

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 in the same way, 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.

EBITDA and EBITDA adjusted for special factors.

EBITDA

EBITDA for the strategic business areas and the Group as a whole 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 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 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 is also shown below. Reconciliations are presented for both the reporting period and the prior-year period.

Reconciliation
of the consoli-
dated income
statement

	H1 2007 millions of €	Special factors H1 2007 millions of €	H1 2007 without special factors millions of €
Net revenue	31,028		31,028
Cost of sales	(17,210)	(192) ^a	(17,018)
Gross profit (loss)	13,818	(192)	14,010
Selling expenses	(8,012)	(59) ^b	(7,953)
General and administrative expenses	(2,228)	(12) ^c	(2,216)
Other operating income	888	209 ^d	679
Other operating expenses	(628)	(174) ^e	(454)
EBIT (profit (loss) from operations)	3,838	(228)	4,066
Profit (loss) from financial activities	(1,531)	(16) ^f	(1,515)
Profit (loss) before income taxes	2,307	(244)	2,551
Income taxes	(990)	168 ^g	(1,158)
Profit (loss) after income taxes	1,317	(76)	1,393
Profit (loss) attributable to minority interests	250	(6)	256
Net profit	1,067	(70)	1,137
EBIT (profit (loss) from operations)	3,838	(228)	4,066
Depreciation, amortization and impairment losses	(5,518)	-	(5,518)
EBITDA	9,356	(228)	9,584
EBITDA margin (%)	30.2		30.9
Personnel costs	(7,015)	(189) ^h	(6,826)
Personnel cost ratio (%)	22.6		22.0

Special factors in the first half of 2007.

- ^a Mainly expenses for staff-related measures, primarily 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.
- ^b 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.
- ^c Mainly expenses for staff-related and other restructuring measures 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.
- ^d Income on the sale of T-Online France in the Broadband/Fixed Network business area.
- ^e Mainly costs from the sale of Vivotto business units at Group Headquarters & Shared Services.
- ^f 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 and income on the sale of the remaining shares in Sireo at Group Headquarters & Shared Services.
- ^g Tax effects from special factors on profit before income taxes.
- ^h 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.

	H1 2006 ⁱ millions of €	Special factors H1 2006 millions of €	H1 2006 ⁱ without special factors millions of €	FY 2006 without special factors millions of €
Net revenue	29,972		29,972	61,347
Cost of sales	(15,878)	(92) ^j	(15,786)	(33,355)
Gross profit (loss)	14,094	(92)	14,186	27,992
Selling expenses	(7,788)	(19) ^k	(7,769)	(15,620)
General and administrative expenses	(2,178)	(23) ^l	(2,155)	(4,423)
Other operating income	606		606	1,237
Other operating expenses	(331)	(26) ^m	(305)	(743)
EBIT (profit (loss) from operations)	4,403	(160)	4,563	8,443
Profit (loss) from financial activities	(1,302)	196 ⁿ	(1,498)	(2,879)
Profit (loss) before income taxes	3,101	36	3,065	5,564
Income taxes	(777)	36 ^o	(813)	(1,289)
Profit (loss) after income taxes	2,324	72	2,252	4,275
Profit (loss) attributable to minority interests	216		216	425
Net profit	2,108	72	2,036	3,850
EBIT (profit (loss) from operations)	4,403	(160)	4,563	8,443
Depreciation, amortization and impairment losses	(5,234)	(10) ^p	(5,224)	(10,991)
EBITDA	9,637	(150)	9,787	19,434
EBITDA margin (%)	32.2		32.7	31.7
Personnel costs	(6,870)	(50) ^q	(6,820)	(13,690)
Personnel cost ratio (%)	22.9		22.8	22.3

ⁱ Prior-year figures have been adjusted due to adoption of IAS 19.93A.

Special factors in the first half of 2006.

^j Mainly expenses incurred in prior periods as a result of recognizing customer acquisition costs in the income statement in the Broadband/Fixed Network business area as well as staff-related and other restructuring expenses in the Business Customers business area. In addition, expenses for staff-related measures, primarily at Broadband/Fixed Network.

^k Mainly restructuring expenses in the Business Customers business area.

^l Expenses for staff-related measures in the Broadband/Fixed Network and Business Customers business areas and at Group Headquarters & Shared Services.

^m Mainly expenses resulting from the impairment loss on the goodwill of Slovak Telekom in the Broadband/Fixed Network and Mobile Communications business areas and other restructuring expenses in the Business Customers business area, as well as expenses for staff-related measures at Group Headquarters & Shared Services.

ⁿ Income from the prior sale of Celcom/Malaysia (Group Headquarters & Shared Services).

^o Tax effects from special factors on profit before income taxes.

^p Impairment loss on the goodwill of Slovak Telekom in the Broadband/Fixed Network and Mobile Communications business areas.

^q 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 payments 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.

Prior-year figures have been adjusted accordingly.

Reconciliation of the Group's free cash flow

	Second quarter of 2007		First half of 2007		
	Q2 2007 millions of €	Q2 2006 millions of €	H1 2007 millions of €	H1 2006 millions of €	FY 2006 millions of €
Cash generated from operations^a	4,073	3,813	6,616	7,119	16,981
Interest received (paid)	(923)	(915)	(1,401)	(1,424)	(2,759)
Net cash from operating activities ^a	3,150	2,898	5,215	5,695	14,222
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment	(1,584)	(1,925)	(3,607)	(3,969)	(11,806)
Free cash flow before proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	1,566	973	1,608	1,726	2,416
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	185	145	542	436	567
Adjustment ^b	-	-	121	-	-
Free cash flow before dividend payments	1,751	1,118	2,271	2,162	2,983

^a 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. Prior-year figures have been adjusted accordingly.

^b 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

	June 30, 2007 millions of €	Dec. 31, 2006 millions of €	June 30, 2006 millions of €
Bonds	35,013	36,288	38,587
Liabilities to banks	3,371	2,348	2,365
Liabilities to non-banks from promissory notes	669	680	635
Liabilities from derivatives	712	562	571
Lease liabilities	2,200	2,293	2,301
Liabilities arising from ABS transactions	1,148	1,139	1,213
Other financial liabilities	407	377	102
Gross debt	43,520	43,687	45,774
Cash and cash equivalents	2,146	2,765	5,667
Available-for-sale/held-for-trading financial assets	75	122	105
Derivatives	213	359	406
Other financial assets	729	886	777
Net debt	40,357	39,555	38,819