Reconciliation of 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 the pro forma figures presented in the entire interim report 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 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. 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. It should be noted that Deutsche Telekom’s definition of EBITDA may differ from that used by other companies.

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 and net income/loss are contained in the following section “Special factors”.

EBITDA margin

In order to compare the EBITDA earnings power of results-oriented 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.

- Deutsche Telekom's net income/loss and the EBITDA of the Deutsche Telekom 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 adjustment for 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.

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 that positively affected EBITDA in the first three quarters of the 2003 financial year include income of EUR 0.4 billion from the sale of the remaining cable companies in the T-Com division. In conjunction with the sale of the cable business, this income is partly offset by additions to accruals and transaction costs totaling EUR 0.1 billion, which reduced EBITDA in the period under review. Income from the sale of TeleCash and SIRIS in the T-Systems divisions (EUR 0.1 billion) and from the sale of the stake in Mobile TeleSystems (MTS) (EUR 0.4 billion) in the T-Mobile division also had a positive effect on EBITDA. Additional income of EUR 0.1 billion resulted from the sale of interests in Eutelsat S.A., Ukrainian Mobile Communications (UMC), and Celcom (Malaysia).

In addition to the recognition of an additional minimum liability (AML), the loss on the sale of MultiLink (T-Systems division), and restructuring expenses due to personnel reduction at HT (T-Com division) totaling EUR 0.3 billion reduced EBITDA in the period under review. There was an additional special factor, also attributable to accruals for employee severance payments totaling EUR 0.1 billion, in the T-Com division, relating to domestic business, and Vivento at Group Headquarters & Shared Services.

By contrast, EBITDA in the first nine months of 2002 was affected by a book gain (including foreign currency transaction losses) from the sale of the interest in PT Satelindo (EUR 0.2 billion), a loss from the sale of the shares in France Telecom (EUR 0.4 billion), and restructuring expenses in the T-Systems division (EUR 0.4 billion).

In addition, the intragroup sale of t-info to DeTeMedien (T-Com division) had an EBITDA-neutral effect in the T-Online division in the period under review; in the previous year, there was a gain from the intragroup sale of T-Motion to T-Mobile. An expense at the T-Com division and a gain at Group Headquarters & Shared Services resulting from internal staff transfer payments for Vivento amounting to EUR 0.1 billion also had a neutral effect in the Group in the first nine months of 2003.

Special factors that affected Group EBITDA positively in the full 2002 financial year mainly included the book gain of EUR 0.2 billion from the sale of the interest in PT Satelindo in the second quarter, as well as a gain of EUR 0.3 billion from the sale of shares in T-Online. The special factors that reduced EBITDA included restructuring expenses of EUR 0.4 billion in the T-Com and T-Systems divisions and the recognition of an additional minimum liability amounting to a total of EUR 0.2 billion in the fourth quarter.

Special factors not affecting EBITDA

Special factors not affecting EBITDA in the period under review were the write-up of the net carrying amount of the interest in comdirect bank AG (EUR 0.1 billion), in which T-Online holds a stake, as well as separate special factors in the form of a tax benefit totaling EUR 0.3 billion, resulting in particular from the change of T-Mobile International AG into a limited partnership (AG & Co. KG) (EUR 0.4 billion), and deferred taxes recognized on the additional minimum liability (EUR 0.1 billion). These were offset in particular by tax effects from the reduction in deferred tax assets relating to sales of deferred payments (cable business in Kabel Baden Württemberg and Hesse) amounting to EUR -0.2 billion.

Special factors not affecting EBITDA in the first nine months of 2002 amounting to EUR –19.7 billion were mainly attributable to the measures taken as a result of the strategic review carried out in the third quarter of 2002. These were primarily write-downs of EUR 21.7 billion, mostly on intangible assets (goodwill and mobile communications licenses).

Furthermore, valuation adjustments for loans to associated companies of Kabel Deutschland GmbH (EUR 0.3 billion), the carrying amounts of Deutsche Telekom's stake in France Telecom (EUR 0.2 billion) and comdirect bank AG (EUR 0.1 billion), as well as write-downs on other investments in noncurrent securities (EUR 0.4 billion) had the effect of reducing the net income. In addition, write-downs of EUR 0.2 billion were made on the UMTS license of T-Mobile Netherlands as part of its inclusion as an associated company.

As a result of write-downs on mobile communications licenses held by T-Mobile USA, tax income of EUR 3.1 billion was generated as a separate special factor in the first three quarters of 2002 from the reversal of deferred tax liabilities. The tax effects on the various special factors totaling EUR 0.1 billion were determined on the basis of the corporate income tax rate.

In the 2002 financial year, special factors totaling EUR 19.8 billion had a negative impact on net income/loss. The vast majority of this amount (EUR 19.6 billion) is the result of special factors which had 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; these were mainly write-downs on goodwill and mobile communications licenses amounting to EUR 21.3 billion.

Besides the previously mentioned tax income of EUR 3.0 billion from the reversal of deferred tax liabilities relating to the write-downs on mobile communications licenses held by T-Mobile USA, retroactive amortization of goodwill to be recognized in Deutsche Telekom AG's tax accounts in accordance with a Federal Fiscal Court ruling also resulted in positive tax effects for the 2002 financial year, which were in turn a separate special factor affecting net income/loss. The tax effects on the various special factors were determined on the basis of the corporation tax rate.

In the 2002 financial year, EUR 23.6 billion of the total special factors negatively affected net income/loss, and EUR 3.8 billion had a positive impact.

Reconciliation of the statement of income

	Q1–Q3 2003 billions of €	Special factors in Q1–Q3 2003 billions of €	Q1–Q3 2003 without special factors billions of €	Q1–Q3 2002 billions of €	2002 billions of €	Special factors in 2002 billions of €	2002 without special factors billions of €
Net revenue	**41.3**		41.3	39.1	53.7		53.7
Cost of sales	**(23.1)**	(0.1)[a]	(23.0)	(35.7)[f]	(44.5)	(11.8)[k]	(32.7)
Gross profit/(loss) from sales[p]	**18.2**	**(0.1)**	**18.3**	**3.4**	**9.2**	**(11.8)**	**21.0**
Expenses	**(17.4)**	(0.4)[b]	(17.0)	(27.9)[g]	(34.2)	(10.3)[l]	(23.9)
Other operating income	**3.7**	1.0[c]	2.7	2.4[h]	3.9	0.5[m]	3.4
Operating result[p]	**4.5**	**0.5**	**4.0**	**(22.1)**	**(21.1)**	**(21.6)**	**0.5**
Financial income/(expense), net	**(2.7)**	0.1[d]	(2.8)	(4.6)[i]	(6.0)	(1.6)[n]	(4.4)
Results from ordinary business activities[p]	**1.8**	**0.6**	**1.2**	**(26.7)**	**(27.2)**	**(23.2)**	**(3.9)**
Income taxes	**0.1**	0.3[e]	(0.2)	2.4[j]	2.8	3.4[o]	(0.6)
Income/(losses) applicable to minority shareholders	**(0.3)**		(0.3)	(0.2)	(0.3)		(0.3)
Net income/(loss) effect of special factors[p]	**1.6**	**0.9**	**0.7**	**(24.5)**	**(24.6)**	**(19.8)**	**(4.8)**
Results from ordinary business activities[p]	**1.8**	0.6	1.2	(26.7)	(27.2)	(23.2)	(3.9)
Financial income/(expense), net	**(2.7)**	0.1	(2.8)	(4.6)	(6.0)	(1.6)	(4.4)
Depreciation and amortization	**(9.6)**		(9.6)	(33.4)	(36.9)	(21.4)	(15.5)
Other taxes	**(0.2)**		(0.2)	(0.1)	(0.3)		(0.3)
EBITDA[p]	**14.3**	**0.5**	**13.8**	**11.4**	**16.1**	**(0.2)**	**16.3**
EBITDA margin[p] (%)	**34.6**	**n.a.**	**33.4**	**29.1**	**30.0**		**30.4**

Special factors for the first three quarters of 2003:

[a] Recognition of an additional minimum liability (AML) (T-Com, T-Systems, T-Mobile, and T-Online divisions) and restructuring expenses (employee severance payments at the Croatian company HT) in the T-Com division. (affecting EBITDA)

[b] Additions to accruals and transaction costs relating to the sale of the remaining cable companies (T-Com division). **(affecting EBITDA)**
Recognition of an additional minimum liability (AML) (all divisions plus Group Headquarters & Shared Services). **(affecting EBITDA)**
Recognition of an accrual for employee severance payments (T-Com division: concerning domestic business, and at Group Headquarters & Shared Services: for Vivento). **(affecting EBITDA)**
Restructuring expenses (T-Com division). **(affecting EBITDA)**
Loss on sale of MultiLink (T-Systems division). **(affecting EBITDA)**

[c] Income from the sale of cable businesses (T-Com division) and book gains from the sale of TeleCash, SIRIS (T-Systems division) MTS (T-Mobile division), and interests in Eutelsat, UMC, and Celcom (Malaysia) (Group Headquarters & Shared Services). **(affecting EBITDA)**

[d] Write-up of the net carrying amount of the shareholding in comdirect bank AG.

[e] Primarily tax income of EUR 0.4 billion from the change of T-Mobile International AG into a limited partnership (AG & Co. KG), and deferred taxes recognized on the additional minimum liability (EUR 0.1 billion). In addition, tax effects from the reduction in deferred tax assets relating to sales of deferred payments (cable business in Kabel Baden Württemberg and Hesse) amounting to EUR –0.2 billion and a tax effect from the accrual for restructuring expenses at HT (T-Com division).

Special factors for the first three quarters of 2002:

[f] Write-downs resulting from the strategic review:
- Mobile communications licenses at T-Mobile USA (EUR 9.6 billion)
- UMTS license at T-Mobile UK (EUR 2.2 billion)
- Property, plant and equipment at the T-Systems division (EUR 0.1 billion)

[g] Restructuring expenses in the T-Systems division (EUR 0.4 billion) **(affecting EBITDA)** and goodwill write-downs resulting from the strategic review:
- T-Mobile USA (EUR 8.4 billion)
- T-Mobile Netherlands (EUR 1.0 billion)
- SIRIS (T-Systems division) (EUR 0.5 billion)

Loss on the sale of the shares in France Telecom (EUR 0.4 billion) (Group Headquarters & Shared Services). **(affecting EBITDA)**

[h] Book gain on the sale of the interest in PT Satelindo (EUR 0.2 billion) (Group Headquarters & Shared Services). **(affecting EBITDA)**

[i] Write-downs on financial assets:
- Valuation adjustment for the net carrying amount of the shares in France Telecom (EUR 0.2 billion)
- Valuation adjustment for loans to associated companies of Kabel Deutschland GmbH (EUR 0.3 billion), and
- Valuation adjustments for other investments in noncurrent securities (EUR 0.4 billion).

Write-downs on financial assets resulting from the strategic review:
- Net carrying amount of the investment in comdirect bank AG (EUR 0.1 billion)
- UMTS license of T-Mobile Netherlands at inclusion as an associated company (EUR 0.2 billion)

[j] Tax effects from the valuation adjustments for loans to associated companies of Kabel Deutschland GmbH (EUR 0.1 billion) and from the reversal of deferred tax liabilities relating to the write-downs of mobile telecommunications licenses at T-Mobile USA as a result of the strategic review (EUR 3.1 billion).

Special factors for the full-year 2002:

[k] Write-downs resulting from the strategic review:
- Mobile communications licenses at T-Mobile USA (EUR 9.4 billion)
- UMTS license at T-Mobile UK (EUR 2.2 billion)
- Property, plant and equipment at the T-Systems division (EUR 0.1 billion)
- Recognition of an additional minimum liability (AML) in the T-Com division (EUR 0.1 billion). **(affecting EBITDA)**

[l] 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 (AML) in the T-Com and T-Systems divisions and Group Headquarters & Shared Services (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 division) (EUR 0.5 billion)

[m] Book gain on the sale of shares in PT Satelindo (EUR 0.2 billion) and gain of EUR 0.3 billion from the sale of shares in T-Online. **(affecting EBITDA)**

[n] Write-downs of financial assets:
- Valuation adjustment for 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)
- Write-downs of other investments in noncurrent securities (EUR 0.4 billion)

Write-downs of financial assets resulting from the strategic review:
- Net carrying amount of the investment in comdirect bank AG (EUR 0.1 billion)
- UMTS license of T-Mobile Netherlands at inclusion as an associated company (EUR 0.2 billion)

[o] Tax effects from the additional minimum liability, the valuation adjustments for 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 write-downs of mobile telecommunications licenses at T-Mobile USA as a result of the strategic review.

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

Free cash flow.[8]

- 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 (excluding goodwill).

- 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 (excluding goodwill) 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. In addition, Deutsche Telekom's definition of free cash flow is only comparable with similarly designated measures and disclosures by other companies to a limited extent. It is therefore not recommended that this term be used for purposes of comparison.

Reconciliation of the Group's free cash flow

	Q1–Q3 2003 millions of €	Q1–Q3 2002 millions of €	2002 millions of €
Cash generated from operations	**13,766**	**13,054**	**16,667**
Interest received/(paid)	**(2,722)**	(2,915)	(4,204)
Net cash provided by operating activities	**11,044**	10,139	12,463
Cash outflows from investments in intangible assets and property, plant and equipment (excl. goodwill)	**(3,651)**	(5,475)	(7,625)
Free cash flow before payment of dividends	**7,393**	**4,664**	**4,838**
Dividend	**(79)**	(1,578)	(1,582)
Free cash flow after payment of dividends	**7,314**	**3,086**	**3,256**

8 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 IAS 7 and DRS 2.

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 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.

- 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

	Sept. 30, 2003 billions of €	Dec. 31, 2002 billions of €	Sept. 30, 2002[b] billions of €
Bonds and debentures	**55.2**	56.7	58.8
Liabilities to banks	**4.4**	6.3	7.7
Debt (in accordance with consolidated balance sheet)[a]	**59.6**	**63.0**	**66.5**
Liabilities to non-banks from loan notes	**0.8**	0.8	0.6
Miscellaneous other liabilities	**0.3**	0.3	0.2
Gross debt[a]	**60.7**	**64.1**	**67.3**
Liquid assets	**10.7**	1.9	1.8
Other investments in marketable securities	**0.1**	0.4	0.5
Other investments in noncurrent securities	**0.1**	0.2	0.3
Other assets	**0.3**	0.2	0.1
Discounts on loans (prepaid expenses and deferred charges)	**0.3**	0.3	0.3
Net debt[a]	**49.2**	**61.1**	**64.3**

[a] Calculated and rounded on the basis of millions for the sake of greater precision.
[b] The prior-year comparatives as of September 30, 2002 have been adjusted in line with the redefinition described in detail in the 2002 Annual Report.