

Reconciliation of pro forma figures.

Consolidated income statement and effects of special factors.^a

millions of €	2008	Special factors	2008 excluding Special factors	2007	Special factors	2007 excluding Special factors	2006	Special factors	2006 excluding Special factors
Net revenue	61,666		61,666	62,516		62,516	61,347		61,347
Cost of sales	(34,592)	(937) ^b	(33,655)	(35,337)	(1,252) ^j	(34,085)	(34,755)	(1,400) ^f	(33,355)
Gross profit (loss)	27,074	(937)	28,011	27,179	(1,252)	28,431	26,592	(1,400)	27,992
Selling expenses	(15,952)	(485) ^c	(15,467)	(16,644)	(498) ^k	(16,146)	(16,410)	(790) ^s	(15,620)
General and administrative expenses	(4,821)	(224) ^d	(4,597)	(5,133)	(701) ^l	(4,432)	(5,264)	(841) ^t	(4,423)
Other operating income	1,971	510 ^e	1,461	1,645	419 ^m	1,226	1,257	20	1,237
Other operating expenses	(1,232)	(644) ^f	(588)	(1,761)	(769) ⁿ	(992)	(888)	(145) ^u	(743)
Profit (loss) from operations (EBIT)	7,040	(1,780)	8,820	5,286	(2,801)	8,087	5,287	(3,156)	8,443
Profit (loss) from financial activities	(3,588)	(652) ^g	(2,936)	(2,833)	(9) ^o	(2,824)	(2,675)	196 ^v	(2,871)
Profit (loss) before income taxes	3,452	(2,432)	5,884	2,453	(2,810)	5,263	2,612	(2,960)	5,572
Income taxes	(1,428)	461 ^h	(1,889)	(1,373)	364 ^p	(1,737)	970	2,259 ^w	(1,289)
Profit (loss) after income taxes	2,024	(1,971)	3,995	1,080	(2,446)	3,526	3,582	(701)	4,283
Profit (loss) attributable to minority interests	541	(28)	569	509	(12)	521	409	(16)	425
Net profit (loss)	1,483	(1,943)	3,426	571	(2,434)	3,005	3,173	(685)	3,858
Profit (loss) from operations (EBIT)	7,040	(1,780)	8,820	5,286	(2,801)	8,087	5,287	(3,156)	8,443
Depreciation, amortization and impairment losses	(10,975)	(336) ⁱ	(10,639)	(11,611)	(372) ^q	(11,239)	(11,034)	(43)	(10,991)
EBITDA	18,015	(1,444)	19,459	16,897	(2,429)	19,326	16,321	(3,113)	19,434
EBITDA margin (%)	29.2		31.6	27.0		30.9	26.6		31.7

^a EBITDA for the operating segments 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 additionally 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 operating segments and the Group as a whole. In the reporting period as well as the comparable prior-year period, Deutsche Telekom's net profit/loss as well as the EBITDA of the Group and of the segments were affected by a number of special factors. 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. The underlying concept involves the elimination of special factors that affect operational business activities and thus impair the comparability of EBITDA and net profit/loss with the 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. 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. To compare the earnings performance of profit-oriented units of different sizes, EBITDA margin and the adjusted EBITDA margin are presented 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).

Accounting change in line with IFRIC 12. 2007 and 2006 Comparative periods adjusted. For a detailed description see the notes to the Deutsche Telekom consolidated financial statements for the financial year 2008.

Special factors 2008:

^b Mainly expenses for staff-related measures in the Broadband/Fixed Network (EUR -0.4 billion) and Business Customers (EUR -0.2 billion) operating segments, and non-staff-related restructuring expenses in the Business Customers operating segment (EUR -0.2 billion).

^c Mainly expenses for staff-related measures in the Broadband/Fixed Network (EUR -0.2 billion) and Business Customers (EUR -0.1 billion) operating segments.

^d Mainly expenses for staff-related and restructuring measures in the Broadband/Fixed Network (EUR -0.1 billion), Business Customers (EUR -0.1 billion) and Group Headquarters & Shared Services (EUR 0.1 billion) operating segments.

^e Primarily income from the disposal of Media & Broadcast in the Business Customers operating segment (EUR 0.5 billion).

^f Mainly expenses relating to the disposal of DeTe Immobilien (EUR -0.3 billion) in the Headquarters & Shared Services operating segment, and impairment of goodwill at T-Mobile Austria, T-Mobile Macedonia, and T-Mobile Hungary in the Mobile Communications Europe operating segment (EUR -0.2 billion).

^g Primarily impairment losses on the carrying amount of OTE under share of profit/loss of associates and joint ventures accounted for using the equity method (EUR -0.5 billion), and expenses for interest added back to provisions for staff-related measures (EUR -0.1 billion).

^h Mainly tax benefits from expenses for non-staff-related restructuring (EUR 0.2 billion) and staff-related measures (EUR 0.2 billion).

ⁱ Mainly expenses from impairment of goodwill in the Mobile Communications Europe operating segment (EUR -0.2 billion).

Special factors 2007:

^j Expenditures for staff-related and restructuring measures, mainly in the segments Broadband/Fixed Network (EUR -0.8 billion), Business Customers (EUR -0.3 billion), and Mobile Communications Europe (EUR -0.1 billion).

^k Expenditures for staff-related and restructuring measures, mainly in the segments Broadband/Fixed Network (EUR -0.4 billion) and Business Customers (EUR -0.1 billion).

^l Expenditures for staff-related and restructuring measures, mainly in the segments Broadband/Fixed Network (EUR -0.1 billion), Business Customers (EUR -0.1 billion) and Group Headquarters & Shared Services (EUR -0.5 billion).

^m Gain on the disposal of T-Online France and T-Online Spain in the Broadband/Fixed Network segment (EUR 0.4 billion).

ⁿ Expenses from the reduction of goodwill at T-Mobile Netherlands in connection with to the subsequent recognition of tax loss carryforwards in the Mobile Communications Europe segment (EUR -0.3 billion) and costs from the sale of Vivento business units in the Group Headquarters & Shared Services segment (EUR -0.4 billion).

^o Primarily expenses from interest added back to provisions for staff-related measures (early retirement arrangements and partial retirement arrangements) (EUR -50 million). These were partially offset by income from the disposal of the remaining shares in Sireo at Group Headquarters & Shared Services (EUR 18 million) as well as income attributable to other periods from associates and joint ventures accounted for using the equity method in the Broadband/Fixed Network segment (EUR 31 million).

^p Mainly tax benefits from expenses for staff-related measures (EUR 0.7 billion). This also includes a tax benefit from the partial recognition of previously unrecognized taxes relating to loss carryforwards at T-Mobile Netherlands (EUR 0.3 billion) 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 (EUR -0.7 billion).

^q Mainly expenses from the reduction of goodwill at T-Mobile Netherlands in connection with to the subsequent recognition of tax loss carryforwards in the Mobile Communications Europe segment (EUR -0.3 billion).

Special factors 2006:

^r Expenditures for staff-related and restructuring measures, mainly in the segments Broadband/Fixed Network (EUR -0.8 billion) and Business Customers (EUR -0.5 billion).

^s Expenditures for staff-related and restructuring measures, mainly in the segments Broadband/Fixed Network (EUR -0.5 billion) and Business Customers (EUR -0.2 billion).

^t Expenditures for staff-related and restructuring measures, mainly in the segments Broadband/Fixed Network (EUR -0.1 billion), Business Customers (EUR -0.1 billion) and Group Headquarters & Shared Services (EUR -0.6 billion).

^u Expenditures for staff-related and restructuring measures, primarily at Group Headquarters & Shared Services (EUR -0.1 billion).

^v Retroactive income from the sale of Celcom at Group Headquarters & Shared Services (EUR 0.2 billion).

^w Positive tax effects from the recognition of previously unrecognized deferred tax assets relating to loss carryforwards at T-Mobile USA (EUR 1.3 billion) and from expenditures for staff-related and restructuring measures (EUR 1.2 billion) are offset by negative tax effects, mainly from valuation allowances on deferred tax assets relating to loss carryforwards at T-Mobile in Austria and at Broadband/Fixed Network in France and Spain (EUR -0.2 billion).

Reconciliation of gross and net debt.*

millions of €, as of Dec. 31

	2008	2007	2006
Bonds	34,302	32,294	36,288
Liabilities to banks	4,222	4,260	2,348
Liabilities to non-banks from promissory notes	887	690	680
Liabilities from derivatives	1,053	977	562
Lease liabilities	2,009	2,139	2,293
Liabilities arising from ABS transactions	0	0	,1,139
Other financial liabilities	974	502	377
Gross debt	43,447	40,862	43,687
Cash and cash equivalents	3,026	2,200	2,765
Available-for-sale/held-for-trading financial assets	101	75	122
Derivatives	1,598	433	359
Other financial assets	564	918	886
Net debt	38,158	37,236	39,555

* Deutsche Telekom considers "net debt" to be an important measure for investors, analysts, and rating agencies. Although many of Deutsche Telekom's competitors use this measure, its definition may vary from one company to another.

Financial flexibility.*

as of Dec. 31	2008	2007	2006
Gearing			
Net debt			
Shareholders' equity	0.9	0.8	0.8
Relative debt			
Net debt			
EBITDA (adjusted for special factors)	2.0	1.9	2.0

* Calculated and rounded on the basis of millions for greater precision.

Reconciliation of free cash flow and condensed consolidated statement of cash flows.

millions of €	2008	2007	2006
Net cash from operating activities	15,368	13,714	14,222
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment	(8,707)	(8,015)	(11,806)
Free cash flow before proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	6,661	5,699	2,416
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	372	761	567
Adjustment ^a	-	121	-
Free cash flow (before dividend payments)^b	7,033	6,581	2,983
Net cash used in investing activities	(11,384)	(8,054)	(14,305)
Net cash used in financing activities	(3,097)	(6,125)	(2,061)
Effect of exchange rate changes on cash and cash equivalents	(61)	(100)	(66)
Net increase (decrease) in cash and cash equivalents	826	(565)	(2,210)
Cash and cash equivalents	3,026	2,200	2,765

^a Cash outflows for parts of Centrica PLC taken over by T-Systems UK as part of an asset deal.

^b Deutsche Telekom defines 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. Deutsche Telekom is of the opinion that the "free cash flow (before dividend payments)" indicator is used by investors as a measure to assess the Group's net cash from operating activities after deduction of cash outflows for intangible assets (excluding goodwill) and property, plant and equipment, in particular with regard to subsidiaries, associates and joint ventures, and the repayment of liabilities. Free cash flow (before dividend payments) should not be used to determine the financial position of the Group. There is only limited comparability between Deutsche Telekom's definition of free cash flow and methods of calculating this measure and similarly designated measures and disclosures of other companies.