Reconciliation to pro forma figures.

- EBITDA, EBITDA adjusted for special factors, the EBITDA margin, the 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 these pro forma figures 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, financial liabilities or other Deutsche Telekom figures reported under German or U.S. GAAP.

EBITDA and EBITDA adjusted for special factors.

EBITDA

EBITDA is the abbreviation for "earnings before interest, taxes, depreciation and amortization". Deutsche Telekom defines EBITDA as the results from ordinary business activities excluding other taxes, net financial income/expense, amortization and depreciation. In the definition and calculation of EBITDA, net financial income/expense includes net interest expense, income/loss related to associated and related companies, and write-downs of financial assets and marketable securities.

Adjusted EBITDA

Deutsche Telekom considers EBITDA to be a measure of the development of its operating activities before the effect of start-up costs for the development of new business areas and markets that are not matched by any relevant income. As such, EBITDA is an important indicator used by Deutsche Telekom's leading decision-makers in order to measure Deutsche Telekom's operating activities and the performance of the individual units.

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 to enable a comparison of its operating activities across several reporting periods. More detailed explanations of the effects of special factors on EBITDA and net income/loss are contained in the following section "Special factors".

EBITDA margin

EBITDA margin and EBITDA margin adjusted for special factors. In order to compare the EBITDA earnings power of profit-based units of different sizes, the EBITDA margin is presented in addition to EBITDA. The EBITDA margin represents the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

Special factors.

- Net income/loss was 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 with previous years. The adjustments are made irrespective of whether the relevant income and expenses are reported in the results from ordinary business activities or in extraordinary income/loss.

Special factors affecting EBITDA

The tables under “Divisions and Deutsche Telekom at a glance” show how Deutsche Telekom derives EBITDA adjusted for special factors for the Group and for its four divisions from the statements of income prepared in accordance with German GAAP. The special factors are presented for the period under review, the relevant quarter of the previous year and for the previous full year.

Special factors that positively affected EBITDA in the **first quarter of 2003** include income of EUR 0.3 billion from the sale of the remaining six cable regions in the T-Com division. In conjunction with the sale of the cable activities, this income is partly offset by additions to accruals and selling costs totaling EUR 0.1 billion, which reduced EBITDA.

EBITDA was also positively affected by income from the disposal of TeleCash in the T-Systems division (EUR 0.1 billion), and of the investments in Eutelsat S.A. and Ukrainian Mobile Communications (UMC) (EUR 0.1 billion), reported under “Other”.

There were no special factors affecting EBITDA in the first quarter of 2002.

The special factors that positively affected EBITDA in the full-year 2002 primarily included the book profit of EUR 0.2 billion (including foreign currency transaction losses) from the sale of the PT Satelindo investment, as well as income of EUR 0.3 billion from the sale of T-Online shares. Special factors that reduced EBITDA included expenses for restructuring measures in the T-Com and T-Systems divisions amounting to EUR 0.4 billion, as well as the recognition of an additional minimum liability totaling EUR 0.2 billion in the fourth quarter.

Special factors not affecting EBITDA

Separate special factors in the form of 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), did not affect EBITDA in the period under review.

Where effective taxation or deferred taxes were required to be recognized, the relevant tax effects were computed on the individual special factors.

Special factors not affecting EBITDA in the prior-year comparative period included the valuation adjustment for the net carrying amount of the investment in France Telecom (EUR 0.2 million), and valuation adjustments for loans to associated companies of Kabel Deutschland GmbH (EUR 0.3 billion).

The tax effects on the various special factors amounting to EUR 0.1 billion were determined on the basis of the corporation tax rate.

In the 2002 financial year, special factors totaling EUR 19.8 billion had a negative impact on the Group's result. The vast majority of this amount (EUR 19.6 billion) is the result of special factors which have no effect on EBITDA.

Of the EUR 19.8 billion, around EUR 19.0 billion is attributable to special factors resulting from the measures taken in connection with the strategic review which was implemented in the third quarter of 2002. This relates primarily to nonscheduled write-downs of intangible assets (goodwill and licenses) amounting to EUR 21.3 billion.

The tax effects on the various special factors were determined on the basis of the corporation tax rate. Tax income of EUR 3.0 billion was generated from the reversal of deferred tax liabilities in the period under review, in particular in relation to the nonscheduled write-downs of mobile communications licenses held by T-Mobile USA. Furthermore, backdated amortization of goodwill to be recognized in Deutsche Telekom AG's tax accounts in accordance with a Federal Fiscal Court ruling resulted in positive tax effects for the 2002 financial year, which were in turn a separate special factor affecting the Group's result.

In the 2002 financial year, EUR 23.6 billion of the total special factors negatively affected the Group result, and EUR 3.8 billion had a positive impact.

Reconciliation of the statement of income

	Q1 2003 billions of €	Special factors in Q1 2003 billions of €	Q1 2003 without special factors billions of €	Q1 2002 billions of €	FY 2002 billions of €	Special factors in FY 2002 billions of €	FY 2002 without special factors billions of €
Net revenue	**13.6**		13.6	12.8	53.7		53.7
Cost of sales	**(7.6)**		(7.6)	(7.7)	(44.5)	(11.8)[5]	(32.7)
Gross profit/(loss) from sales[10]	**6.0**		**6.0**	**5.1**	**9.2**	**(11.8)**	**21.0**
Expenses	**(5.9)**	(0.1)[1]	(5.8)	(5.9)	(34.2)	(10.3)[6]	(23.9)
Other operating income	**1.5**	0.5[2]	1.0	0.9	3.9	0.5[7]	3.4
Operating result[10]	**1.6**	**0.4**	**1.2**	**0.1**	**(21.1)**	**(21.6)**	**0.5**
Financial income/ (expense), net	**(1.1)**		(1.1)	(1.8)[4]	(6.0)	(1.6)[8]	(4.4)
Results from ordinary business activities[10]	**0.5**	**0.4**	**0.1**	**(1.7)**	**(27.2)**	**(23.2)**	**(3.9)**
Income taxes	**0.5**	0.3[3]	0.1	0	2.8	3.4[9]	(0.6)
Income/(losses) applicable to minority shareholders	**(0.1)**		(0.1)	(0.1)	(0.3)		(0.3)
Net income/(loss) effect of special factors[10]	**0.9**	**0.7**	**0.1**	**(1.8)**	**(24.6)**	**(19.8)**	**(4.8)**
Operating result[10]	**1.6**	0.4	1.2	0.1	(21.1)	(21.6)	0.5
Depreciation and amortization	**(3.3)**	0.0	(3.3)	(3.6)	(36.9)	(21.4)	(15.5)
Other taxes	**0.0**	0.0	0.0	(0.1)	(0.3)	–	(0.3)
EBITDA[10]	**4.9**	**0.4**	**4.5**	**3.8**	**16.1**	**(0.2)**	**16.3**
EBITDA margin (%)	**36.0**		**32.9**	**29.6**	**30.0**		**30.4**

Special factors for the first quarter of 2003:
[1] Addition to accruals and selling costs relating to the sale of the remaining six cable regions (Kabel Deutschland GmbH) (affecting EBITDA).
[2] Income from the sale of the cable activities and book profits from the sale of TeleCash and the investments in Eutelsat and UMC (affecting EBITDA).
[3] Mainly tax income from the change of the legal form of T-Mobile International AG to a limited partnership (AG & Co. KG).

Special factors for the first quarter of 2002:
[4] Including a EUR 0.2 billion valuation adjustment on the net carrying amount of the investment in France Telecom, and valuation adjustments totaling EUR 0.3 billion on loans to associated companies of Kabel Deutschland GmbH.

Special factors for the full-year 2002:
[5] Nonscheduled write-downs resulting from the strategic review:
    Mobile communications licenses at T-Mobile USA (EUR 9.4 billion)
    T-Mobile UK's UMTS license (EUR 2.2 billion)
    Property, plant and equipment in the T-Systems division (EUR 0.1 billion).
  Recognition of an additional minimum liability in the T-Com division (EUR 0.1 billion) (affecting EBITDA).
[6] Restructuring expenses for staff reduction measures at the Eastern European affiliates in the T-Com division (affecting EBITDA).
  Restructuring expenses in the T-Systems division (EUR 0.4 billion) (affecting EBITDA).
  Recognition of an additional minimum liability in the T-Com, T-Systems and Other divisions (EUR 0.1 billion) (affecting EBITDA).
  Goodwill write-downs resulting from the strategic review:
    T-Mobile USA (EUR 8.3 billion)
    T-Mobile Netherlands (EUR 1.0 billion)
    SIRIS (T-Systems) (EUR 0.5 billion).
[7] Book profit from the sale of shares in PT Satelindo (EUR 0.2 billion) and income of EUR 0.3 billion from the sale of shares in T-Online (affecting EBITDA).
[8] Nonscheduled write-downs of financial assets:
    Valuation adjustment on the net carrying amount of the investment in France Telecom (EUR 0.6 billion)
    Valuation adjustments on loans to subsidiaries of Kabel Deutschland GmbH (EUR 0.3 billion), and
    of other investments in noncurrent securities (EUR 0.4 billion).
  Write-downs of financial assets resulting from the strategic review:
    EUR 0.1 billion on the net carrying amount of the investment in comdirect bank AG
    EUR 0.2 billion on the UMTS license of T-Mobile Netherlands B. V. as part of its inclusion as an associated company.
[9] Tax effects from the additional minimum liability, the valuation adjustments on loans to associated companies of Kabel Deutschland GmbH, from backdated amortization of goodwill in the tax accounts of Deutsche Telekom AG, and from the reversal of deferred tax liabilities relating to the nonscheduled write-downs of mobile telecommunications licenses at T-Mobile USA as a result of the strategic review.
[10] Calculated and rounded on the basis of millions for the sake of greater precision.

Pro forma figures.

ARPU.

- The average revenue per user (ARPU) is computed as follows: revenue for services used by customers (revenue for originating and terminating voice and data transmission), including roaming revenue and monthly subscription charges, divided by the average number of customers in the period. ARPU is a non-GAAP financial indicator and may not be compared with the ARPU computed by other companies. This non-GAAP indicator should be consulted in addition to, rather than instead of, the GAAP information provided.
- Management believes that ARPU is a significant indicator, as it reveals the average revenue per customer. Combined with the number of customers, it provides a suitable estimate of revenue and revenue growth.

Reconciliation of ARPU

First quarter of 2003	T-Mobile Deutschland millions of €	T-Mobile UK millions of €	T-Mobile Austria millions of €	Radio-Mobil millions of €	T-Mobile Netherlands millions of €	T-Mobile USA millions of €
Revenues relevant to ARPU (CoS)	**1,738**	839	183	158	157	1,367
Terminal equipment	**184**	97	14	6	11	203
Other*	**73**	100	76	16	14	112
Total revenue	**1,995**	**1,036**	**273**	**180**	**182**	**1,682**

First quarter of 2002	T-Mobile Deutschland millions of €	T-Mobile UK millions of €	T-Mobile Austria millions of €	Radio-Mobil millions of €	T-Mobile Netherlands millions of €	T-Mobile USA millions of €
Revenues relevant to ARPU (CoS)	**1,605**	754	173	127	–	1,115
Terminal equipment	**137**	101	12	4	–	129
Other*	**54**	65	69	32	–	113
Total revenue	**1,796**	**920**	**254**	**163**	**–**	**1,357**

* Activation charges, virtual network operator revenues, visitor revenue and other operating revenue.

Free cash flow.

- Deutsche Telekom defines free cash flow as cash generated from operations minus interest payments and cash outflows for investments in intangible assets and property, plant and equipment.

- Deutsche Telekom believes 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 and property, plant and equipment), in particular with regard to investments in associated and related companies and the repayment of liabilities. However, free cash flow should not be used to determine the financial situation of the Group.

Reconciliation of free cash flow

	Q1 2003 billions of €	Q1 2002 billions of €	FY 2002 billlions of €
Cash generated from operations	**3.4**	**2.9**	**16.7**
Interest received/(paid)	**(0.3)**	(0.6)	(4.2)
Net cash provided by operating activities[1]	**3.1**	2.3	12.5
Cash outflows from investments in intangible assets and property, plant and equipment	**(1.1)**	(2.0)	(7.6)
Free cash flow before payment of dividends[1]	**2.0**	**0.3**	**(4.8)**
Dividend	**0**	0	(1.6)
Free cash flow after payment of dividends[1]	**2.0**	**0.3**	**3.3**

[1] Calculated and rounded on the basis of millions for the sake of greater precision.

Gross and net debt.

- Gross debt is the basis for total net interest expense incurred. In addition to this key figure, Deutsche Telekom shows "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 the 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.

- 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, and are used by Deutsche Telekom's leading decision-makers in order to manage and control debt.

Reconciliation of debt

	March 31, 2003 billions of €	Dec. 31, 2002 billions of €	March 31, 2002[2] billions of €
Bonds and debentures	**58.0**	56.7	58.2
Liabilities to banks	**4.8**	6.3	12.4
Debt (in accordance with consolidated balance sheet)[1]	**62.8**	**63.0**	**70.6**
Liabilities to non-banks from loan notes	**0.8**	0.8	0.7
Miscellaneous other liabilities	**0.5**	0.3	0
Gross debt[1]	**64.1**	**64.1**	**71.3**
Liquid assets	**6.9**	1.9	1.7
Other investments in marketable securities	**0.3**	0.4	0.7
Other investments in noncurrent securities	**0.1**	0.2	0.8
Other assets	**0.2**	0.2	0
Discounts on loans (prepaid expenses and deferred charges)	**0.3**	0.3	0.4
Net debt[1]	**56.3**	**61.1**	**67.7**

1 Calculated and rounded on the basis of millions for the sake of greater precision.
2 The prior-year comparatives as of March 31, 2002 have been adjusted in line with this redefinition.

Reconciliation to new structures.

Transition to the cost-of-sales method.

- Until the end of 2002, Deutsche Telekom classified its consolidated statement of income using the total-cost method. In this Group Report, Deutsche Telekom is publishing its consolidated statement of income in line with the internationally more common cost-of-sales method for the first time. Besides allocating of operational expenses to the functional areas, this also involves including other taxes in the operating results, or results from ordinary business activities. The prior-year comparatives have been restated accordingly.

Agency business.

- The internal accounting for and recording of transactions involving standard products that are sold and supported by T-Systems, but settled and billed by other divisions in the Group (“agency business”), were simplified. This new arrangement has led to higher net revenue being reported at T-Com in particular, and to a lesser extent at T-Mobile, while the net revenue reported by T-Systems has dropped. In such cases, too, T-Systems remains the sole face to the customer, and continues to receive a selling or agency commission for acquisition and support. These commissions increase the internal revenue of T-Systems. Overall, the new structure for recording the standard products business also substantially reduces the total revenue of T-Systems, while T-Com’s total revenue is slightly higher, and that of T-Mobile remains unaffected. The amounts reported for the 2002 financial year were restated to aid comparability.

T-Com.

- Since January 1, 2003, the DeTeMedien subsidiary has been assigned to T-Com, and the current and historical figures reported for T-Com have been increased by the amounts reported for DeTeMedien. The simplified internal accounting for agency business revenue since January 1, 2003 (see above) has also increased the revenue reported for the T-Com division. At the same time, T-Com’s selling costs have risen by the same amount as aggregate revenue, thus offsetting the effects on EBITDA. All amounts reported for T-Com for the 2002 financial year that have been affected by the reclassification of the agency business are restated to enable comparison.

T-Systems.

- T-Systems is the Deutsche Telekom Group’s single face to corporate customers, offering standard products in addition to systems solutions. For these standard products, T-Systems provides support to other Deutsche Telekom Group divisions in the form of sales and customer care services for the corporate customers involved, without itself actually being the contractual partner. Contracts are settled on behalf and on account of the division providing the product. Under the terms of this “agency business”, T-Systems receives a selling or agency commission for the services it has provided. In the past, the relevant revenue billed to external customers by Deutsche Telekom was passed through in full to T-Systems. In return, Deutsche Telekom received a credit from T-Systems in the amount of the related cost of goods and services incurred by Deutsche Telekom. In the 2002 financial year, this resulted in an increase in the amounts reported under total revenue and purchased goods and services. In the future, T-Systems will only report the proportionate selling commissions as revenue. T-Systems's reported total revenue and net revenue will therefore decline, as will the goods and services purchased. The simplified internal accounting for the agency business will thus have no effect on T-Systems' absolute EBITDA.

T-Mobile.

- The new internal accounting procedure introduced for the agency business (see the explanations on the agency business above) increases the net revenue of the T-Mobile division, because the new arrangements provide for all revenue for standard products generated directly from customers to be allocated to this division's net revenue. At the same time, T-Mobile's internal revenue will drop by the same amount, so that the effect on total revenue is zero. In the 2002 financial year, around EUR 0.1 billion of T-Mobile's net revenue was attributable to the standard products business.

T-Online.

- In 2002, T-Online International AG commenced preparatory work on the conversion of its consolidated reporting from the German Commercial Code to IASs, so as to be able to prepare and publish T-Online International AG's complete consolidated financial statements in accordance with internationally accepted accounting principles starting in the 2003 financial year, thus satisfying in full the requirements of the Prime Standard operated by Deutsche Börse AG. For the 2003 financial year, T-Online will prepare exempting consolidated financial statements in accordance with § 292a HGB. In addition to German Accounting Standard No. 6 (GAS 6), the standards set out in IAS 34 (Interim Financial Reporting) were therefore complied with for the first time for T-Online International AG's report for the first quarter of 2003. T-Online International AG applies the International Accounting Standards and the Interpretations issued by the Standing Interpretations Committee (SIC). This is done on the basis of the guidance on the first-time application of IASs applied to the preparation of the opening balance sheet as of January 1, 2002 and to the 2002 financial year. In Deutsche Telekom's financial reporting, T-Online is presented as the T-Online division under the HGB, and as a result, there may be differences between the presentation of T-Online International AG and the presentation of the T-Online division in those items where the IASs differ from the HGB accounting principles. DeTeMedien was allocated to the T-Online division until December 31, 2002. DeTeMedien has been allocated to the T-Com division since January 1, 2003. The amounts originally reported for the T-Online division for the 2002 financial year have been restated accordingly to enable comparison.