Reconciliation of pro forma figures.

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

- 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 as an alternative to net income/loss, results from ordinary business activities, net cash provided by operating activities, debt (in accordance with consolidated balance sheet), or other Deutsche Telekom figures reported under German or U.S. GAAP.

EBITDA and EBITDA adjusted for special factors.

EBITDA

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 income/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 income/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.

Adjusted EBITDA

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".

EBITDA margin

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 to net revenue (EBITDA divided by net revenue).

Special factors.

- Deutsche Telekom's net income/loss and the EBITDA of the Group and of the divisions were affected by a range of special factors in both the period under review and the comparative 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 tables under "Divisions" and "Deutsche Telekom at a glance" show how Deutsche Telekom derives EBITDA adjusted for special factors for the Group as a whole and for its divisions from the results from ordinary business activities. The special factors are presented for the period under review, the comparative prior-year period, and for the previous full year.

Special factors affecting EBITDA

Special factors affecting EBITDA positively in the first half of 2004 included income from the write-up of U.S. mobile communications licenses at T-Mobile USA (EUR 1.8 billion), income of EUR 0.1 billion (including transaction costs) from the sale of part of the stake in the European satellite operator SES Global SA, and the retrospective income from the sale of the stake in Virgin Mobile (EUR 0.1 billion).

This is offset by additions to accruals of approximately EUR 0.1 billion for voluntary redundancy packages resulting from the collective agreement on the employment alliance at T-Com and Group Headquarters & Shared Services and the recognition of accruals for contingent losses of EUR 0.6 billion relating to the dissolution of the mobile communications joint venture between T-Mobile USA and Cingular Wireless.

In addition, internal staff transfer payments for Vivento between T-Systems and Group Headquarters & Shared Services also had a neutral EBITDA effect in the Group.

Special factors that positively affected EBITDA in the first six months of the 2003 financial year included income of EUR 0.3 billion in the T-Com division from the sale of the remaining cable companies. In conjunction with the sale of the cable business, this income was partly offset by additions to accruals and transaction costs totaling EUR 0.1 billion, which reduced EBITDA. Income from the sale of the T-Systems subsidiaries Tele-Cash Kommunikations-Service 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 totaling EUR 0.1 billion, reported under Group Headquarters & Shared Services, resulted from the sale of minority interests in Eutelsat S.A., Ukrainian Mobile Communications (UMC), and Celcom Bhd. (Malaysia).

Special factors reducing EBITDA in the prior-year period were the recognition of an additional minimum liability (AML), the loss on the sale of T-Systems MultiLink SA and restructuring expenses due to personnel reduction at the Croatian subsidiary Hrvatske telekomunikacije (HT, T-Com division) 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 first half of 2003 that, however, had a neutral impact at Group level. An expense at the T-Com division and a gain at Group Headquarters & Shared Services resulting from internal staff transfer payments for Vivento also had a neutral effect in the Group in 2003.

Special factors not affecting EBITDA

Special factors not affecting Group EBITDA in the period under review were the tax expense of EUR 0.4 billion mainly attributable to the deferred taxes recognized in the write-up of U.S. mobile communications licenses at T-Mobile USA.

Special factors not affecting EBITDA in the first half of last year included tax income of EUR 0.3 billion, resulting in particular from the change of T-Mobile International AG into a limited partnership (AG & Co. KG) (EUR 0.4 billion), and deferred taxes recognized on the additional minimum liability (EUR 0.1 billion). These were 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.

Reconciliation of the statement of income

	H1 2004 millions of €	Special factors in H1 2004 millions of €	H1 2004 without special factors millions of €	H1 2003 millions of €	Special factors in H1 2003 millions of €	H1 2003 without special factors millions of €	2003[a] millions of €
Net revenue	28,398		28,398	27,211		27,211	55,838
Cost of sales	(15,336)		(15,336)	(15,310)	(137)[e]	(15,173)	(31,402)
Gross profit	**13,062**		**13,062**	**11,901**	**(137)**	**12,038**	**24,436**
Expenses	(12,008)	(675)[b]	(11,333)	(11,493)	(262)[f]	(11,231)	(23,565)
Other operating income	3,489	1,978[c]	1,511	2,629	939[g]	1,690	4,558
Operating results	**4,543**	**1,303**	**3,240**	**3,037**	**540**	**2,497**	**5,429**
Financial income/(expense), net	(1,791)		(1,791)	(1,945)		(1,945)	(4,031)
Results from ordinary business activities	**2,752**	**1,303**	**1,449**	**1,092**	**540**	**552**	**1,398**
Income taxes	(738)	(434)[d]	(304)	194	294[h]	(100)	225
(Income)/losses applicable to minority shareholders	(190)		(190)	(177)		(177)	(370)
Net income/(loss) effect of special factors	**1,824**	**869**	**955**	**1,109**	**834**	**275**	**1,253**
Results from ordinary business activities	2,752	1,303	1,449	1,092	540	552	1,398
Financial income/(expense), net	(1,791)		(1,791)	(1,945)		(1,945)	(4,031)
Depreciation and amortization	(6,031)		(6,031)	(6,481)		(6,481)	(12,884)
Other taxes	(97)		(97)	(96)		(96)	(162)
EBITDA	**10,671**	**1,303**	**9,368**	**9,614**	**540**	**9,074**	**18,475**
EBITDA margin (%)	**37.6**		**33.0**	**35.3**		**33.3**	**33.1**

[a] For a detailed explanation of special factors in the 2003 financial year, please refer to the chapter "Reconciliation of pro forma figures" in the 2003 Annual Report, page 96 et seq.

Special factors in the first half of 2004:

[b] Accruals for contingent losses attributable to the dissolution of the mobile communications joint venture between T-Mobile USA and Cingular Wireless (EUR 0.6 billion) (T-Mobile division) and additions to accruals totaling to EUR 0.1 billion for severance payments resulting from the collective agreement on the employment alliance in the T-Com division and at Group Headquarters & Shared Services.

[c] Income from the write-up of U.S. mobile communications licenses at T-Mobile USA (EUR 1.8 billion) and from the sale of SES Global (EUR 0.1 billion) (Group Headquarters & Shared Services), as well as retrospective income from the sale of Virgin Mobile (EUR 0.1 billion) (T-Mobile division).

[d] Deferred taxes from the write-up of U.S. mobile communications licenses at T-Mobile USA.

Special factors in the first half of 2003:

[e] Recognition of an additional minimum liability (AML) (T-Com, T-Mobile, T-Systems, and T-Online divisions) and restructuring expenses in the T-Com division.

[f] Additions to accruals and transaction costs relating to the sale of the remaining cable businesses (T-Com division) and the recognition of an additional minimum liability (AML) (in all divisions and at Group Headquarters & Shared Services).
Restructuring expenses at the T-Com division.
Loss on the sale of T-Systems MultiLink.

[g] Income from the sale of cable businesses (T-Com division), and from the sale of the T-Systems subsidiaries TeleCash and SIRIS, and from the sale of the stake in MTS (T-Mobile division) and interests in Eutelsat, UMC, and Celcom (Malaysia) (Group Headquarters & Shared Services).

[h] Primarily tax income of EUR 0.4 billion from the change of T-Mobile International AG into a limited partnership (AG & Co. KG), and deferred taxes recognized on the additional minimum liability (EUR 0.1 billion). Additional tax effects from the reduction in deferred tax assets relating to sales of deferred payments (cable activities in Baden-Württemberg and Hesse) (EUR -0.2 billion).

Free cash flow.[13]

- 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 the Group's free cash flow

	H1 2004 millions of €	H1 2003 millions of €	2003 millions of €
Cash generated from operations	**8,987**	**8,021**	**18,132**
Interest received/(paid)	(1,859)	(1,761)	(3,816)
Net cash provided by operating activities	7,128	6,260	14,316
Cash outflows from investments in property, plant and equipment, and intangible assets (excluding goodwill)	(2,934)	(2,294)	(6,031)
Free cash flow before dividend payments	**4,194**	**3,966**	**8,285**
Dividends paid	(170)	(54)	(92)
Free cash flow after dividend payments	**4,024**	**3,912**	**8,193**

[13] 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 the Group's gross and net debt

	June 30, 2004 millions of €	Dec. 31, 2003 millions of €	June 30, 2003 millions of €
Bonds and debentures	46,805	51,613	56,776
Liabilities to banks	3,174	3,798	4,472
Debt (in accordance with consolidated balance sheet)	**49,979**	**55,411**	**61,248**
Liabilities to non-banks from loan notes	799	799	808
Miscellaneous other liabilities	333	287	268
Gross debt	**51,111**	**56,497**	**62,324**
Liquid assets	6,594	9,127	8,526
Other investments in marketable securities	200	173	115
Other investments in noncurrent securities	76	86	40
Other assets	679	271	356
Discounts on loans (prepaid expenses and deferred charges)	232	264	278
Net debt	**43,330**	**46,576**	**53,009**