Reconciliation of pro forma figures.

- EBITDA, EBITDA adjusted for special factors, EBITDA margin, EBITDA margin adjusted for special factors, free cash flow, and gross and net debt, are all “pro forma figures”.
- 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 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 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

The EBITDA margin is presented in addition to EBITDA in order to facilitate comparison of the earnings power of results-oriented units of different sizes. 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 in the first quarter of 2004 include additions to accruals amounting to approximately EUR 0.1 billion for severance payments resulting from the collective agreement on the employment alliance. This relates to the T-Com division and Group Headquarters & Shared Services.

Special factors that positively affected EBITDA in the first quarter of 2003 include 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.

EBITDA was also positively affected in 2003 by income from the disposal of the T-Systems subsidiary TELECASH GmbH (EUR 0.1 billion), and of the minority shareholdings in Eutelsat S.A. and Ukrainian Mobile Communications (UMC) (EUR 0.1 billion), reported under “Group Headquarters & Shared Services”.

In addition, internal staff transfer payments for Vivento impacted EBITDA at T-Com and Group Headquarters & Shared Services in the first quarter of 2003, while not affecting the Group EBITDA.

Special factors not affecting EBITDA

The tax effects of the individual special factors, calculated on the basis of the corporate income tax rate, did not affect Group EBITDA.

Special factors not affecting EBITDA in the first quarter of the previous year included tax income totaling EUR 0.3 billion, resulting in particular from the change of T-Mobile International AG into a limited partnership (AG & Co. KG). Where taxation had to be recognized, the tax effects relating to the individual special factors were computed and shown.

Reconciliation of the statement of income

	Q1 2004 millions of €	Special factors in Q1 2004 millions of €	Q1 2004 without special factors millions of €	Q1 2003 millions of €	Special factors in Q1 2003 millions of €	Q1 2003 without special factors millions of €	FY 2003[a] millions of €
Net revenue	13,986		13,986	13,618		13,618	55,838
Cost of sales	(7,570)		(7,570)	(7,569)		(7,569)	(31,402)
Gross profit	**6,416**		**6,416**	**6,049**		**6,049**	**24,436**
Expenses	(5,691)	(69)[b]	(5,622)	(5,974)	(119)[d]	(5,855)	(23,565)
Other operating income	731		731	1,511	547[e]	964	4,558
Operating results	**1,456**	**(69)**	**1,525**	**1,586**	**428**	**1,158**	**5,429**
Financial income/(expense), net	(1,110)		(1,110)	(1,092)		(1,092)	(4,031)
Results from ordinary business activities	**346**	**(69)**	**415**	**494**	**428**	**66**	**1,398**
Income taxes	(80)	11[c]	(91)	460	312[f]	148	225
(Income)/losses applicable to minority shareholders	(97)		(97)	(101)		(101)	(370)
Net income/(loss) effect of special factors	**169**	**(58)**	**227**	**853**	**740**	**113**	**1,253**
Results from ordinary business activities	346	(69)	415	494	428	66	1,398
Financial income/(expense), net	(1,110)		(1,110)	(1,092)		(1,092)	(4,031)
Depreciation and amortization	(3,016)		(3,016)	(3,269)		(3,269)	(12,884)
Other taxes	(44)		(44)	(49)		(49)	(162)
EBITDA	**4,516**	**(69)**	**4,585**	**4,904**	**428**	**4,476**	**18,475**
EBITDA margin (%)	**32.3**		**32.8**	**36.0**		**32.9**	**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 quarter of 2004:
[b] Additions to accruals for severance payments resulting from the collective agreement on the employment alliance (T-Com division and Group Headquarters & Shared Services).
[c] Tax effect relating to additions to accruals.

Special factors in the first quarter of 2003:
[d] Additions to accruals and transaction costs relating to the sale of the remaining cable companies (T-Com division).
[e] Income from the sale of cable businesses (T-Com division) and book gains from the sale of TELECASH GmbH (T-Systems division) and interests in Eutelsat S.A. and UMC (Group Headquarters & Shared Services).
[f] Mainly tax income from the change of the legal form of T-Mobile International AG to a limited partnership (AG & Co. KG).

Free Cash-Flow.[9]

- 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

	Q1 2004 millions of €	Q1 2003 millions of €	FY 2003 millions of €
Cash generated from operations	**4,683**	**3,393**	**18,132**
Interest received/(paid)	(433)	(276)	(3,816)
Net cash provided by operating activities	4,250	3,117	14,316
Cash outflows from investments in property, plant and equipment, and intangible assets (excluding goodwill)	(1,350)	(1,113)	(6,031)
Free cash flow before dividend	**2,900**	**2,004**	**8,285**
Dividend	(13)	0	(92)
Free cash flow after dividend	**2,887**	**2,004**	**8,193**

9 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

	Mar. 31, 2004 millions of €	Dec. 31, 2003 millions of €	Mar. 31, 2003 millions of €
Bonds and debentures	50,090	51,613	57,964
Liabilities to banks	3,272	3,798	4,852
Debt (in accordance with consolidated balance sheet)	**53,362**	**55,411**	**62,816**
Liabilities to non-banks from loan notes	799	799	818
Miscellaneous other liabilities	413	287	496
Gross debt	**54,574**	**56,497**	**64,130**
Liquid assets	9,190	9,127	6,932
Other investments in marketable securities	184	173	251
Other investments in noncurrent securities	78	86	115
Other assets	287	271	207
Discounts on loans (prepaid expenses and deferred charges)	250	264	332
Net debt	**44,585**	**46,576**	**56,293**