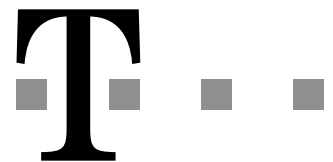
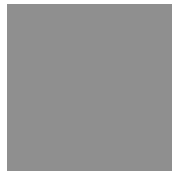


Deutsche Telekom  
Group Report  
January 1 to September 30, 2001



# Summary of the most important Group figures

Most important figures	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
Total revenue	34,993	29,222	19.7	40,939
Domestic	26,066	23,917	9.0	33,178
International	8,927	5,305	68.3	7,761
Net income/(loss)	(1,004)	8,445	n.a.	5,926
EBITDA adjusted to exclude special influences*	11,327	9,856	14.9	12,942
Net cash provided by operating activities	7,159	6,972	2.7	10,000
Investments in property, plant and equipment	6,300	4,951	27.2	7,563
Number of employees at balance sheet date	246,192	207,568	18.6	227,015
Number of shares at balance sheet date (in millions)	4,198	3,030	38.6	3,030

\* EBITDA excluding special influences: Net income plus income/loss applicable to minority shareholders, taxes, extraordinary income/loss, financial expense and depreciation and amortization, adjusted to exclude the special influences mentioned on page five. Deutsche Telekom believes that EBITDA before these special influences is useful as a supplemental measure of its current ability to meet future financial obligations. EBITDA adjusted to exclude special influences should not be regarded as a substitute for net cash provided by operating activities as a measure of liquidity.

Numbers of customers in selected services	September 30, 2001 millions	December 31, 2000 millions	Change Sept. 30, 2001/ Dec. 31, 2000 in %	September 30, 2000 millions	Change Sept. 30, 2001/ Sept. 30, 2000 in %
Telephone lines (incl. ISDN channels)	55.0	53.9	2.0	53.4	3.0
Deutsche Telekom (incl. public telephones)	50.5	49.4	2.3	48.9	3.3
AktivPlus customers	7.5	4.5	66.7	2.8	167.9
T-DSL contracts	1.4	0.6	133.3	0.2	600.0
ISDN channels	19.8	17.3	14.5	16.2	22.2
MATÁV	2.9	2.9	0.0	2.9	0.0
Slovenské Telekomunikácie <sup>1</sup>	1.6	1.6	0.0	1.6	0.0
Mobile phone subscribers					
Majority-owned subsidiaries <sup>2,3</sup>	45.6	37.9	20.3	32.1	42.1
of which: T-D1	22.6	19.1	18.3	16.1	40.4
of which: One2One	9.9	8.3	19.3	7.1	39.4
of which: VoiceStream <sup>2</sup>	6.3	4.8	31.3	4.1	53.7
of which: max.mobil	2.1	2.1	0.0	1.9	10.5
of which: Westel <sup>4</sup>	2.2	1.7	29.4	1.4	57.1
of which: RadioMobil <sup>2</sup>	2.5	1.9	31.6	1.5	66.7
Proportionate number of subscribers <sup>5</sup>	49.3	39.8	23.9	33.6	46.7
Total subscribers <sup>6</sup>	62.4	46.9	33.0	39.7	57.2
T-Online subscribers <sup>7</sup>	9.8	7.9	24.1	7.0	40.0
of which: T-Online	8.0	6.5	23.1	6.0	33.3
of which: Club-Internet	0.7	0.6	16.7	0.5	40.0
of which: Ya.com <sup>7</sup>	0.9	0.7	28.6	0.4	125.0
of which: others	0.2	0.1	100.0	0.1	100.0

<sup>1</sup> Slovenské Telekomunikácie was not consolidated in the first nine months of 2000, but is shown here pro forma to facilitate comparison.

<sup>2</sup> VoiceStream and RadioMobil were not consolidated in 2000, but are shown here pro forma to facilitate comparison.

<sup>3</sup> Number of subscribers of the consolidated mobile communications companies.

<sup>4</sup> Held directly and indirectly via MATÁV.

<sup>5</sup> Proportion of subscribers of all associated mobile communications companies pro rata to shareholding.

<sup>6</sup> Total number of subscribers of the consolidated mobile communications companies and total number of subscribers of other associated mobile communications companies.

<sup>7</sup> Ya.com was not consolidated in the first nine months of 2000, but is shown here pro forma to facilitate comparison.

# Ladies and Gentlemen, Dear Shareholders,

The purpose of this report is to give you detailed information about the first nine months of the 2001 financial year and recent developments.

Current economic developments show that Deutsche Telekom is maintaining its course of sustainable growth and will con-

tinue to do so in the future. The main reason for this is that Deutsche Telekom was very quick to concentrate the strategic focus of the Group on benefiting from the potential in the new growth areas of the markets it serves. Here is an overview of the main points:

- **Group revenue increased by 20 % to EUR 35.0 billion**
- **Group EBITDA increase (excluding special influences) of 15 % to EUR 11.3 billion**
- **EBITDA from mobile communications (incl. VoiceStream) doubled from EUR 1.1 billion to EUR 2.2 billion compared with the first nine months of last year**
- **Increase in cash generated from operations (from operating activities before interest expenses) of 20 % to EUR 10.4 billion**
- **Reduction of net debt by EUR 5.8 billion to EUR 65.2 billion at the end of the third quarter of 2001**
- **T-Mobile and mm02 agree to cooperate on UMTS infrastructure build-out**
- **Infrastructure joint venture between VoiceStream and U.S. mobile communications company Cingular Wireless leads to considerable savings for VoiceStream between 2002 and 2004**
- **T-D1 further strengthens its position as market leader in Germany**
- **Continued strong growth in T-DSL with 1.4 million lines marketed**
- **Deutsche Telekom AG successfully completes sale of cable TV network in Baden-Württemberg and signs agreement with Liberty Media for the sale of six further regions**
- **Acquisition of a 51 % the majority stake in the Croatian carrier Hrvatske Telekomunikacije d.d.**

# Summary

## Group revenue increased by 20 % to EUR 35.0 billion

Group revenue increased by approximately 20 % to EUR 35.0 billion compared with the first nine months of 2000 (EUR 29.2 billion). Excluding VoiceStream, revenue increased by approximately 15 %. T-Com contributed 41 % of Group revenue, T-Systems 24 %, T-Mobile International 26 % and T-Online 3 % and other segments 6 %. Almost 26 % of Group revenue was generated outside Germany.

The rapid T-DSL growth in the T-Com division continued with around 1.4 million lines sold by September 30, 2001. This means Deutsche Telekom continues to be the leader in Europe with the number of T-DSL lines marketed. The number of installed T-DSL lines increased by more than a factor of seven compared with the end of 2000 to 1.1 million. Compared with September 30, 2000, the number of ISDN channels continued to grow strongly by 22.4 % to 19.8 million channels in Germany. This makes Deutsche Telekom the European leader in terms of the number of ISDN channels. The number of customers selecting the AktivPlus tariff increased from 4.7 million at the end of 2000 to 7.5 million at September 30, 2001. The results of these positive effects include further growth in revenue from rental and installation charges and further stabilization of market shares for call charges. Revenue from rental and installation charges increased by over 5 % in the first nine months of 2001, compared with the same period last year. T-Com's total revenue decreased slightly, however, compared with the first nine months of last year to EUR 19.6 billion. This development is mainly attributable to the loss of revenues after the sale of the cable TV regions (North Rhine-Westphalia and Hesse) and price reductions for call charges.

**T-Systems** increased its revenue by over 42 % compared with the first nine months of 2000 to EUR 10.1 billion. The revenue increase in the T-Systems division is mainly attributable to first-time revenue contributions from debis Systemhaus, strong revenues from systems solutions, including services for Deutsche Post AG, and increases in revenues generated in domestic carrier services.

**T-Mobile** further strengthened its position as one of the world's leading mobile communications providers over the third quarter. Together, Deutsche Telekom's mobile communications companies and affiliates served a total of 62.4 million subscribers at September 30, 2001, which represents an increase of 3.7 million compared with June 30, 2001. T-D1 further strengthened its leading market position in Germany, where contract subscribers accounted for over 60% of all new subscribers. The number of T-D1 subscribers increased by 3.5 million in the first nine months of 2001 to 22.6 million. VoiceStream in the U.S., part of the T-Mobile Group since May 2001, gained 373,000 new subscribers in the third quarter of 2001, bringing the total number to 6.3 million. VoiceStream was particularly successful in attracting contract subscribers. They accounted for approximately 99 % of the net additions in the third quarter. ARPU (average revenue per user) remained stable in Germany, the United Kingdom, the U.S. and Austria in the period under review. Revenue in the T-Mobile division increased by 40 % compared with the same period last year to EUR 10.2 billion. Of this, EUR 1.5 billion relates to the first-time consolidation of VoiceStream and EUR 0.3 billion to the Czech carrier RadioMobil, which was consolidated for the first time. Excluding the newly consolidated companies, revenue increased by approximately 15 %.

Revenue in the **T-Online** division – including DeTeMedien – increased 33 % compared with the same period last year to EUR 1.0 billion. The number of T-Online customers increased by 576,000 in the third quarter of 2001 to 9.8 million. The positive operational development in the first nine months of 2001 resulted in a significant increase in revenue in the T-Online Group. Compared with the same period last year, revenues increased 49 % to EUR 809 million. The access business remains the strongest growth engine. The increase in revenue is mainly attributable to the strong growth in the number of customers and the continuous growth in usage through all tariffs. Portal revenue increased to a disproportionately large extent by 77 % compared with first nine months of 2000 to EUR 108 million.

The segment **"Other"** recorded revenue growth of 8 % to EUR 5.6 billion compared with the same period last year. This revenue increase is mainly attributable to the positive developments at MATAV and the first-time consolidation of Maktel and Slovenské Telekomunikácie.

## EBITDA excluding special influences increased by 15 % to EUR 11.3 billion

Deutsche Telekom generated Group EBITDA of EUR 14.1 billion in the first nine months of 2001. Adjusted for special influences (see page four), this represents an EBITDA increase of 15 %, EUR 1.5 billion, compared with the first three quarters of 2000 to EUR 11.3 billion.

EBITDA in the T-Com division amounted to EUR 6.8 billion in the first nine months of 2001. Adjusted to exclude the book profit from the cable TV company in Baden-Württemberg, EBITDA was EUR 5.9 billion compared with EUR 6.3 billion in the same period last year. EBITDA developed positively in the third quarter, improving by 10.3 % compared with the second quarter to EUR 2.0 billion.

EBITDA in the T-Systems division amounted to EUR 779 million compared with EUR 3.4 million in the first nine months of last year. Compared with the same period last year (excluding the sale of Global One for EUR 2.9 billion in the first quarter of 2000), the adjusted EBITDA increased by 37 % to EUR 779 as a result of the first-time consolidation of debis Systemhaus. The EBITDA margin improved from 5.3 % in the first six months of 2001 to approximately 8 % in the first nine months.

EBITDA margins increased compared with the second quarter, in particular at the main subsidiaries in which T-Mobile International holds a majority stake, T-Mobil in Germany, One2One in the United Kingdom, max.mobil. in Austria, and VoiceStream in the U.S. Overall, T-Mobile, including VoiceStream, generated an EBITDA of EUR 2.2 billion, which represents double the figure for the same period last year. The dilution effect of the IPO of MTS amounting to EUR 0.1 billion had a positive influence on the EBITDA from mobile communications in the third quarter of 2000.

DeTeMedien contributed EUR 91 million to the EBITDA of the T-Online division in the first nine months of 2001. EBITDA in the T-Online Group improved in the third quarter of 2001 to minus EUR 35 million compared with minus EUR 57 million in the second quarter. This is a result in particular of the positive migration of customers from the loss-making narrow-band flat rate to the new tariffs. EBITDA in the T-Online segments for the first nine months of 2001 was EUR -67 million.

The segment "Other" generated EBITDA of EUR 4.3 billion in the first nine months of 2001, compared with EUR 1.2 billion in the same period last year. The 2001 figure includes positive EBITDA contributions of the newly consolidated companies Slovenské Telekomunikácie and Maktel. It should be noted, however, that the EBITDA for the first nine months of 2000 was negatively influenced by the disposition of non-current assets and additions to accruals totaling EUR 826 million (see special influences). This is offset by the proceeds from the sale of Sprint FON and Sprint PCS shares amounting to EUR 1.8 billion (including consulting fees and selling expenses) in the first nine months of 2001. Adjusted to exclude these influences, EBITDA increased by 21 % to EUR 2.4 billion.

#### **Net income/loss**

Deutsche Telekom recorded a net loss of EUR 1.0 billion in the first nine months of 2001. The main negative effects on the result in the first nine months of 2001 were the amortization of goodwill amounting to EUR 1.8 billion and UMTS costs, including the tax effect of EUR 0.9 billion. Positive effects included the proceeds of the sale of Sprint FON and Sprint PCS shares for a total of EUR 1.8 billion (including consulting fees and selling expenses), and the capital gains from the sale of the cable TV company in Baden-Württemberg (EUR 0.9 billion). There was a negative impact from the nonscheduled write-down of the net carrying amount of the stake in France Telecom (EUR 0.4 billion) as a result of the share price decrease and further write-downs on financial assets (EUR 0.5 billion).

#### **Special influences in the first nine months of 2001**

The main special influences in the first nine months of 2001 were: proceeds from the sale of the cable TV company in Baden-Württemberg, the sale of shares in Sprint FON and Sprint PCS including consulting fees and selling expenses, in the amount of EUR 2,753 million with a full impact on EBITDA, and valuation adjustments relating to financial assets amounting to EUR 841 million. The valuation adjustments can be, attributed in particular to the write-down on the net carrying amount of the stake in France Telecom.

#### **Special influences in the first nine months of 2000**

Special influences impacting on EBITDA in the first nine months of 2000 amounted to EUR 8,703 million (in capital gains from the sale of Deutsche Telekom's stake in Global One, the North Rhine-Westphalia and Hesse cable TV companies and the dilution effects of the share offerings of T-Online, MTS and Comdirect). Expenses for additions to accruals and dispositions of noncurrent assets amounting to EUR 826 million had a negative effect on EBITDA in the same period. By contrast, nonscheduled write-downs on the legacy network amounting to EUR 971 million increased the level of depreciation and amortization. The sale of WIND improved the financial income/expense by EUR 2,328 million.

## Highlights

Deutsche Telekom AG successfully completes sale of cable TV network in Baden-Württemberg and signs agreement with Liberty Media for the sale of six further cable regions

- Deutsche Telekom AG is consistently executing its strategy for the sale of its cable TV network. Control of the majority stake in the Baden-Württemberg cable region was handed over to the new majority shareholder, Callahan Associates International LLC, on September 11, 2001. The capital gains of this transaction totaled EUR 908 million.
- On September 4, 2001, Deutsche Telekom concluded its negotiations and signed an agreement with Liberty Media Corporation for the sale of the remaining six regional cable TV companies still under majority ownership. Liberty Media will acquire these regions in full, as well as the activities of Deutsche Telekom Kabel-Services GmbH (DeTeKS) in these regions. Deutsche Telekom is also selling Media Services GmbH (MSG) to Liberty Media. Transfer of control of the regions will follow approval by anti-trust authorities.

#### **Deutsche Telekom sells more Sprint shares**

- Following the successful sale of Sprint FON shares in the second quarter of 2001, Deutsche Telekom sold a further 57 million Sprint PCS shares in August 2001 in the course of a public offering at a price of \$US 24.50 per share. Almost all Sprint PCS shares have now been sold. The value of this transaction was approximately EUR 1.6 billion. The sale of the Sprint PCS shares generates earnings of EUR 889 million, including selling expenses, in the third quarter.

#### **Reduction of net debt by EUR 5.8 billion to EUR 65.2 billion in the third quarter of 2001**

- The above-mentioned asset sales made a significant contribution to the reduction of net debt by EUR 5.8 billion to EUR 65.2 billion in the third quarter of 2001. Deutsche Telekom is consistently executing its debt reduction plan. Further sales of non-core assets and cash injections from other financing activities (including asset-backed financing) are to be expected in the coming months.

# Outlook

## **Acquisition of the majority stake in the Croatian company Hrvatske Telekomunikacije d.d. (HT)**

- Deutsche Telekom and the government of the Republic of Croatia announced Deutsche Telekom's acquisition of a majority stake in HT on October 25, 2001 in Zagreb. Under the terms of the agreement, Deutsche Telekom will acquire a further 16 % of HT for a purchase price of EUR 500 million. Having increased its stake to 51 %, Deutsche Telekom will consolidate HT from November 1, 2001. An initial 35 % of the shares were acquired in October 1999.

## **Deutsche Telekom sells more real estate**

- Deutsche Telekom has sold a package of real estate holdings valued at approximately EUR 0.6 billion to MSC Real Estate Investment via Sireo Real Estate Asset Management GmbH. This sale represents the successful execution of Deutsche Telekom's real estate disinvestment strategy. Further real estate sell-offs are currently in preparation.

## **Deutsche Telekom's ABS transactions**

- Deutsche Telekom is implementing a model which is already being used in a similar form by many other DAX companies. Deutsche Telekom AG is selling part of its customer receivables from the fixed-line business via so-called Asset-Backed Financing (ABS), which provides it a one-time cash injection. The value of the transaction is approximately EUR 2 billion. This reduces not only the net debt, but also financing costs, which in turn leads to savings on interest expenses.

## **T-Mobile and mm02 agree cooperation on UMTS roll-out**

- On September 21, 2001, T-Mobile International and the British company mm02 (formerly BT Wireless) entered into a definitive agreement for cooperation on the build-out and operation of their UMTS networks in Germany and the United Kingdom. This allows both companies and their respective country subsidiaries to achieve rapid, comprehensive and comparably cost-efficient construction of their UMTS networks in two of the largest and most important mobile communications markets in Europe.

## **Infrastructure joint venture between VoiceStream and the U.S. mobile communications carrier Cingular Wireless leads to considerable savings for VoiceStream between 2002 and 2004**

- VoiceStream and Cingular Wireless have entered into a joint venture which will allow both companies to share use of their existing GSM network infrastructure in the New York region (previously only VoiceStream) and California and Nevada (previously only Cingular). This will enable VoiceStream to save hundreds of millions of dollars in capital expenditures and operating expenses and to offer service much earlier than anticipated in California and Nevada.

## **Deutsche Telekom receives tax refund**

- Deutsche Telekom has received notification from the relevant tax authorities that the company may expect to be reimbursed for tax prepayments for the year 2000 and the current year to date. The refunds will be fully included in cash flows and will be used to further reduce debt.

## **Guidance for 2001\***

- Deutsche Telekom expects revenue growth of over 15 % for the full 2001 financial year.

- Deutsche Telekom is aiming for an EBITDA margin, adjusted to exclude special influences, of approximately 30 % for the 2001 financial year.

- Deutsche Telekom is also planning to double EBITDA from mobile communications for the full 2001 financial year. We continue to focus on high-value subscriber segments and increasing profitability in mobile communications. The T-Mobile division is expected to be one of the main engines of growth for the full 2001 financial year.

- The T-Online division is expecting continued customer growth. The migration of customers from the narrowband flat rate to other tariffs, now mostly completed, is being accelerated, as it expires on December 11, 2001.

- Net income is not expected to be positive. This will not affect the company's ability to pay dividends.

\* The occurrence of expectations and the achievement of targets depend on a range of factors which are described in the section "Forward-Looking Statements", in our most recent annual report on Form 20-F and in other documents filed with the SEC.

# Four pillars – four divisions

With its four divisions, Deutsche Telekom is currently one of the largest integrated telecommunications providers in Europe. Each of these divisions uses its specific specialized expertise to serve its respective markets with advanced, innovative product offerings.

## T-Com

In the four-pillar structure, T-Com serves 41 million residential customers and approximately 350,000 small and medium-sized enterprises in Germany. T-Com continues to manage the entire international interconnection business, the remaining broadband cable business, most of the value-added services and all of the terminal equipment business operated via T-Com Sales. As part of the provision of services between the segments, T-Com provides its network platform for the other divisions at market-oriented prices.

	3rd quarter 2001	3rd quarter 2000	September 30, 2001	September 30, 2000
T-Com	millions of €	millions of €	millions of €	millions of €
Total revenue	6,543	6,907	19,605	20,422
Depreciation and amortization	(1,182)	(1,837)	(3,487)	(4,745)
Net interest expense	(81)	(166)	(281)	(532)
Income (loss) related to associated and related companies	(469)	(37)	(473)	(36)
Income before taxes	1,168	3,137	2,601	3,929
Employees			117,879	122,562
EBITDA <sup>1</sup>	1,992	2,213	5,934	6,278

<sup>1</sup> EBITDA adjusted to exclude the special influences mentioned below. EBITDA adjusted to exclude special influences should not be regarded as a substitute for net cash provided by operating activities as a measure of liquidity.

Revenue increased in the third quarter of 2001 to EUR 6,543 million, compared with EUR 6,343 million in the second quarter, resulting in a seasonal increase of EUR 200 million. Revenue in the third quarter decreased slightly compared with the same period last year. Revenues decreased slightly in the first nine months of 2001 compared with the same period last year from EUR 20,422 million to EUR 19,605 million (excluding the revenues of EUR 0.2 billion of the cable TV companies in North Rhine-Westphalia and Hesse, which have since been sold). Growth in revenue from rental and installation charges in the area of ISDN and T-DSL had a positive impact of EUR 0.3 billion on revenues. Revenues from call charges decreased, however, particularly from long distance, regional and local calls, as a result of price cuts in 2000. There was a clear substitution of local fixed-line calls by mobile communications. Calls to mobile communications and online services developed positively, as a result of the increased traffic volume.

T-Com's EBITDA was EUR 6,842 million for the first nine months of 2001 and EUR 9,242 million for the same period in 2000. The sale of the cable TV regions North Rhine-Westphalia and Hesse in the third quarter of 2000 contributed EUR 2,964 million to the increased EBITDA for the first nine months of 2000. The only positive effect in the T-Com division in the first three quarters of 2001 was the profit from the sale of the cable TV region Baden-Württemberg amounting to EUR 908 million.

Without taking special influences into consideration, EBITDA decreased by EUR 344 million from EUR 6,278 million in the first nine months of 2000 to EUR 5,934 million in the same period this year. This decrease is mainly attributable to the lower revenues and the sale of the cable TV companies in North Rhine-Westphalia and Hesse. These two cable companies generated positive EBITDA of approximately EUR 0.1 billion in the first six months of 2000.

Income before taxes also decreased in the first nine months of 2001 as a reflection of the special influences in the third quarter of 2000 (sale of the cable regions North Rhine-Westphalia and Hesse), which were only partially offset by non-scheduled write-downs in the first and third quarters of 2000 (combined total EUR 971 million). Adjusted to exclude special influences, the income before taxes of the T-Com division increased slightly by EUR 231 million, which is mainly a result of the reduction in depreciation and amortization.

## T-Systems

T-Systems serves Deutsche Telekom's domestic and international key account customers. T-Systems offers integrated services in the convergence sector of information technology (IT) and telecommunications. With debis Systemhaus, Deutsche Telekom has become the second largest systems solutions provider in Europe and is in a position to offer its customers not only information technology and telecommunications solutions, but also e-business systems solutions from a single source.

	3rd quarter 2001	3rd quarter 2000	September 30, 2001	September 30, 2000
T-Systems	millions of €	millions of €	millions of €	millions of €
Total revenue	3,364	2,493	10,081	7,086
Depreciation and amortization	(335)	(149)	(969)	(433)
Net interest expense	1	(29)	(3)	(61)
Income (loss) related to associated and related companies	2	0	(4)	6
Income before taxes	93	(74)	(197)	2,943
Employees			41,142	18,308
EBITDA <sup>1</sup>	425	104	779	567

<sup>1</sup> EBITDA adjusted to exclude the special influences mentioned below. EBITDA adjusted to exclude special influences should not be regarded as a substitute for net cash provided by operating activities as a measure of liquidity.

Domestic carrier services and systems solutions for business customers had a particularly positive impact on revenue development in the T-Systems division. Furthermore, having been consolidated in the financial statements of Deutsche Telekom, the debis Systemhaus group contributed to the revenue increase of 42.3 % compared with the first nine months of 2000 to EUR 10,081 million in the period under review.

Adjusted to exclude special influences, EBITDA in the T-Systems division increased by EUR 212 million compared with the same period last year, which represents an increase of 37 % and reflects the positive revenue development. EBITDA in the first nine months of 2000 included the proceeds of the sale of the stake in Global One, which amounted to EUR 2,864 million. The EBITDA margin excluding this special influence improved continuously in the first nine months of 2001 compared with the same period last year to 7.7 %.

The main cause of the reduction in income before taxes in the first nine months of 2001 is the that this figure does not contain the proceeds of the sale of the stake in Global One, included in the results for the year 2000. The amortization of goodwill continued to negatively impact results.

### T-Mobile

T-Mobile's business includes all the activities of the T-Mobile International group. Via its subsidiaries, T-Mobile currently provides mobile communications services in Germany, the United Kingdom, the U.S., Austria and the Czech Republic and has shareholdings in mobile communications companies in Poland, the Netherlands, Russia and Canada. T-Mobil, One 2 One, VoiceStream/Powertel, max.mobil., RadioMobil and T-Motion are consolidated along with T-Mobile International AG as the parent company.

	3rd quarter 2001	3rd quarter 2000	September 30, 2001	September 30, 2000
T-Mobile	millions of €	millions of €	millions of €	millions of €
Total revenue	4,193	2,708	10,166	7,265
Depreciation and amortization	(1,719)	(593)	(3,483)	(1,584)
Net interest expense	(664)	(233)	(1,781)	(675)
Income (loss) related to associated and related companies	(25)	(2)	(133)	(15)
Income before taxes	(1,601)	(363)	(3,215)	(1,236)
Employees			27,652	15,722
EBITDA <sup>1</sup>	807	354	2,182	951

<sup>1</sup> EBITDA adjusted to exclude the special influences mentioned below.  
EBITDA adjusted to exclude special influences should not be regarded as a substitute for net cash provided by operating activities as a measure of liquidity.

The mobile communications division was a major driver of EBITDA and revenue growth in the Deutsche Telekom Group in the third quarter of 2001.

Revenues increased by EUR 2,901 million in the first nine months of 2001 compared with the same period last year. In the third quarter alone, revenues increased by EUR 1,485 million. Besides the positive effects of the first-time consolidation of RadioMobil on April 1, 2001 (EUR 304 million) and the U.S. mobile communications provider VoiceStream/Powertel on June 1, 2001 (EUR 1,513 million), the increase in new mobile subscribers at T-Mobil and One2One had a positive impact on the development of revenues in the first nine months of 2001.

EBITDA, excluding special influences, more than doubled to EUR 2,182 million in the period under review from EUR 951 million in the first nine months of 2000. This considerable improvement was boosted in particular by the reduction in subscriber acquisition costs in the pre-pay segment. As a result, margins improved considerably compared to last year in almost all consolidated mobile communications companies.

The amortization of goodwill for VoiceStream/Powertel (EUR 505 million) and the increased UMTS amortization (EUR 543 million before taxes) and the considerably higher financing costs as a result of the high level of investment were the main reasons for the reduction in income before taxes.

### T-Online

T-Online is Europe's largest online provider, measured in terms of number of subscribers. It is represented with its companies in France, Spain, Portugal, Austria and Switzerland. T-Online concentrates on the growth areas of access and portals (advertising/e-commerce). In addition to the business activities of the T-Online Group, Deutsche Telekom also includes in the T-Online segment the activities of DeTeMedien, which works with T-Online subsidiaries to a large extent, such as t-info.

As part of its strategic focus, T-Online will develop from an Internet access provider to a content-focused Internet media network.

	3rd quarter 2001	3rd quarter 2000	September 30, 2001	September 30, 2000
T-Online	millions of €	millions of €	millions of €	millions of €
Total revenue	335	254	1,042	783
Depreciation and amortization	(41)	(32)	(143)	(68)
Net interest expense	44	45	133	81
Income (loss) related to associated and related companies	(12)	(8)	(26)	(13)
Income before taxes	(24)	94	(103)	2,704
Employees			3,041	2,098
EBITDA <sup>1</sup>	(15)	(12)	(67)	54

<sup>1</sup> EBITDA adjusted to exclude the special influences mentioned below.  
EBITDA adjusted to exclude special influences should not be regarded as a substitute for net cash provided by operating activities as a measure of liquidity.

Compared with the same period last year, revenue in the T-Online segment increased in the period under review by 33.1 % to EUR 1,042 million. This is mainly a result of the strong growth in the revenue of the T-Online International Group to EUR 809 million, a 49 % increase compared with the same period last year. This increase is attributable on the one hand to the strong customer growth and the increased usage across all tariffs. On the other hand, the portal area (advertising/e-commerce) developed better than average compared with the first nine months of last year. Portal business contributed 13 % to the revenue of the T-Online International Group in the first nine months of 2001.

The improvement of EBITDA in the third quarter compared with the first and second quarters is attributable to increases in efficiency in domestic operations and at foreign subsidiaries. The high EBITDA in the first nine months of 2000 was a result in particular of the proceeds relating to the initial public offering of T-Online International AG and the capital increase of comdirect (EUR 2,764 million).

Furthermore, increased amortization of goodwill, in particular relating to companies acquired by the T-Online Group in the year 2000, and the non-inclusion of proceeds from the initial public offering of T-Online contributed to a decline in income before taxes from EUR 2,704 million in the first three quarters of 2000 to minus EUR 103 million in the first three quarters of 2001.



## Other

The segment "Other" combines a variety of Group units whose activities cannot be assigned directly to an individual division. These include Deutsche Telekom's headquarters, competence centers, such as customer billing, and the real estate companies. This segment also includes several foreign subsidiaries and affiliates. This mainly relates to MATÁV and Slovenské Telekomunikácie.

<b>Other segments</b>	<b>3rd quarter 2001</b> millions of €	<b>3rd quarter 2000</b> millions of €	<b>September 30, 2001</b> millions of €	<b>September 30, 2000</b> millions of €
Total revenue	1,934	1,761	5,557	5,122
Depreciation and amortization	(448)	(423)	(1,323)	(1,147)
Net interest expense	(450)	(509)	(1,276)	(847)
Income (loss) related to associated and related companies	(384)	2,287	(333)	2,217
Income before taxes	464	2,049	1,324	1,382
Employees			47,879	37,251
EBITDA <sup>1</sup>	857	696	2,411	1,985

<sup>1</sup> EBITDA adjusted to exclude the special influences mentioned below.  
EBITDA adjusted to exclude special influences should not be regarded as a substitute for net cash provided by operating activities as a measure of liquidity.

The revenue increase of 8.5 % in the segment "Other" is mainly attributable to the revenue contributions of Maktel and Slovenské Telekomunikácie, which were not consolidated in the first nine months of 2000. Furthermore, increased revenue from MATÁV's mobile communications segment, a result of subscriber growth, also contributed to revenue growth in this segment.

Adjusted to exclude special influences, EBITDA increased by 21.5 %. Unadjusted EBITDA amounted to EUR 4,256 million for the first nine months of 2001 and EUR 1,159 million for the same period in 2000. Special influences had a major impact on both of these figures. These influences include, in particular, losses from dispositions of noncurrent assets and increased additions to accruals (total EUR 826 million) in the first nine months of 2000. The influences in the first nine months of 2001, on the other hand, included the proceeds from the sale of Sprint FON and Sprint PCS shares as well as one-time expenses mainly relating to the sale of these shares (totaling EUR 1,845 million). There were additional positive effects on EBITDA in the first nine months of 2001 from the newly consolidated eastern European companies Maktel and Slovenské Telekomunikácie amounting to a total of EUR 270 million.

In addition to the special influences already mentioned in the EBITDA explanation, the sale of shares in WIND in the third quarter of 2000 (EUR 2,328 million) is also significant for the comparison of income before taxes.

# Summary of the consolidated financial statements as at September 30, 2001

Consolidated statement of income	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Net revenue</b>	<b>34,993</b>	<b>29,222</b>	<b>19.7</b>	<b>40,939</b>
Changes in inventories and other own capitalized costs	788	707	11.5	864
<b>Total operating performance</b>	<b>35,781</b>	<b>29,929</b>	<b>19.6</b>	<b>41,803</b>
Other operating income	4,941	10,144	(51.2)	11,002
Goods and services purchased	(9,842)	(8,381)	17.4	(11,950)
Personnel costs	(8,663)	(7,038)	23.1	(9,718)
Depreciation and amortization	(9,392)	(7,958)	18.0	(12,991)
Other operating expenses	(8,137)	(6,921)	17.6	(10,424)
Financial income (expense), net	(4,192)	126	n.a.	(1,230)
of which, net interest expense	(3,222)	(2,052)	57.0	(3,097)
<b>Results from ordinary business activities</b>	<b>496</b>	<b>9,901</b>	<b>(95.0)</b>	<b>6,492</b>
Extraordinary income (losses)	0	(138)	n.a.	(159)
Taxes	(1,385)	(1,219)	13.6	(318)
<b>Income (loss) after taxes</b>	<b>(889)</b>	<b>8,544</b>	<b>n.a.</b>	<b>6,015</b>
(Income) losses applicable to minority shareholders	(115)	(99)	16.2	(89)
<b>Net income (loss)</b>	<b>(1,004)</b>	<b>8,445</b>	<b>n.a.</b>	<b>5,926</b>

Consolidated balance sheet	September 30, 2001 millions of €	Dec. 31, 2000 millions of €	Change in %	September 30, 2000 millions of €
<b>Assets</b>				
Noncurrent assets	147,462	106,606	38.3	107,778
Current assets <sup>1</sup>	18,184	17,636	3.1	18,365
<b>Balance sheet total</b>	<b>165,646</b>	<b>124,242</b>	<b>33.3</b>	<b>126,143</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	66,717	42,716	56.2	43,632
Liabilities <sup>2</sup>	98,929	81,526	21.4	82,511
<b>Balance sheet total</b>	<b>165,646</b>	<b>124,242</b>	<b>33.3</b>	<b>126,143</b>

<sup>1</sup> Including prepaid expenses, deferred charges and deferred taxation.

<sup>2</sup> Including accruals and deferred income.

# Changes in the composition of the Deutsche Telekom Group

Deutsche Telekom acquired shareholdings in various German and foreign companies in 2000 and 2001 which were not included in the consolidated financial statements as at September 30, 2000. This mainly relates to VoiceStream/Powertel and RadioMobil at T-Mobile, the debis Systemhaus group at T-Systems, Club-Internet at T-Online and Slovenské Telekomunikácie and Maktel in the segment "Other". The

following shows the effects of the new acquisitions on the individual items of the consolidated statement of income and the segment reporting for the first nine months of 2001. The depreciation and amortization shown below includes the amortization of goodwill relating to these companies totaling EUR 950 million.

## Effects of new acquisitions on the consolidated statement of income in the first nine months of 2001

	VoiceStream/ Powertel millions of €	RadioMobil millions of €	Total T-Mobile millions of €	DSH millions of €	T-Systems millions of €	T-Online millions of €	Other millions of €	Total millions of €
<b>Net revenue</b>	<b>1,513</b>	<b>304</b>	<b>1,817</b>	<b>2,201</b>	<b>2,210</b>	<b>29</b>	<b>508</b>	<b>4,564</b>
Changes in inventories and other								
own capitalized costs	62	1	63	84	84	7	36	190
Other operating income	7	27	34	89	89	1	23	147
Goods and services purchased	(548)	(115)	(663)	(761)	(766)	(33)	(129)	(1,591)
Personnel costs	(344)	(16)	(360)	(1,033)	(1,041)	(19)	(86)	(1,506)
Depreciation and amortization	(1,280)	(65)	(1,345)	(435)	(448)	(72)	(221)	(2,086)
Other operating expenses	(878)	(81)	(959)	(339)	(350)	(31)	(83)	(1,423)
Financial income (expense), net	(204)	(12)	(216)	137	136	(2)	(16)	(98)
<b>Results from ordinary business activities</b>	<b>(1,672)</b>	<b>43</b>	<b>(1,629)</b>	<b>(57)</b>	<b>(86)</b>	<b>(120)</b>	<b>32</b>	<b>(1,803)</b>
Taxes	(16)	(18)	(34)	(101)	(102)	0	(36)	(172)
<b>Net income/(loss) after taxes</b>	<b>(1,688)</b>	<b>25</b>	<b>(1,663)</b>	<b>(158)</b>	<b>(188)</b>	<b>(120)</b>	<b>(4)</b>	<b>(1,975)</b>
(Income) losses applicable to minority shareholders	12	(21)	(9)	(42)	(42)	10	(8)	(49)
<b>Net income/(loss)</b>	<b>(1,676)</b>	<b>4</b>	<b>(1,672)</b>	<b>(200)</b>	<b>(230)</b>	<b>(110)</b>	<b>(12)</b>	<b>(2,024)</b>

The sale of Eurobell generates a deconsolidation effect of EUR 67 million in the total revenue compared with the same period last year; the deconsolidation effect of the sale of the

cable business in North Rhine-Westphalia/Hesse amounts to EUR 0.2 billion

## Other operating income

### Other operating income

	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Other operating income</b>	<b>4,941</b>	<b>10,144</b>	<b>(51.2)</b>	<b>11,002</b>

Other operating income in the first nine months of 2001 amounted to EUR 4,941 million, representing a decrease of EUR 5,203 million (51.2 %) compared to the same period in 2000 (EUR 10,144 million).

The decrease is mainly attributable to the discontinuation of earnings resulting from the sale of interests totaling EUR 5,828 million (sale of Global One EUR 2,864 million and cable sale EUR 2,964) and the dilution effect of the T-Online initial public offering (EUR 2,657 million) in the first nine months of 2000.

This effect is offset in the period under review by the special influence resulting from the sale of Sprint FON and Sprint PCS shares (amounting to EUR 1,845 million) and the sale of the cable network in Baden Württemberg by Kabel Deutschland GmbH, with proceeds of EUR 908 million.

The remainder of the change in other operating income is mainly attributable to an increase of EUR 297 million in proceeds from foreign currency transaction gains to EUR 450 million.

# Goods and services purchased

Goods and services purchased	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Goods and services purchased</b>	<b>(9,842)</b>	<b>(8,381)</b>	<b>17.4</b>	<b>(11,950)</b>

Goods and services purchased increased by EUR 1,461 million in the first nine months of 2001 compared with the same period last year, and therefore increased to a greater extent than revenue. This is mainly attributable to the additional goods

and services purchased relating to the newly consolidated companies (EUR 1,591 million). This increase was offset by a decrease in expenses for goods purchased, particularly for mobile communications terminal equipment.

## Personnel

Personnel costs	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Personnel costs</b>	<b>(8,663)</b>	<b>(7,038)</b>	<b>23.1</b>	<b>(9,718)</b>

Personnel costs increased by EUR 1,625 million, 23.1 %, in the first nine months of 2001 compared to the same period last year. Of this increase, EUR 1,506 million relates to changes in the composition of the Deutsche Telekom Group, mainly debis Systemhaus (EUR 1,033 million), VoiceStream/Powertel (EUR 344 million) and Slovenské Telekomunikácie (EUR 69 million). Excluding the changes in the composition of the Deutsche Telekom Group, personnel costs increased by 1.7 %.

The average number of employees in the first nine months of 2001 increased by 21.3 % compared with the same period last year. Excluding the changes in the composition of the Deutsche Telekom Group, the average number of employees increased by 4.8 %.

The number of employees at September 30, 2001 was 246,192, or 19,177 (8.4 %) higher than at December 31, 2000. Excluding VoiceStream (15,648 employees) and other changes in the composition of the Deutsche Telekom Group, the total number of employees is 2,624 (1.2 %) lower than at the end of the 2000 financial year. Deutsche Telekom AG contributed to this development with a staff reduction of 1,301 employees compared with last year.

Employee numbers increased by 38,624 (18.6 %) compared with September 30, 2000. In addition to the development in 2001 as explained, factors in the fourth quarter of 2000 which had a particular impact on employee numbers were the first-time consolidation of debis Systemhaus with 20,481 employees, staff reduction at DTAG (minus 2,294 employees) and personnel growth at DT Mobile Holdings (One 2 One) with 1,306 employees.

Average number of employees	September 30, 2001 number	September 30, 2000 number	Change in %	Total 2000 number
Civil servants	57,201	66,625	(14.1)	65,217
Employees (excl. civil servants) <sup>1</sup>	180,392	129,316	39.5	139,815
<b>Deutsche Telekom Group</b>	<b>237,593</b>	<b>195,941</b>	<b>21.3</b>	<b>205,032</b>
Trainees/student interns	7,487	6,317	18.5	6,826

Number of employees at balance sheet date	September 30, 2001 number	September 30, 2000 number	Change in %	Total 2000 number
Civil servants	55,741	59,901	(6.9)	62,703
Employees (excl. civil servants) <sup>1</sup>	190,451	167,114	14.0	144,865
<b>Deutsche Telekom Group</b>	<b>246,192</b>	<b>227,015</b>	<b>8.4</b>	<b>207,568</b>
Trainees/student interns	9,725	8,327	16.8	8,227

<sup>1</sup> Since the new collective agreement came into force at DTAG on July 1, 2001, there is no longer any differentiation between wage earners and salaried employees; instead, a single figure for employees is shown.

# Depreciation and amortization

Depreciation and amortization	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
UMTS amortization	(543)	(196)	177.0	(381)
Amortization of goodwill	(1,799)	(832)	116.2	(1,247)
Other depreciation and amortization	(7,050)	(6,931)	1.7	(11,363)
<b>Total depreciation and amortization</b>	<b>(9,392)</b>	<b>7,958</b>	<b>18.0</b>	<b>(12,991)</b>

Depreciation and amortization increased in the first nine months of 2001 by 18 % to EUR 9,392 million, compared with the same period last year. This increase is a result in particular of depreciation and amortization amounting to EUR 2,081 million relating to the companies included in the consolidated financial statements of Deutsche Telekom Group for the first time since October 1, 2000. This figure includes EUR 950 million for the amortization of goodwill, most of which relates to VoiceStream/ Powertel (EUR 0.5 billion) and debis Systemhaus (EUR 0.2 billion).

Including the nonscheduled write-downs in the first nine months of 2000 on parts of the legacy network and telecommunications equipment amounting to EUR 971 million and the amortization of the UMTS licenses acquired in Austria, Germany and the United Kingdom in the year 2000, other depreciation and amortization only changed slightly.

# Other operating expenses

Other operating expenses	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Other operating expenses</b>	<b>(8,137)</b>	<b>(6,921)</b>	<b>17.6</b>	<b>(10,424)</b>

Other operating expenses increased by 17.6 % in the first three quarters of 2001 compared with the same period last year. The increase of EUR 1.2 billion is mainly attributable to changes in the composition of the Deutsche Telekom Group (VoiceStream, debis Systemhaus and Slovenské Telekomunikácie). This was partially offset by the discontinuation of

special influences from the year 2000 (EUR 826 million) which related mainly losses on the disposition of noncurrent assets and additions to accruals. In the first nine months of 2001, by contrast, special influences only totaled EUR 104 million and were mainly attributable to expenses and consulting fees for the sale of Sprint FON and Sprint PCS shares.

# Financial income (expense), net

Financial income (expense), net	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Financial income (expense), net</b>	<b>(4,192)</b>	<b>126</b>	<b>n.a.</b>	<b>(1,230)</b>
of which, net interest expense	(3,222)	(2,052)	57.0	(3,097)

The increase in financial liabilities in 2000 and at the beginning of the period under review had a negative impact on the net interest expense, an element of net financial income, of approximately EUR 2 billion in the first nine months of 2001. The increase from EUR 1.2 to Euro 3.2 billion can be attributed in particular to the financing of the acquisition of UMTS licenses and shareholdings. This includes net interest expense from financing the acquisition of UMTS licenses amounting

to approximately EUR 0.8 billion. The nonscheduled write-down of the stake in France Telecom, as a result of the share price, and further write-downs on financial assets, also had a negative impact (EUR 841 million) on financial expense. The increase in financial expense is also attributable to the sale of WIND. WIND made a positive contribution of EUR 2,328 million to the income/loss related to subsidiaries, associated and related companies in the first nine months of 2000.

# Taxes

Taxes	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
<b>Taxes</b>	<b>(1,385)</b>	<b>(1,219)</b>	<b>13.6</b>	<b>(318)</b>

The Group's income before taxes was EUR 496 million in the first nine months of 2001. Taxes increased by EUR 166 million from EUR 1,219 million to EUR 1,385 million, mainly as a result of income taxes. This is attributable to the composition and the origin of the Group's income before taxes.

Last year the Group's results contained, to a considerable extent, influences which had no tax effect, in particular the tax-free sale of Global One/Atlas SA, but also the proceeds from new shareholders in the course of the IPO of T-Online, and the sale of the minority stake in WIND. The Group's results in the first nine months of 2001, however, only include

tax-free proceeds from the sale of Sprint shares. Conversely, increased, non-tax-deductible expenses were recorded compared with the first nine months of 2000, decreasing the Group's results without any tax effect. These include, in particular, increased amortization of goodwill. Furthermore, there was an increase in losses attributable to subsidiaries outside the tax consolidation group which can only be used as part of their tax losses carried forward.

The Group's taxable income increased compared with the first nine months of 2000. The consequence of this is that income taxes also increased.

# Investments

Investments	September 30, 2001 millions of €	September 30, 2000 millions of €	Change in %	Total 2000 millions of €
Intangible assets	25 614	19 623	30,5	23 123
Property, plant and equipment	6 300	4 951	27,2	7 563
Financial assets	1 612	10 659	(84,9)	12 382
<b>Total</b>	<b>33 526</b>	<b>35 233</b>	<b>(4,8)</b>	<b>43 068</b>

Deutsche Telekom invested EUR 33,526 million in the first nine months of 2001. Investments in intangible assets amounting to EUR 25,614 million relate mainly to goodwill at VoiceStream/Powertel and RadioMobil. The increase in property, plant and equipment amounting to EUR 6,300 million relates mainly to investments in the build-up and expansion of networks (including the roll-out of T-DSL) and work in progress of Deutsche Telekom AG and the T-Mobile International group and investments in property, plant and equipment at VoiceStream/Powertel.

The transactions from the first investment in VoiceStream, DT/FT Italian Holding (WIND) and PTC all took effect on financial assets in the first nine months of last year. There were no comparable influences in the period under review.

# Financial liabilities

Financial liabilities	September 30, 2001 millions of €	June 30, 2001 millions of €	Change in %	September 30, 2000 millions of €
<b>Net financial liabilities<sup>1</sup></b>	<b>65,181</b>	<b>71,003</b>	<b>(8,2)</b>	<b>55,352</b>

<sup>1</sup> Financial liabilities after deduction of liquid assets, marketable securities and other investments in noncurrent securities and interest rate swaps currency swaps shown under other assets.

Deutsche Telekom reduced its net financial liabilities by EUR 5.8 billion in the third quarter of 2001 from EUR 71.0 billion to EUR 65.2 billion. The changes reflect the sale of Sprint PCS shares (EUR 1.6 billion), the sale of the cable

company in Baden-Württemberg (EUR 0.9 billion) and the remaining purchase price of WIND (EUR 2.3 billion) and foreign currency fluctuations.

# Cash flows

Cash flows	September 30, 2001 millions of €	September 30, 2000 millions of €	Total 2000 millions of €
<b>Net cash provided by operating activities</b>	<b>7,159</b>	<b>6,972</b>	<b>10,000</b>
<b>Net cash used for investing activities</b>	<b>(4,063)</b>	<b>(24,633)</b>	<b>(27,706)</b>
<b>Net cash provided by financing activities</b>	<b>(2,737)</b>	<b>19,575</b>	<b>17,863</b>
Effect of foreign exchange rate changes and cash equivalents	(53)	(35)	(29)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>306</b>	<b>1,879</b>	<b>128</b>

## Net cash provided by operating activities

Net cash provided by operating activities in the first nine months of 2001 amounted to EUR 7,159 million. This represents an increase of EUR 187 million compared with the same period last year. Taking into consideration the increase of EUR 1,517 million in net interest payments, cash generated from operations increased by EUR 1.704 million, or by 20 %, to EUR 10,374 million. Although net income is EUR 9,449 million lower than in the first nine months of the previous year, the prior-year figures were attributable to a considerable extent to the proceeds from new shareholders in the course of the T-Online IPO (EUR 2.7 billion), which have no effect on net cash provided by operating activities. Furthermore, in the first nine months of 2000, the proceeds from the sale of shares in Global One (EUR 2.9 billion) and the sale of shares in the cable companies in North Rhine-Westphalia and Hesse (EUR 3.0 billion) were recorded under net cash used for investing activities. Accordingly, in the period under review, the proceeds from the sale of Sprint shares (EUR 1,845 million) are recorded under net cash used for investing activities and therefore also have no impact on net cash provided by operating activities. The Group's results also include a higher level of depreciation and amortization, which does not result in an outflow of cash.

## Net cash used for investing activities

Net cash used for investing activities decreased in the first nine months of 2001 by EUR 20,570 million to EUR 4,063 million. The considerably higher cash outflow in the previous year is mainly attributable to the high level of expenditure for the acquisition of UMTS licenses in the United Kingdom and

Germany (EUR 15.1 billion) and the acquisition of stakes in other companies. A total of EUR 5,448 million was invested in the period under review for the acquisition of consolidated companies, in particular VoiceStream and Powertel. In addition, the Group made investments in property, plant and equipment, in particular technical equipment and machines and work in progress, as well as financial assets, totaling EUR 7,594 million. These investments are offset by disinvestments amounting to EUR 3,763 million, of which EUR 2.6 billion relates to the sale of WIND shares alone. In addition, the Group received a cash injection of EUR 914 million from the sale of the Baden Württemberg cable region. The net change in short-term investments and marketable securities (EUR 4,401 million) also had a positive effect on net cash used for investing activities, of which EUR 3.4 billion is attributable to the sale of Sprint shares alone.

## Net cash provided by financing activities

Net cash used for financing activities in the first nine months of 2001 amounted to EUR 2,737 million compared an injection from financing activities of EUR 19,575 million in the same period last year. Net financial liabilities decreased by EUR 834 million in the period under review, compared with an increase of EUR 18,239 last year. In addition, the Group received a cash injection last year of EUR 3,080 million from the T-Online IPO, for which there are no equivalent injections from capital increases in the period under review. There was a cash outflow of EUR 1.9 billion, the same level as last year, from the payment of dividends.

# Accounting

## German GAAP and U.S. GAAP

- Deutsche Telekom prepares its consolidated financial statements in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and German Stock Corporation Law (Aktiengesetz – AktG).
- Deutsche Telekom uses, to a considerable extent, accounting and valuation principles in line with those of U.S. GAAP (generally accepted accounting principles – GAAP) applicable at the balance sheet date. Deviations between the accounting principles in Deutsche Telekom's consolidated financial statements and those of U.S. GAAP are, in most cases, the result of binding rules of German GAAP which contradict those of U.S. GAAP. As far as possible, Deutsche Telekom's aim is to publish its financial statements in accordance with the principles of both German and U.S. GAAP so that the reconciliation positions included in the notes to the financial statements are kept to a minimum. Deutsche Telekom intends to publish in connection with a report to the U.S. Securities and Exchange Commission (SEC) an extended quarterly report in line with the requirements of the SEC, including a reconciliation to U.S. GAAP, which will then be filed with the SEC on form 6-K and simultaneously published on our website at [www.telekom.de](http://www.telekom.de).

## Methods of accounting and valuation

- Deutsche Telekom uses the same methods of accounting and valuation for preparing its quarterly financial statements as for its annual financial statements. A detailed description of the methods used can be found in the notes to the consolidated financial statements of December 31, 2000.

## Segment reporting

- The composition and designation of the segments was adjusted in the first quarter of 2001 for the first time to bring them line with the new structure under the reorganization of the Deutsche Telekom Group. The areas of activity of the new segments have already been described. All segment information in this report has been prepared in accordance with U.S. Statement of Financial Accounting Standards (SFAS) 131.
- The following tables give an overall summary of the new segments of Deutsche Telekom for the first nine months of 2000 and 2001. As well as the details of the segments, there is also a reconciliation line. The reconciliation line mainly contains consolidation measures. The nonscheduled write-down for real estate, which did not relate to the operational business activities of the segments and did not have any effect on the internal management of the segments, represents the main element of the reconciliation line for the 2000 financial year.
- Since the first six months of 2001, certain internally generated amounts have been excluded from the income/loss related to subsidiaries, associated and related companies of the segments; prior-year figures have been adjusted accordingly.

### Segment information in accordance with SFAS 131 for the 2000 financial year

	Net revenue	Revenue between segments	Total revenue	Depreciation and amortization	Net interest expense <sup>1</sup>	Income (loss) related to associated and related companies	Income before taxes <sup>2</sup>
	2000 financial year millions of €	2000 financial year millions of €	2000 financial year millions of €	2000 financial year millions of €	2000 financial year millions of €	2000 financial year millions of €	2000 financial year millions of €
T-Com	20,170	7,441	27,611	(6,036)	(737)	(239)	4,373
T-Systems	8,460	2,226	10,686	(754)	(114)	15	2,498
T-Mobile	8,994	1,362	10,356	(2,337)	(1,370)	(127)	(2,350)
T-Online	1,038	90	1,128	(93)	127	(9)	2,628
Other segments	2,277	4,834	7,111	(1,758)	(1,074)	2,213	1,154
Reconciliation	0	(15,953)	(15,953)	(2,013)	71	14	(1,970)
Group	40,939	0	40,939	(12,991)	(3,097)	1,867	6,333

<sup>1</sup> Net interest expense was allocated to the segment T-Mobile which is not included in the consolidated financial statements of T-Mobile International.

<sup>2</sup> The extraordinary expenses included in the income before taxes amount to EUR 159 million for the entire year, EUR 13 million of which relates to T-Mobile and EUR 146 million to T-Online.



Segment information in accordance with SFAS 131 for the first nine months of 2001	Net revenue	Revenue between segments	Total revenue	Depreciation and amortization	Net interest expense <sup>1</sup>	Income (loss) related to associated and related companies	Income before taxes <sup>2</sup>
	September 30, 2001	September 30, 2001	September 30, 2001	September 30, 2001	September 30, 2001	September 30, 2001	September 30, 2001
	September 30, 2000	September 30, 2000	September 30, 2000	September 30, 2000	September 30, 2000	September 30, 2000	September 30, 2000
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
T-Com	14,514	5,091	19,605	(3,487)	(281)	(473)	2,601
	15,167	5,255	20,422	(4,745)	(532)	(36)	3,929
T-Systems	8,252	1,829	10,081	(969)	(3)	(4)	(197)
	5,529	1,557	7,086	(433)	(61)	6	2,943
T-Mobile	9,009	1,157	10,166	(3,483)	(1,781)	(133)	(3,215)
	6,242	1,023	7,265	(1,584)	(675)	(15)	(1,236)
T-Online	968	74	1,042	(143)	133	(26)	(103)
	722	61	783	(68)	81	(13)	2,704
Other segments	2,250	3,307	5,557	(1,323)	(1,276)	(333)	1,324
	1,562	3,560	5,122	(1,147)	(847)	2,217	1,382
Reconciliation	0	(11,458)	(11,458)	13	(14)	(1)	86
	0	(11,456)	(11,456)	19	(18)	19	41
Group	34,993	0	34,993	(9,392)	(3,222)	(970)	496
	29,222	0	29,222	(7,958)	(2,052)	2,178	9,763

<sup>1</sup> Net interest expense was allocated to the segment T-Mobile which is not included in the consolidated financial statements of T-Mobile International.

<sup>2</sup> The extraordinary expenses included in the income before taxes amount to EUR 138 million for the first nine months of 2000, EUR 24 million of which relates to T-Mobile and EUR 114 million to T-Online. No extraordinary income (loss) was recorded in the first nine months of 2001.

Bonn, November 2001  
Deutsche Telekom AG

The Board of Management

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