

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 are only comparable with similarly designated disclosures by other companies to a limited extent.

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 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 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-

sented 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 period.

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.

The tables in the sections on the strategic business areas and under "Developments in the Group" outline the way in which Deutsche Telekom derives EBITDA adjusted for special factors for the Group as a whole and for the strategic business areas from profit/loss from operations in accordance with IFRS. The special factors are presented for the reporting period and the prior-year period.

Reconciliation
of the
consolidated
income
statement

	H1 2006 millions of €	Special factors in H1 2006 millions of €	H1 2006 without special factors millions of €	H1 2005 millions of €	Special factors in H1 2005 millions of €	H1 2005 without special factors millions of €	FY 2005 without special factors millions of €
Net revenue	29,972		29,972	29,031		29,031	59,604
Cost of sales	(15,878)	(92) ^a	(15,786)	(15,213)	(7) ^g	(15,206)	(31,327)
Gross profit	14,094	(92)	14,186	13,818	(7)	13,825	28,277
Selling expenses	(7,788)	(19) ^b	(7,769)	(6,946)	(21) ^g	(6,925)	(14,407)
General and administrative expenses	(2,178)	(23) ^c	(2,155)	(2,073)	(14) ^g	(2,059)	(3,948)
Other operating income	606		606	633	41 ^h	592	1,584
Other operating expenses	(331)	(26) ^d	(305)	(573)	(25) ⁱ	(548)	(1,338)
EBIT (profit (loss) from operations)	4,403	(160)	4,563	4,859	(26)	4,885	10,168
Profit (loss) from financial activities	(1,340)	196 ^e	(1,536)	(1,167)	21 ^j	(1,188)	(2,469)
Profit (loss) before income taxes	3,063	36	3,027	3,692	(5)	3,697	7,699
Income taxes	(763)	36 ^f	(799)	(1,297)	7 ^k	(1,304)	(2,573)
Profit after income taxes	2,300	72	2,228	2,395	2	2,393	5,126
Profit attributable to minority interests	216		216	242		242	463
Net profit	2,084	72	2,012	2,153	2	2,151	4,663
EBIT (profit (loss) from operations)	4,403	(160)	4,563	4,859	(26)	4,885	10,168
Depreciation, amortization and impairment losses	(5,234)	(10)	(5,224)	(5,144)	0	(5,144)	(10,561)
EBITDA	9,637	(150)	9,787	10,003	(26)	10,029	20,729
EBITDA margin (%)	32.2	n.a.	32.7	34.5	n.a.	34.5	34.8

Special factors in the first half of 2006:

- ^a Mainly expenses incurred in prior periods as a result of recognizing T-Online subscriber acquisition costs in the income statement (Broadband/Fixed Network) and restructuring expenses in the Business Customers strategic business area.
^b Mainly restructuring expenses in the Business Customers strategic business area.
^c Mainly expenditures relating to employees taking partial retirement at T-Com in the Broadband/Fixed Network strategic business area and at Group Headquarters & Shared Services.
^d Mainly expenses resulting from the impairment loss on the goodwill of Slovak Telekom in Broadband/Fixed Network and Mobile Communications, and restructuring expenses in the Business Customers strategic business area.
^e Retroactive income from the sale of Celcom/Malaysia (Group Headquarters & Shared Services).
^f Tax effects from special factors on profit before income taxes.

Special factors in the first half of 2005:

- ^g Personnel and non personnel-related restructuring expenses in the Mobile Communications business area.
^h Income from insurance refunds.
ⁱ Personnel-related restructuring expenses in the Broadband/Fixed Network and Mobile Communications business areas as well as severance and voluntary redundancy payments at Group Headquarters & Shared Services.
^j Gain on the disposal of the stake in Intelsat (Group Headquarters & Shared Services).
^k Tax effects from special factors on profit before income taxes.

Free cash flow.

Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and cash outflows for investments in intangible assets (excluding goodwill) and 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. 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

	H1 2006 millions of €	H1 2005 millions of €	FY 2005 millions of €
Cash generated from operations	7,112	7,419	17,929
Interest paid	(1,424)	(1,604)	(2,931)
Net cash from operating activities	5,688	5,815	14,998
Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill)	(3,969)	(4,915)	(9,269)
Free cash flow before dividend payments	1,719	900	5,729

Gross and net debt.

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.

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.

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 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.

Reconciliation of the Group's gross and net debt

	June 30, 2006 millions of €	Dec. 31, 2005 millions of €	June 30, 2005 millions of €
Bonds	38,587	37,255	40,746
Liabilities to banks	2,365	2,227	3,530
Liabilities to non-banks from promissory notes	635	645	653
Liabilities from derivatives	571	678	745
Lease liabilities	2,301	2,373	2,473
Liabilities arising from ABS transactions	1,213	1,363	1,384
Other financial liabilities	102	106	121
Gross debt	45,774	44,647	49,652
Cash and cash equivalents	5,667	4,975	3,910
Available-for-sale/held-for-trading financial assets	105	148	114
Derivatives	406	445	673
Other financial assets	777	440	407
Net debt	38,819	38,639	44,548