (EUR 3.0 billion), as well as the T-Online IPO (EUR 2.7 billion), and the dilutive effect of the IPOs of MTS (Russia) and of comdirect bank AG (EUR 0.2 billion), in which T-Online International AG holds an interest. Furthermore, additions to accruals, losses from dispositions, and losses on receivables had a negative effect totaling EUR 0.9 billion.

1999: No special factors affecting EBITDA.

Reconciliation of EBITDA in the divisions in 2003 and 2002

(billions of €)	T-Com		T-Mobile		T-Systems		T-Online[3]		Group Headquarters & Shared Services	
	2003	2002[2]	**2003**	2002[2]	**2003**	2002[2]	**2003**	2002[2]	**2003**	2002
Total revenue	**29.2**	30.6	**22.8**	19.7	**10.6**	10.5	**1.9**	1.6	**4.2**	4.4
Results from ordinary business activities	**4.3**	3.6	**0.8**	(23.8)	**(0.1)**	(2.0)	**0.1**	(0.5)	**(4.1)**	(4.7)
Financial income/(expense), net	**(0.7)**	(0.9)	**(0.9)**	(1.4)	**0.0**	(0.1)	**0.2**	(0.1)	**(2.9)**	(3.6)
Depreciation and amortization	**(5.2)**	(5.5)	**(5.2)**	(27.3)	**(1.5)**	(2.6)	**(0.4)**	(0.4)	**(0.9)**	(1.3)
Other taxes	**0.0**	(0.1)	**(0.1)**	(0.1)	**0.0**	0.0	**0.0**	0.0	**0.0**	(0.2)
EBITDA[1]	***10.2***	*10.1*	***7.0***	*5.0*	***1.4***	*0.8*	***0.3***	*0.1*	***(0.3)***	*0.4*
EBITDA margin (%)[1]	***34.8***	*32.9*	***30.8***	*25.5*	***13.3***	*7.2*	***18.1***	*6.5*	***(6.5)***	*10.1*
Special factors affecting EBITDA	**(0.2)** [a]	(0.2) [b]	**0.3** [c]	-	**0.0** [d]	(0.4) [e]	**0.0**	0.0	**0.1** [f]	0.4 [g]
EBITDA adjusted for special factors[1]	***10.4***	*10.3*	***6.7***	*5.0*	***1.4***	*1.2*	***0.3***	*0.1*	***(0.3)***	*0.0*
EBITDA margin adjusted for special factors (%)[1]	***35.5***	*33.6*	***29.3***	*25.5*	***13.3***	*11.0*	***16.7***	*4.8*	***(7.4)***	*0.7*

[1] Calculated and rounded on the basis of millions for the sake of greater precision.
[2] For T-Com, T-Mobile, T-Systems, and T-Online, the figures for the previous year were adjusted to the new allocation to segments.
[3] Figures are calculated in accordance with the provisions of German GAAP specified in the German Commercial Code (HGB), as applied throughout the Deutsche Telekom Group, and differ from those published in the reports of T-Online International AG under IFRSs.

T-Com

a Income from the sale of the cable activities (EUR 0.4 billion) and related expenses and transaction costs (EUR 0.2 billion), recognition of an additional minimum liability (AML) due to the adjustment of the discount rate applied (EUR 0.2 billion), accruals for restructuring expenses at HT (Croatia) and accruals for employee severance payments for the domestic business (EUR 0.1 billion), and expenses of EUR 0.1 billion resulting from internal staff transfer payments for Vivento.

b Restructuring expenses for personnel reduction at the Eastern European subsidiaries, associated and related companies, and recognition of an additional minimum liability (AML).

T-Mobile

c Income from the sale of shares in MTS and recognition of an additional minimum liability (AML) due to the adjustment of the interest rate applied.

T-Systems

d Income from the sale of TELECASH and SIRIS (EUR 0.1 billion). This is offset by losses on the sale of MultiLink and T-Systems CS, and the recognition of an additional minimum liability (AML) due to the adjustment of the discount rate applied (total EUR 0.1 billion).

e Restructuring expenses (resulting from measures taken in connection with the strategic review in the third quarter of 2002), plus the recognition of an additional minimum liability (AML)

Group Headquarters & Shared Services

f Income from the sale of the minority interests in EUTELSAT, UMC, Celcom, Globe Telecom, and Inmarsat (EUR 0.3 billion); income of EUR 0.1 billion resulting from internal staff transfer payments for Vivento, personnel accruals of EUR 0.3 billion: primarily recognition of an additional minimum liability (AML) due to the adjustment of the discount rate applied and an accrual for payments to the Civil Service Health Insurance Fund.

g Book gain on the sale of shares in PT Satelindo (EUR 0.2 billion) and on the sale of T-Online shares (EUR 0.3 billion), as well as transaction costs and the recognition of an additional minimum liability (AML) totaling EUR 0.1 billion.

Special factors not affecting EBITDA in the **2003 financial year** were the write-up of the net carrying amount of the interest in comdirect (EUR 0.1 billion), in which T-Online holds a stake, as well as separate special factors in the form of tax income totaling EUR 0.8 billion, resulting in particular from the change of T-Mobile International AG into a limited partnership (AG & Co. KG) (EUR 0.4 billion), and a related reduction in the tax expense from the intragroup reclassification of foreign shareholdings (EUR 0.4 billion). Deferred taxes of EUR 0.1 billion were also recognized on the additional minimum liability (AML). The tax effects on the other special factors amounting to EUR 0.1 billion were determined on the basis of the corporation tax rate. These were mainly offset by tax effects from the reduction in deferred tax assets relating to sales of deferred payments (cable business in Baden-Württemberg and Hesse) amounting to EUR -0.2 billion.

Overall, special factors increasing net income amounted to EUR 2.2 billion in the period under review, while special factors decreasing net income amounted to EUR 1.1 billion.

Special factors not affecting EBITDA in the **previous year** amounting to EUR -19.6 billion were mainly attributable to the measures taken as a result of the strategic review carried out in the third quarter of 2002. These were primarily write-downs, mostly on intangible assets (goodwill and mobile communications licenses) amounting to EUR 21.3 billion.

Furthermore, valuation adjustments on loans to associated companies of Kabel Deutschland GmbH (EUR 0.3 billion), on the carrying amounts of Deutsche Telekom's stake in France Telecom (EUR 0.6 billion) and comdirect (EUR 0.1 billion), as well as write-downs of other investments in noncurrent securities (EUR 0.4 billion) reduced net income in the prior-year period. In addition, a write-down of EUR 0.2 billion was charged on the UMTS license of T-Mobile Netherlands in the third quarter of 2002. In the third quarter, T-Mobile Netherlands was still included in the consolidated financial statements of Deutsche Telekom as an associated company.

In the 2002 financial year, special factors totaling EUR 19.8 billion had a negative impact on the Group’s result. The vast majority of this amount (EUR 19.6 billion) is the result of special factors which had no effect on EBITDA. Of the EUR 19.8 billion, around EUR 19.0 billion is attributable to special factors resulting from the measures taken in connection with the strategic review which was implemented in the third quarter of 2002.

As a separate special factor, tax income of EUR 3.0 billion was generated from the reversal of deferred tax liabilities in 2002, in particular in relation to the write-downs of mobile communications licenses held by T-Mobile USA. Furthermore, retroactive amortization of goodwill to be recognized in Deutsche Telekom AG's tax accounts in accordance with a Federal Fiscal Court ruling resulted in positive tax effects for the 2002 financial year, which were in turn a separate special factor affecting the Group's result. The tax effects on the individual special factors amounting to EUR 0.3 billion were determined on the basis of the corporation tax rate.

In the 2002 financial year, EUR 23.6 billion of the total special factors negatively affected the results, and EUR 3.8 billion had a positive impact.

In the previous years **(2001 - 1999)**, the following special factors not affecting EBITDA had an impact on net income/loss.

Write-downs of property, plant, and equipment and intangible assets		**billions of €**
2001	**Total**	**-1.8**
	Land and buildings	-0.8
	Write-downs of goodwill on brand names as part of the rebranding of the mobile communications majority shareholdings in the T-Mobile division	-1.0
2000	**Total**	**-3.0**
	Land	-2.0
	Parts of the long-distance copper cable network and telecommunications equipment	-1.0
1999	No special factors not affecting EBITDA	
Financial income/(expense), net		
2001	**Total**	**-0.9**

	Write-down of the net carrying amount of the shareholding in France Telecom as a result of the decrease in its share price	-0.3
	Other write-downs of financial investments	-0.6
2000	Proceeds from the sale of WIND	**2.3**
1999	No special factors not affecting EBITDA	

The tax effects on the individual special factors were determined on the basis of the corporation tax rate.

In addition, a separate overview of the effects of special factors on the consolidated statement of income in the 2003 financial year is presented:

Reconciliation of the consolidated statement of income for the financial year from January 1, 2003 to December 31, 2003

(billions of €)	2003	Special factors	2003 (excluding special factors)
Net revenue	**55.8**		**55.8**
Cost of sales	(31.4)	(0.2) [1]	(31.2)
Gross profit/(loss) from sales [6]	**24.4**	**(0.2)**	**24.6**
Expenses	(23.6)	(0.8) [2]	(22.8)
Other operating income	4.6	1.2 [3]	3.4
Operating results	**5.4**	**0.2**	**5.2**
Financial income/(expense), net	(4.0)	0.1 [4]	(4.1)
Results from ordinary business activities [6]	**1.4**	**0.3**	**1.1**
Income taxes	0.2	0.8 [5]	(0.5)
Income/(losses) applicable to minority shareholders	(0.4)		(0.4)
Net income / effect of special factors on net income/(loss) [6]	**1.3**	**1.1**	**0.2**
Reconciliation of EBITDA:			
Results from ordinary business activities [6]	**1.4**	**0.3**	**1.1**
Financial income/(expense), net	**(4.0)**	**0.1**	**(4.1)**
Depreciation and amortization	**(12.9)**		**(12.9)**
Other taxes	**(0.2)**		**(0.2)**
EBITDA [6)]	**18.5**	**0.2**	**18.3**
EBITDA margin (%) [6]	**33.1**	**n.a.**	**32.8**

[1] Recognition of an additional minimum liability (AML) due to the adjustment of the discount rate applied (T-Com, T-Systems, T-Mobile, and T-Online divisions) and accruals for restructuring expenses (employee severance payments at Croatian company HT) in the T-Com division.

[2] Additions to accruals and transaction costs relating to the sale of the remaining cable companies (T-Com) (EUR 0.2 billion), personnel accruals of EUR 0.4 billion; primarily recognition of additional minimum liabilities (AML) due to the adjustment of the discount rate applied (affecting all divisions, plus Group Headquarters & Shared Services) and an accrual for payments to the Civil Service Health Insurance Fund (Group Headquarters & Shared Services), addition to accrual for employee severance payments (T-Com division: concerning domestic business, and at Group Headquarters & Shared Services: for Vivento) (EUR 0.1 billion), accruals for restructuring expenses at Croatian company HT (Division T-Com), and losses on the sale of T-Systems MultiLink and T-Systems CS amounting to a total of EUR 0.1 billion.

[3] Income from the sale of cable businesses (EUR 0.4 billion) (T-Com division) and book gains on the sale of TELECASH, SIRIS (T-Systems division), MTS (T-Mobile division), and interests in Eutelsat, UMC, Celcom, Globe Telecom, and Inmarsat (Group Headquarters & Shared Services) amounting to a total of EUR 0.8 billion.

[4] Write-up of the net carrying amount of the shareholding in comdirect (T-Online division).

[5] Primarily tax income of EUR 0.4 billion from the change of T-Mobile International AG into a limited partnership (AG & Co. KG), and a related reduction in the tax expense from the intragroup reclassification of foreign shareholdings (EUR 0.4 billion). In addition, tax effects from the reduction in deferred tax assets relating to sales of deferred payments (cable business in Baden-Württemberg and Hessen) amounting to EUR -0.2 billion and other tax effects of the various special factors totaling EUR 0.2 billion, determined on the basis of the corporate income tax rate.

[6] Calculated and rounded on the basis of millions for the sake of greater precision.

Free cash flow.

- Deutsche Telekom defines **free cash flow** as cash generated from operations minus interest paid and cash outflows for investments in intangible assets (excluding goodwill) and property, plant, and equipment.

- Deutsche Telekom is of the opinion that free cash flow is used by investors as a measure to enable them to assess the Group's cash generated from operations (after deductions for interest paid and cash outflows for intangible assets (excluding goodwill) and property, plant, and equipment), in particular with regard to investments in associated and related companies, and the repayment of liabilities. Free cash flow should not be used to determine the financial position of the Group. A further factor to be noted is that Deutsche Telekom's definition of free cash flow and methods of calculating this measure are only comparable with similarly designated measures and disclosures by other companies to a limited extent.

Reconciliation of free cash flow in the Group, comparison for the period 1999 to 2003

billions of €	**2003**	2002	Change	% [1]	2001	2000	1999
Cash generated from operations	**18.1**	16.7	1.4	8.8	16.3	12.9	12.2
Interest received/ (paid)	**(3.8)**	(4.2)	0.4	9.2	(4.3)	(2.9)	(2.6)
Net cash provided by operating activities[1]	**14.3**	**12.5**	**1.8**	**14.9**	**11.9**	**10.0**	**9.6**
Cash outflows from investments in intangible assets (excluding goodwill) and property, plant, and equipment	**(6.0)**	(7.6)	1.6	20.9	(10.9)	(23.5)	(6.0)
Free cash flow (before dividend)[1]	**8.3**	**4.8**	**3.5**	**71.2**	**1.1**	**(13.5)**	**3.6**
Dividend	**(0.1)**	(1.6)	1.5	94.2	(1.9)	(1.9)	(1.7)
Free cash flow (after dividend)[1]	**8.2**	**3.3**	**4.9**	**n.a.**	**(0.8)**	**(15.4)**	**1.9**

[1] Calculated and rounded on the basis of millions for the sake of greater precision.

The reconciliation of the Group's free cash flow is based on the amounts reported in the consolidated statement of cash flows prepared in accordance with International Accounting Standard (IAS) No. 7, Cash Flow Statements, and German Accounting Standard (GAS) No. 2, Cash Flow Statements.

Gross and net debt.

- In the consolidated financial statements, the items "bonds and debentures" and "liabilities to banks" are reported as "**debt**" (in accordance with consolidated balance sheet).

- **Gross debt** includes not only "debt (in accordance with consolidated balance sheet)", but also liabilities to non-banks from loan notes, cash collateral received for positive fair values from derivatives, and necessary settlement amounts for interest rate and cross currency swaps for loans taken out in foreign currencies summarized under "Other liabilities" in the balance sheet. Gross debt is the basis for total net interest expense incurred.

- In addition to this key figure, Deutsche Telekom shows "**net debt**"**.** Net debt is generally calculated by subtracting liquid assets, other investments in noncurrent securities and in marketable securities, as well as discounts on loans, which are contained in the balance sheet item "Prepaid expenses and deferred charges". In addition, the following items (which are reported under the balance sheet item "other assets") are subtracted in the same way as for the liabilities side: cash collateral paid for negative fair values from derivatives and necessary settlement amounts for interest rate and cross currency swaps for loans taken out in foreign currencies.

- **Gross and net debt** are common indicators in Deutsche Telekom's competitive environment, although definitions may vary, and are used by Deutsche Telekom's senior operating decision-makers to manage and monitor debt.

Reconciliation of gross and net debt in the Group, comparison for the period 1999 to 2003

(billions of €)	**2003**	2002	Change	% [1]	2001	2000	1999
Bonds and debentures	**51.6**	56.7	(5.1)	(9.1)	58.3	51.4	9.5
Liabilities to banks	**3.8**	6.3	(2.5)	(39.6)	8.7	9.0	32.8
Debt (in accordance with consolidated balance sheet)[1]	**55.4**	**63.0**	**(7.6)**	**(12.1)**	**67.0**	**60.4**	**42.3**
Liabilities to non-banks from loan notes	**0.8**	0.8	0.0	(5.1)	0.7	0.7	0.6
Miscellaneous other liabilities	**0.3**	0.3	0.0	15.7	0.2	0.2	-
Gross debt[1]	**56.5**	**64.1**	**(7.6)**	**(11.9)**	**67.9**	**61.3**	**42.9**
Liquid assets	**9.1**	1.9	7.2	n.a.	2.9	1.9	1.2
Other investments in marketable securities	**0.2**	0.4	(0.2)	(58.1)	0.7	0.8	1.8
Other investments in noncurrent securities	**0.1**	0.2	(0.1)	(63.9)	0.9	1.1	2.0
Other assets	**0.3**	0.2	0.1	53.1	0.3	0,0	-
Discounts on loans (prepaid expenses and deferred charges)	**0.2**	0.3	(0.1)	(10.5)	0.3	0.1	0.1
Net debt[1]	**46.6**	**61.1**	**(14.5)**	**(23.8)**	**62.8**	**57.4**	**37.9**

[1] Calculated and rounded on the basis of millions for the sake of greater precision.