

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). 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 compa-

rable with disclosures by other companies using similar designations.

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.

EBITDA and EBITDA adjusted for special factors.

EBITDA

EBITDA for the operating segments and for 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 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 operating segments 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 segments.

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. For further details concerning the effects of special factors on Group EBITDA and the EBITDA of the operating segments please refer to 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 presented in addi-

tion 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 operating segments were affected by a number of special factors in both the reporting period as well as the prior-year periods.

The underlying aim is to eliminate special factors that affect the operating activities and thus make it more difficult to compare EBITDA, net profit/loss and other financial measures of the Group and the operating segments 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 following table presents a reconciliation of individual items in the consolidated income statement to the corresponding amounts as adjusted for special factors. 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 2008 millions of €	Special factors in Q1 2008 millions of €	Q1 2008 without special factors millions of €
Net revenue	14,978	-	14,978
Cost of sales	(8,322)	(42) ^a	(8,280)
Gross profit (loss)	6,656	(42)	6,698
Selling expenses	(3,709)	(89) ^b	(3,620)
General and administrative expenses	(1,103)	(19) ^b	(1,084)
Other operating income	755	489 ^c	266
Other operating expenses	(301)	(70) ^d	(231)
Profit (loss) from operations (EBIT)	2,298	269	2,029
Profit (loss) from financial activities	(678)	(43) ^e	(635)
Profit (loss) before income taxes	1,620	226	1,394
Income taxes	(561)	(51) ^f	(510)
Profit (loss) after income taxes	1,059	175	884
Profit (loss) attributable to minority interests	135	1	134
Net profit	924	174	750
Profit (loss) from operations (EBIT)	2,298	269	2,029
Depreciation, amortization and impairment losses	(2,657)	-	(2,657)
EBITDA	4,955	269	4,686
EBITDA margin (%)	33.1	n.a.	31.3
Personnel costs	(3,320)	(33) ^g	(3,287)
Personnel cost ratio (%)	22.2	n.a.	21.9

Special factors in the first quarter of 2008.

^a Non-personnel restructuring expenses as well as voluntary redundancy and severance payments.

^b Restructuring and other expenses.

^c Mainly gains on the disposal of T-Systems Media&Broadcast in the Business Customers operating segment.

^d Mainly costs from the sale of Vivento business units at the Group Headquarters & Shared Services operating segment and voluntary redundancy and severance payments.

^e Mainly expenses for interest added back to provisions in connection with the early retirement of civil servants as well as interest added back to provisions for partial retirement arrangements.

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

^g Voluntary redundancy and severance payments.

	Q1 2007 millions of €	Special factors in Q1 2007 millions of €	Q1 2007 without special factors millions of €	FY 2007 without special factors millions of €
Net revenue	15,453	-	15,453	62,516
Cost of sales	(8,620)	(8) ^h	(8,612)	(34,085)
Gross profit (loss)	6,833	(8)	6,841	28,431
Selling expenses	(3,973)	6 ⁱ	(3,979)	(16,146)
General and administrative expenses	(1,065)	16 ^j	(1,081)	(4,432)
Other operating income	386	-	386	1,226
Other operating expenses	(386)	(153) ^k	(233)	(992)
Profit (loss) from operations (EBIT)	1,795	(139)	1,934	8,087
Profit (loss) from financial activities	(749)	(17) ^l	(732)	(2,825)
Profit (loss) before income taxes	1,046	(156)	1,202	5,262
Income taxes	(471)	52 ^m	(523)	(1,738)
Profit (loss) after income taxes	575	(104)	679	3,524
Profit (loss) attributable to minority interests	116	-	116	521
Net profit	459	(104)	563	3,003
Profit (loss) from operations (EBIT)	1,795	(139)	1,934	8,087
Depreciation, amortization and impairment losses	(2,748)	-	(2,748)	(11,239)
EBITDA	4,543	(139)	4,682	19,326
EBITDA margin (%)	29.4	n.a.	30.3	30.9
Personnel costs	(3,479)	18 ⁿ	(3,497)	(13,416)
Personnel cost ratio (%)	22.5	n.a.	22.6	21.5

Special factors in the first quarter of 2007.

^h Voluntary redundancy and severance payments and non-personnel restructuring expenses as well as offsetting income from the reversal of provisions in connection with the early retirement of civil servants.

ⁱ Income from the reversal of provisions in connection with the early retirement of civil servants as well as voluntary redundancy and severance payments.

^j Income from the reversal of provisions in connection with the early retirement of civil servants as well as offsetting expenses for voluntary redundancy and severance payments, partial retirement and non-personnel restructuring.

^k Mainly costs arising from the sale of Vivento business units in the Group Headquarters & Shared Services operating segment.

^l Expenses for interest added back to provisions in connection with the early retirement of civil servants as well as interest added back to provisions for partial retirement arrangements.

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

ⁿ Mainly income from the reversal of provisions in connection with the early retirement of civil servants as well as offsetting voluntary redundancy and severance payments.

Free cash flow in the Group.

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. 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.

Reconciliation of the Group's free cash flow

	Q1 2008 millions of €	Q1 2007 millions of €	Change millions of €	Change %	FY 2007 millions of €
Cash generated from operations	3,768	2,543	1,225	48.2	16,169
Interest received (paid)	(437)	(478)	41	8.6	(2,455)
Net cash from operating activities	3,331	2,065	1,266	61.3	13,714
Cash outflows for investments in intangible assets (excluding goodwill) and property, plant and equipment	(1,792)	(2,023)	231	11.4	(8,015)
Free cash flow before proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	1,539	42	1,497	n.a.	5,699
Proceeds from disposal of intangible assets (excluding goodwill) and property, plant and equipment	90	357	(267)	(74.8)	761
Adjustment ^a	-	121	(121)	n.a.	121
Free cash flow before dividend payments	1,629	520	1,109	n.a.	6,581

^a In the first quarter of 2007 and in the full year 2007 this includes outflows totaling EUR 121 million for parts of Centrica PLC taken over by T-Systems UK in connection with 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 ≤ 1 year). In addition, all de-

ivative 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

	Mar. 31, 2008 millions of €	Dec. 31, 2007 millions of €	Mar. 31, 2007 millions of €
Bonds	31,712	32,294	36,176
Liabilities to banks	3,936	4,260	3,009
Liabilities to non-banks from promissory notes	733	690	680
Liabilities from derivatives	1,321	977	571
Lease liabilities	2,100	2,139	2,236
Liabilities arising from ABS transactions	-	-	1,216
Other financial liabilities	451	502	425
Gross debt	40,253	40,862	44,313
Cash and cash equivalents	2,271	2,200	3,983
Available-for-sale/held-for-trading financial assets	112	75	94
Derivatives	718	433	350
Other financial assets	1,258	918	796
Net debt	35,894	37,236	39,090