

## Reconciliation of pro forma figures.

Pro forma figures include EBITDA and EBITDA adjusted for special factors, EBITDA margin, EBITDA margin adjusted for special factors, as well as free cash flow, and gross and net debt.

Pro forma figures are not governed by the International Financial Reporting Standards (IFRS) or U.S. Generally Accepted Accounting Principles (U.S. GAAP). As other companies may not compute the pro forma figures presented by Deutsche Telekom by the same method, Deutsche Telekom's pro forma figures may or may not be comparable with similarly designated disclosures by other companies.

The pro forma figures in this Interim Report should not be viewed in isolation as an alternative to profit/loss from operations, net profit/loss, net cash from operating activities or the debt reported in the consolidated balance sheet, or other Deutsche Telekom key performance indicators presented in accordance with IFRS or U.S. GAAP.

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### EBITDA and EBITDA adjusted for special factors.

#### EBITDA

For the strategic business areas and for the Group as a whole, EBITDA is derived from profit/loss from operations (EBIT). This measure of earnings before profit/loss attributable to minority interests, income taxes and profit/loss from financial activities is adjusted for depreciation, amortization and impairment losses to calculate EBITDA. It should be noted that Deutsche Telekom's definition of EBITDA may differ from that used by other companies.

In this definition, profit/loss from financial activities includes finance costs, the share of the profit/loss of associates and joint ventures accounted for using the

equity method, and other financial income/expense. As it is based on profit/loss from operations, this method of computation allows EBITDA to be derived in a uniform manner on the basis of a measure of earnings in accordance with IFRS published for the strategic business areas 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 to measure the performance of the individual strategic business areas.

#### Adjusted EBITDA

Deutsche Telekom defines EBITDA adjusted for special factors as profit/loss from operations (EBIT) before depreciation, amortization, and impairment losses 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 to allow it to better evaluate and compare developments over several reporting periods. Further details of the effects of special factors on Group EBITDA and the EBITDA of the strategic business areas can be found in the section on "Special factors."

**EBITDA margin/  
adjusted EBITDA  
margin**

To compare the earnings performance of profit-oriented units of different sizes, the EBITDA margin and the adjusted EBITDA margin (EBITDA to revenue) are pre-

sent in addition to EBITDA and adjusted EBITDA. The EBITDA margin is calculated as the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

**Special factors.**

Deutsche Telekom's net profit/loss and EBITDA of the Group and of the strategic business areas were affected by a range of special factors in both the reporting period and the prior-year periods.

The underlying concept involves the elimination of special factors that affect operational business activities and thus impair the comparability of EBITDA, net profit/loss and other financial measures of the Group and the strategic business areas with corresponding figures for prior periods. In addition, a statement about the future development of EBITDA and net profit is only possible to a limited extent due to such special factors. On the basis of the unadjusted financial measures, the adjusted values are calculated by adding (expenses) or deducting (income) the special factors.

Adjustments are made irrespective of whether the relevant income and expenses are reported in profit/loss from operations, profit/loss from financial activities, or in tax expense. Income and expenses directly relating to the items being adjusted are also adjusted.

The reconciliation of individual consolidated income statement items to the relevant amounts adjusted for special factors is shown in the following table. In addition, the table also shows the method used by Deutsche Telekom to derive EBITDA and EBITDA adjusted for special factors for the entire Group from profit/loss from operations (EBIT) in accordance with IFRS. Reconciliations are presented for both the reporting period and the prior-year period.



Reconciliation  
of the consoli-  
dated income  
statement

	Q1 - Q3 2007 millions of €	Special factors in Q1 - Q3 2007 millions of €	Q1 - Q3 2007 without special factors millions of €
Net revenue	46,721		46,721
Cost of sales	(25,817)	(479) <sup>a</sup>	(25,338)
<b>Gross profit (loss)</b>	<b>20,904</b>	<b>(479)</b>	<b>21,383</b>
Selling expenses	(12,076)	(94) <sup>b</sup>	(11,982)
General and administrative expenses	(3,224)	(29) <sup>c</sup>	(3,195)
Other operating income	1,250	330 <sup>d</sup>	920
Other operating expenses	(1,105)	(394) <sup>e</sup>	(711)
<b>Profit (loss) from operations (EBIT)</b>	<b>5,749</b>	<b>(666)</b>	<b>6,415</b>
Profit (loss) from financial activities	(2,230)	(4) <sup>f</sup>	(2,226)
<b>Profit (loss) before income taxes</b>	<b>3,519</b>	<b>(670)</b>	<b>4,189</b>
Income taxes	(1,768)	(194) <sup>g</sup>	(1,574)
<b>Profit (loss) after income taxes</b>	<b>1,751</b>	<b>(864)</b>	<b>2,615</b>
Profit (loss) attributable to minority interests	425	5	420
Net profit	1,326	(869)	2,195
Profit (loss) from operations (EBIT)	5,749	(666)	6,415
Depreciation, amortization and impairment losses	(8,527)	(226) <sup>h</sup>	(8,301)
<b>EBITDA</b>	<b>14,276</b>	<b>(440)</b>	<b>14,716</b>
<b>EBITDA margin (%)</b>	<b>30.6</b>	<b>-</b>	<b>31.5</b>
Personnel costs	(10,543)	(446) <sup>i</sup>	(10,097)
Personnel cost ratio (%)	22.6	-	21.6

Special factors in the first three quarters of 2007.

- <sup>a</sup> Mainly expenditures for staff-related measures in the Broadband/Fixed Network business area and restructuring expenses in the Business Customers business area.
- <sup>b</sup> Mainly expenses for staff-related and other restructuring measures as well as offsetting income from the reversal of provisions in connection with early retirement arrangements for civil servants in the Broadband/Fixed Network business area.
- <sup>c</sup> Mainly expenses for staff-related and other expenses in the Broadband/Fixed Network business area as well as offsetting income from the reversal of provisions in connection with early retirement arrangements for civil servants.
- <sup>d</sup> Income from the sale of T-Online France and T-Online Spain in the Broadband/Fixed Network business area.
- <sup>e</sup> Reduction of goodwill at T-Mobile Netherlands relating to the subsequent utilization of tax loss carryforwards. In addition, predominantly restructuring expenses in the Business Customers business area as well as costs from the sale of Vivento business units at Group Headquarters & Shared Services.
- <sup>f</sup> Expenses from interest added back to provisions in connection with early retirement arrangements for civil servants and from interest added back to provisions for partial retirement arrangements. These were partially offset by income from the disposal of the remaining shares in Sireo at Group Headquarters & Shared Services as well as income attributable to other periods from associated companies and joint ventures accounted for using the equity method in the Broadband/Fixed Network business area.
- <sup>g</sup> Mainly tax benefits from expenses for staff-related measures. This also includes a tax benefit from the partial recognition of previously unrecognized taxes relating to loss carryforwards at T-Mobile Netherlands as well as an offsetting tax expense from the measurement of deferred tax items in response to the changes in the rates of taxation in connection with the 2008 corporate tax reform.
- <sup>h</sup> Mainly the reduction of goodwill at T-Mobile Netherlands relating to the subsequent utilization of tax loss carryforwards.
- <sup>i</sup> Expenses for staff-related measures in the Broadband/Fixed Network and Business Customers business areas and at Group Headquarters & Shared Services. This primarily relates to payments in connection with voluntary redundancy payments and partial retirement arrangements as well as provisions for compensation payments in connection with the collective agreement on Telekom Service. These expenses are partially offset by income from the reversal of provisions in connection with early retirement arrangements for civil servants.

	Q1 – Q3 2006 <sup>j</sup>	Special factors in Q1 – Q3 2006	Q1 – Q3 2006 <sup>j</sup> without special factors	FY 2006 without special factors
	millions of €	millions of €	millions of €	millions of €
Net revenue	45,452		45,452	61,347
Cost of sales	(24,249)	(231) <sup>k</sup>	(24,018)	(33,355)
<b>Gross profit (loss)</b>	<b>21,203</b>	<b>(231)</b>	<b>21,434</b>	<b>27,992</b>
Selling expenses	(11,665)	(88) <sup>l</sup>	(11,577)	(15,620)
General and administrative expenses	(3,347)	(155) <sup>m</sup>	(3,192)	(4,423)
Other operating income	862	-	862	1,237
Other operating expenses	(661)	(44) <sup>n</sup>	(617)	(743)
<b>Profit (loss) from operations (EBIT)</b>	<b>6,392</b>	<b>(518)</b>	<b>6,910</b>	<b>8,443</b>
Profit (loss) from financial activities	(2,003)	196 <sup>o</sup>	(2,199)	(2,879)
<b>Profit (loss) before income taxes</b>	<b>4,389</b>	<b>(322)</b>	<b>4,711</b>	<b>5,564</b>
Income taxes	10	1,359 <sup>p</sup>	(1,349)	(1,289)
<b>Profit (loss) after income taxes</b>	<b>4,399</b>	<b>1,037</b>	<b>3,362</b>	<b>4,275</b>
Profit (loss) attributable to minority interests	336	-	336	425
Net profit	4,063	1,037	3,026	3,850
Profit (loss) from operations (EBIT)	6,392	(518)	6,910	8,443
Depreciation, amortization and impairment losses	(7,986)	(10) <sup>q</sup>	(7,976)	(10,991)
<b>EBITDA</b>	<b>14,378</b>	<b>(508)</b>	<b>14,886</b>	<b>19,434</b>
<b>EBITDA margin (%)</b>	<b>31.6</b>	<b>-</b>	<b>32.8</b>	<b>31.7</b>
Personnel costs	(10,549)	(365) <sup>r</sup>	(10,184)	(13,690)
Personnel cost ratio (%)	23.2	-	22.4	22.3

<sup>j</sup> Prior-year figures have been adjusted due to adoption of IAS 19.93A.

#### Special factors in the first three quarters of 2006.

- <sup>k</sup> Mainly expenses incurred in prior periods as a result of recognizing customer acquisition costs in the income statement and expenses for staff-related measures in the Broadband/Fixed Network business area. In addition, staff and non staff-related restructuring expenses in the Business Customers business area.
- <sup>l</sup> Mainly expenditures for staff-related measures in the Broadband/Fixed Network business area and restructuring expenses in the Business Customers business area.
- <sup>m</sup> Expenses for staff-related measures in the Broadband/Fixed Network and Business Customers business areas and at Group Headquarters & Shared Services.
- <sup>n</sup> Mainly expenses resulting from the impairment loss on the goodwill of Slovak Telekom in the Broadband/Fixed Network and Mobile Communications business areas and on other restructuring measures in the Business Customers business area, as well as expenses for staff-related measures at Group Headquarters & Shared Services.
- <sup>o</sup> Income from the prior sale of Celcom/Malaysia (Group Headquarters & Shared Services).
- <sup>p</sup> Tax effects from special factors on profit before income taxes and tax expense resulting from the reversal of a reduction of deferred tax assets and tax income from the recognition of previously unrecognized deferred tax assets relating to loss carryforwards at T-Mobile USA.
- <sup>q</sup> Impairment loss on the goodwill of Slovak Telekom in the Broadband/Fixed Network and Mobile Communications business areas.
- <sup>r</sup> Expenses for staff-related measures (voluntary redundancy and severance payments as well as partial retirement arrangements), mainly in the Broadband/Fixed Network and Business Customers business areas and at Group Headquarters & Shared Services.

## Free cash flow in the Group.

Since the beginning of the 2007 financial year, Deutsche Telekom has defined free cash flow as cash generated from operations less interest paid and net cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment. Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment are included net in the definition of free cash flow, i.e., after deducting the proceeds from disposal of intangible assets (excluding goodwill) and of property, plant and equipment.

Deutsche Telekom believes that free cash flow is used by investors as a measure to assess the Group's cash generated from operations (after deductions for interest paid and cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment), in particular with regard to subsidiaries, associates and joint ventures, and the repayment of

debt. In adopting this definition, Deutsche Telekom reflects the fact that investments in new technologies and efficiency enhancements in operating activities enable tied-up capital to be released. These inflows should therefore be taken into account in assessing investment expenditure and included in free cash flow accordingly.

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 its methods of computing this measure are comparable with similarly designated measures and disclosures by other companies only to a limited extent.

The prior-year comparatives shown have been adjusted accordingly.

### Reconciliation of the Group's free cash flow

	Third quarter of 2007		First three quarters of 2007		
	Q3 2007 millions of €	Q3 2006 millions of €	Q1 – Q3 2007 millions of €	Q1 – Q3 2006 millions of €	FY 2006 millions of €
<b>Cash generated from operations<sup>a</sup></b>	<b>5,620</b>	<b>4,325</b>	<b>12,236</b>	<b>11,444</b>	<b>16,981</b>
Interest received (paid)	(483)	(762)	(1,884)	(2,186)	(2,759)
Net cash from operating activities <sup>a</sup>	5,137	3,563	10,352	9,258	14,222
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment	(1,686)	(1,950)	(5,293)	(5,919)	(11,806)
<b>Free cash flow before proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment</b>	<b>3,451</b>	<b>1,613</b>	<b>5,059</b>	<b>3,339</b>	<b>2,416</b>
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	115	54	657	490	567
Adjustment <sup>b</sup>	-	-	121	-	-
<b>Free cash flow before dividend payments</b>	<b>3,566</b>	<b>1,667</b>	<b>5,837</b>	<b>3,829</b>	<b>2,983</b>

<sup>a</sup> Current finance lease receivables were previously reported in net cash from operating activities. From January 1, 2007, they are reported in net cash from/used in investing activities. The prior-year comparatives have been adjusted accordingly.

<sup>b</sup> Cash outflows totaling EUR 121 million for parts of Centrica PLC taken over by T-Systems UK as part of an asset deal.

## Gross and net debt in the Group.

Gross debt includes not only bonds and liabilities to banks, but also liabilities to non-banks from promissory notes, lease liabilities, liabilities arising from ABS transactions (capital market liabilities), liabilities from derivatives and cash collateral received for positive fair values of derivatives, as well as other interest-bearing financial liabilities.

Net debt is calculated by deducting cash and cash equivalents as well as financial assets classified as held for trading and available for sale (due  $\leq$  1 year).

In addition, all derivative financial instruments and other financial assets are deducted from gross debt. Other financial assets include all cash collateral paid for negative fair values of derivatives and ABS transactions, as well as other interest-bearing financial assets.

Deutsche Telekom considers net debt to be an important performance indicator for investors, analysts and rating agencies. Deutsche Telekom also uses net debt for purposes of managing and controlling debt.

### Reconciliation of the Group's gross and net debt

	Sept. 30, 2007 millions of €	Dec. 31, 2006 millions of €	Sept. 30, 2006 millions of €
Bonds	33,079	36,288	34,674
Liabilities to banks	2,934	2,348	3,188
Liabilities to non-banks from promissory notes	692	680	630
Liabilities from derivatives	896	562	504
Lease liabilities	2,161	2,293	2,274
Liabilities arising from ABS transactions	807	1,139	1,133
Other financial liabilities	401	377	98
<b>Gross debt</b>	<b>40,970</b>	<b>43,687</b>	<b>42,501</b>
Cash and cash equivalents	3,450	2,765	1,916
Available-for-sale/held-for-trading financial assets	46	122	135
Derivatives	298	359	403
Other financial assets	674	886	1,778
<b>Net debt</b>	<b>36,502</b>	<b>39,555</b>	<b>38,269</b>